ANNUAL REPORT

2022年報

RICI HEALTHCARE HOLDINGS LIMITED

瑞慈醫療服務控股有限公司

CONTENTS

Definitions

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

“2023 AGM”	the AGM to be held on June 19, 2023
“AGM”	annual general meeting of the Company
“Articles of Association” or “Articles”	the memorandum and articles of association of our Company, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Beijing Rich”	Beijing Rich Ruitai Clinic Co., Ltd. (北京瑞慈瑞泰綜合門診部有限公司), a company incorporated in the PRC with limited liability on May 20, 2015 and an indirectly wholly-owned subsidiary of the Company
“Board of Directors” or “Board”	our board of Directors
“BVI”	British Virgin Islands
“CG Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules
“Changzhou Rich”	Changzhou Rich Hospital Co., Ltd. (常州瑞慈醫院有限公司) (formerly known as Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. (常州瑞慈婦產醫院有限公司)), a company incorporated under the laws of the PRC with limited liability on July 12, 2016 and an indirectly non-wholly-owned subsidiary of the Company prior to the completion of the disposal in June 2022
“Chelsea Grace”	Chelsea Grace Holdings Limited (翠慈控股有限公司), a company incorporated in the BVI with limited liability on July 11, 2014, which is entirely owned by Dr. Mei
“Chengdu Rich”	Chengdu Jinjiang Rich Clinic Co., Ltd. (成都錦江瑞慈門診部有限公司), a company incorporated in the PRC with limited liability on November 6, 2013, which is an indirectly wholly-owned subsidiary of our Company
“China” or “PRC”	the People’s Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Company”, “our Company”, “Rici”, “Group”, “our Group”, “we” or “us”	Rici Healthcare Holdings Limited (瑞慈醫療服務控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on July 11, 2014 and except where the context indicated otherwise, (i) our subsidiaries and (ii) with respect to the period before our Company became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)

"Company Secretary"	the secretary of the Company
"Controlling Shareholder(s)"	Dr. Mei and Chelsea Grace or any one of them
"Director(s)"	the director(s) of our Company or any one of them
"Dr. Fang"	Dr. Fang Yixin, our chairman, chief executive officer, executive Director and the spouse of Dr. Mei and the father of Mr. Fang Haoze
"Dr. Mei"	Dr. Mei Hong, our executive Director, a Controlling Shareholder and the spouse of Dr. Fang and the mother of Mr. Fang Haoze
"Grade A, Grade B and Grade C"	hospitals in China can be categorized into Class I, II and III in terms of service quality, management level, medical equipment, hospital size and medical technology. Each class can be further divided into Grade A, Grade B and Grade C. Class III Grade A hospitals are the top level hospitals in China
"Hainan Xinmu"	Hainan Xinmu Medical Management Co., Ltd. (海南新睦醫療管理有限公司), a company incorparated under the laws of the PRC with limited liability on March 25, 2022 and is majority-owned by Hainan Qinmu Medical Management Co., Ltd. (海南沁睦醫療管理有限公司), which is in turn wholly owned by Hainan New Frontier United Family Health Management Co., Ltd (海南新風和睦家醫療管理有限公司), a subsidiary of United Family Healthcare Limited (和睦家醫療有限公司)
"Hangzhou Rich"	Hangzhou Rich Medical Clinic Co., Ltd. (杭州瑞慈醫療門診部有限公司), a company incorporated in the PRC with limited liability on December 1, 2016 and an indirectly wholly-owned subsidiary of the Company
"Hefei Rich"	Hefei Shushan Rich Clinic Co., Ltd. (合肥蜀山瑞慈健康體檢門診部有限公司), a company incorporated in the PRC with limited liability on June 29, 2015, which is an indirectly wholly-owned subsidiary of the Company
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, each being the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IPO"	the initial public offering of the Company, having become unconditional in all aspects on October 6, 2016
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	October 6, 2016, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange

Definitions

"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
"Nanjing Rich"	Nanjing Rich Clinic Co., Ltd. (南京瑞慈門診部有限責任公司), a company incorporated in the PRC with limited liability on December 1, 2008, which is an indirectly wholly-owned subsidiary of our Company
"Nantong Rich Hemodialysis Centre"	Nantong Rich Hemodialysis Centre Co., Ltd. (南通瑞慈血液透析有限公司), a company incorporated in the RPC with limited liability on September 8, 2017, which is an indirectly wholly-owned subsidiary of our company
"Nantong Rich Meidi Elderly Care Centre"	Nantong Rich Meidi Elderly Care Centre Co., Ltd. (南通瑞慈美邸護理院有限公司), a company incorporated in the PRC with limited liability on August 19, 2014, which is a subsidiary of joint venture of our Group
"Nantong Rich Hospital"	Nantong Rich Hospital Co., Ltd. (南通瑞慈醫院有限公司), a company incorporated in the PRC with limited liability on August 14, 2000, which is an indirectly wholly-owned subsidiary of our Company
"NHC"	the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"Nomination Committee"	the nomination committee of the Board
"OGP"	obstetrics, gynecology and pediatrics
"Prospectus"	the prospectus of the Company dated September 26, 2016
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on September 19, 2016
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2022
"Rici Ruijing"	Shanghai Rici Ruijing Clinic Co., Ltd (上海瑞慈瑞靜門診部有限公司), a company incorporated under the laws of the PRC with limited liability on March 11, 2022 and an indirectly wholly-owned subsidiary of the Company prior to the completion of the disposal contemplated under the equity transfer agreement entered into on August 18, 2022 by and between, among others, Shanghai Ruikui and Hainan Xinmu

"Rici Shuixian"	Shanghai Shuixian Obstetrics & Gynecology Hospital Co. Ltd. (上海瑞慈水仙婦兒醫院有限公司), a company incorporated in the PRC with limited liability on October 17, 2016 and an indirectly non-wholly-owned subsidiary of the Company prior to the completion of the disposal in September 2022
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Rich"	Shanghai Rich Clinic Co., Ltd. (上海瑞慈門診部有限公司), a company incorporated in the PRC with limited liability on February 14, 2007, which is an indirectly wholly-owned subsidiary of our Company
"Shanghai Ruikui"	Shanghai Ruikui Health Consulting Co., Ltd. (上海瑞魁健康諮詢有限公司), a company incorporated under the laws of the PRC with limited liability on August 25, 2014, which is an indirectly wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) of US$0.0001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on September 19, 2016
"Shenzhen Rich Medical Exam"	Shenzhen Rich Medical Examination Management Co., Ltd. (深圳瑞慈健康體檢管理有限公司), a company incorporated in the PRC with limited liability on September 17, 2010, which is an indirectly wholly-owned subsidiary of our Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Wuhan Rich"	Wuhan Rich Clinic Co., Ltd. (武漢瑞慈門診部有限公司), a company incorporated in the PRC with limited liability on January 29, 2015, which is an indirectly wholly-owned subsidiary of our Company
"%"	per cent.

Corporate Profile

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Chen Kun *(Solicitor of HKSAR)*

AUTHORISED REPRESENTATIVES

Dr. Fang Yixin
Mr. Chen Kun

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

Shanghai Pudong Development Bank
Zhangjiang Hi-Tech Park Branch
151 Keyuan Road
Pudong New District
Shanghai
PRC

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

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

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

HONG KONG LEGAL ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE AND BOARD LOT

Stock Code: 1526
Board Lot: 1,000

WEBSITE

www.rich-healthcare.com

Milestones

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

Financial Highlights

- Revenue from continuing operations for the year ended December 31, 2022 was RMB2,375.0 million, representing a decrease of 0.1% from revenue of RMB2,377.2 million from continuing operations for the year ended December 31, 2021.
- Gross profit from continuing operations for the year ended December 31, 2022 was RMB927.2 million, representing a decrease of 4.9% from gross profit of RMB975.2 million from continuing operations for the year ended December 31, 2021.
- Profit attributable to owners of the Company for the year ended December 31, 2022 amounted to RMB290.8 million, as compared to profit attributable to owners of the Company of RMB181.6 million for the year ended December 31, 2021.
- Adjusted EBITDA from continuing operations for the year ended December 31, 2022 was RMB819.1 million, representing a decrease of 2.9% from adjusted EBITDA of RMB843.2 million from continuing operations for the year ended December 31, 2021.

Financial Summary

	For the Year Ended December 31,				
	2018[2]	2019[2]	2020[2]	2021[2]	**2022[2]**
	RMB'000	RMB'000	RMB'000	RMB'000 (Represented)*	**RMB'000**
Revenue	1,373,936	1,726,206	1,925,190	2,377,207	**2,375,027**
Gross profit	386,203	483,982	580,664	975,217	**927,202**
Profit/(loss) before income tax	(175,747)	(168,248)	(108,823)	392,075	**327,190**
Income tax (expense)/credit	39,470	(2,250)	16,326	(98,373)	**(84,041)**
Profit/(loss) for the year from continuing operations	(136,277)	(170,498)	(92,497)	293,702	**243,149**
Profit/(loss) for the year from discontinued operations	—	—	—	(167,597)	**24,038**
Profit/(loss) for the year	(136,277)	(170,498)	(92,497)	126,105	**267,187**
Profit/(loss) attributable to:					
Owners of the Company	(53,836)	(69,163)	(7,876)	181,553	**290,793**
Non-controlling interests	(82,441)	(101,335)	(84,621)	(55,448)	**(23,606)**
Adjusted EBITDA[1]	170,708	404,665	468,214	843,223	**819,132**

	As at December 31,				
	2018	2019	2020	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	2,362,676	4,070,577	4,210,994	4,536,199	**4,566,858**
Total liabilities	1,655,614	3,507,641	3,878,554	3,948,773	**3,662,032**
Equity attributable to the owners of the Company	694,501	644,235	505,809	677,500	**953,918**

Note:

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

(2) The Group has disposed the specialty hospitals services business during the year ended December 31, 2022. The specialty hospital business has been represented as discontinued operations in the consolidated statement of profit or loss for the years ended December 31, 2022 and 2021. For the purpose of this financial summary, the specialty hospital business has not been represented as discontinued operation for the years ended December 31, 2018, 2019 and 2020, respectively.

Chairman's Statement

To the Shareholders,

On behalf of the Board, I would like to present this annual report of the Group for the year ended December 31, 2022.

The year 2022 was a year of great change for China's medical and health industry landscape. The continuous optimization of China's pandemic prevention policies has fundamentally reduced the pressure on the medical system. As a result, public awareness of health and demand for self-medication increased, accelerating the release of the potential of the healthcare industry. With the deepening of China's healthcare system reform, the Chinese government has issued a number of policies to encourage the development of private medical institutions with high quality. In May 2022, the State Council promulgated the National Healthcare Plan during the 14th Five-Year Plan (《「十四五」國民健康規劃》) (the "**Plan**"), which calls for strongly promoting the public health construction in China, accelerating the implementation of the public health initiative in China and deepening the reform of the healthcare system. It also encouraged social forces to set up non-profit medical institutions in areas with weak medical resources and areas of shortage such as rehabilitation, nursing, and mental health. Among the key development indicators, according to the Plan, it was expected that the total size of the health services sector would exceed RMB11.5 trillion by 2025.

In terms of the capital market, in the post-pandemic era, the rebound in medical demand has become a consensus, and the healthcare industry remained a hot spot for capital investment. According to the 2022 Global Healthcare Industry Capital Report (2022年全球醫療健康產業資本報告) published by VBDATA.CN (動脈網), the number of global healthcare financing in 2022 was the second highest in history with the amount of financing ranking the third highest in history. Active investment market and abundant capital support are the inexhaustible impetus for the good development of the medical industry.

The year 2022 also marks the 20th anniversary of the founding of the Group. Over the past two decades, the Rici Group has grown from a general hospital in Nantong to a diversified private integrated medical service group with certain national influence. We endeavour to compete and strive to lead. In 2022, the Group continued its positive momentum, further enhancing its operational efficiency and brand influence. On the one hand, each business segment continuously strengthened its talent team, improved its medical and technical standards and service capabilities, and fulfilled its promise of high-quality medical care; on the other hand, it actively optimized its internal management, refined its operations through process arrangement and key node control, and achieved growth in operation efficiency. In the future, the Group will continue focusing on the main industry, further strengthen the construction and management of medical services, concentrate on promoting the brand of Rici, and build Rici into the first brand of high-quality medical services in China.

In 2022, Nantong Rich Hospital entered a new stage of high quality development. In September 2022, XMEDIC International Medical Examination Center of Nantong Rich Hospital Phase II was officially put into operation. In October 2022, Nantong Rich Hospital reached cooperation agreements with six renowned hospitals affiliated with Fudan University, including Zhongshan Hospital and Huashan Hospital. During the Reporting Period, Nantong Rich Hospital successfully applied for 12 topics of Nantong Health Commission (南通市衛健委) and two topics of Nantong Science and Technology Bureau (南通市科技局), won the third prize of Nantong New Technology Introduction Award (南通市新技術引進獎), and two employees were awarded the title of the third-level cultivation target of the Sixth Session of Jianghai Talent Cultivation Project of Nantong City (南通市第六期江海英才市級培養專項). The general hospital business has reached a new level in terms of brand influence and clinical treatment standards. In 2022, despite the recurrence of COVID-19 pandemic, Nantong Rich Hospital assumed its social responsibility to guard the last line of defense for pandemic prevention and control, effectively stopping the spread of the pandemic in Nantong. During the Reporting Period, the number of inpatient visits of Nantong Rich Hospital reached 26,141 (29,395 in 2021), the number of outpatient visits reached 356,610 (357,611 in 2021), and the revenue of Nantong Rich Hospital segment reached RMB631.112 million.

Chairman's Statement

The spreading of the COVID-19 pandemic in regions across China, especially the closure and control of Shanghai in the first half of the year and the surge in the rate of COVID-19 infections brought about by the major adjustment of the pandemic prevention policy at the end of the year, had a certain degree of negative impact on the normal operation of the Group's medical examination business. During the Reporting Period, the medical examination segment continued to adhere to the strategy of dual brand operation and development of key markets, with the mid-to-high-end brand "Rici Medical Examination" and the high-end brand "XMEDIC International Medical Examination Center" complementing each other, and continued to cultivate the two key markets of Shanghai and Jiangsu, and actively explored the Greater Bay Area and other regional core cities. In the generally difficult environment of the medical examination industry, the Group achieved a modest growth in revenue from the medical examination business by improving medical quality and service quality, actively developing online sales channels and continuously optimizing the customer structure. During the Reporting Period, the total number of customer visits under the medical examination business was 3,258,925 with a revenue of RMB1,765.39 million, representing an increase of 4.1% over the revenue of 2021.

Clinical care services are in immediate demand. As China is an aging society, the increasing proportion of the elderly population has built the cornerstone of our general hospital business. In the future, the general hospital segment will continue to strengthen the construction of key disciplines, deepen technical cooperation, and build a team of high-caliber talents to continuously improve medical technology and service quality and provide high-quality medical services to patients. With the increase in disposable income per capita and self-care awareness, the demand for high quality medical examination products has become increasingly prominent, as evidenced by the resilience of the medical examination industry after the adjustment of the pandemic prevention policy. In the future, the medical examination business will continue to implement the dual-brand strategy of "Rici Medical Examination" and "XMEDIC International Medical Examination Center" complementing each other, continue to cultivate the Shanghai and Jiangsu markets, actively explore new markets, and further improve operational efficiency to meet the new needs of consumers for medical examination services in the post-pandemic era.

Finally, on behalf of the Board, I would like to express my heartfelt thanks to all shareholders, investors and partners of the Group for their sincere company in the past year, and at the same time, I would like to express my sincere respect for the hard work of the Group's management team and all employees. We believe that against the backdrop of a large population base, aging population, technological innovation and deepening healthcare reform, the healthcare industry is poised for significant growth in terms of scale and structure. Rici insists on being medical-oriented and responds to the definite trend of long-term growth of industry demand, which will surely yield fruitful results. In the future, the people of Rici will not forget their original aspirations and take up the mission of "serving life and making life healthier" to provide higher quality healthcare services for the people of China and continue to create value returns for shareholders.

Chairman
Fang Yixin

March 31, 2023

Profiles of Directors and Senior Management

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

DIRECTORS

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

Name	Age	Position	Date of Appointment as Director
Executive Directors			
Dr. Fang Yixin (方宜新)	58	Chairman, executive Director and chief executive officer	February 3, 2016
Dr. Mei Hong (梅紅)	58	Executive Director	July 11, 2014
Mr. Fang Haoze (方浩澤)	34	Executive Director	June 24, 2019
Ms. Lin Xiaoying (林曉穎)	45	Executive Director	June 24, 2019
Independent non-executive Directors			
Dr. Wang Yong (王勇)	57	Independent non-executive Director	June 23, 2016
Ms. Wong Sze Wing (黃斯穎)	44	Independent non-executive Director	June 23, 2016
Mr. Jiang Peixing (姜培興)	55	Independent non-executive Director	June 6, 2017

Executive Directors

Dr. Fang Yixin (方宜新), aged 58, is the chairman of the Board, an executive Director and the chief executive officer of our Company. Dr. Fang is responsible for managing the overall business operations, strategic planning and brand management, and is responsible for the business operation of Nantong Rich Hospital of our Group. Dr. Fang has over 30 years of experience in the healthcare industry and is a founder of our Group. Prior to establishing our Group, Dr. Fang served as a medical doctor in the Affiliated Hospital of Nantong University (南通大學附屬醫院) from September 1986 to July 1992. In 1992, Dr. Fang first ventured into the healthcare industry and set up Jiangsu Tayoi Cosmetics Co., Ltd. (江蘇東洋之花化妝品股份有限公司) and has been its director since then. Dr. Fang established the first company of our Group, Nantong Rich Hospital, in August 2000. He has also served as an executive director of the majority of our Group companies. Dr. Fang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Dr. Fang graduated from Yangzhou College of Medicine (揚州醫學院) (currently known as Yangzhou University School of Medicine) majoring in medicine in August 1986 and an EMBA from Tsinghua University in July 2006, and obtained a doctor degree of business administration from University of Minnesota in 2018. Dr. Fang is spouse of Dr. Mei Hong (an executive Director of Company) and father of Mr. Fang Haoze (an executive Director of Company. For Dr. Fang's interest in the shares of the Company under SFO, please refer to the section headed "Directors' Report-Interests of Directors and Chief Executive in Securities.".

Profiles of Directors and Senior Management

Dr. Mei Hong (梅紅), aged 58, is an executive Director and executive vice president of the Company. Dr. Mei is responsible for logistics management, information management, and construction management of our Group. Prior to establishing our Group, Dr. Mei served as a medical doctor in Nantong Women and Children Health Clinic (南通市婦幼保健院) from September 1986 to December 1999. Dr. Mei, as a co-founder of our Group, has been a director of Nantong Rich Hospital since its inception and as director of the majority of our Group companies. Dr. Mei is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Dr. Mei graduated from Yangzhou College of Medicine (揚州醫學院) (currently known as Yangzhou University School of Medicine) majoring in clinical medicine in August 1986. Dr. Mei is the spouse of Mr. Fang Yixin (an executive Director) and mother of Mr. Fang Haoze (an executive Director). For Dr. Mei's interest in the shares of the Company under SFO, please refer to the section headed "Directors' Report — Interests of Directors and Chief Executive in Securities".

Mr. Fang Haoze (方浩澤), aged 34, is an executive Director, executive vice president of the Company, the general manager of the medical examination business department, and the general manager of the audit department of the Company. Mr. Fang is responsible for the overall operation and management of the medical examination business department and the internal audit. Mr. Fang received a bachelor's degree in economics from Penn State University in 2014 and joined the Group in August 2014. Mr. Fang is the son of Dr. Fang, the chairman, an executive Director and chief executive officer of the Company, and Dr. Mei, an executive Director.

Ms. Lin Xiaoying (林曉穎), aged 45, is an executive Director, executive vice president and the chief operating officer of the Company, and is responsible for the financial, legal, investment and financing, human resources, administrative affairs of the Group. Ms. Lin joined the Group in July 2017 as the assistant to president, general manager of human resources center and director of the president office, and was appointed as a vice president of the Company in January 2018. Prior to joining the Group, Ms. Lin served in several positions in ZTE Corporation (中興通訊股份有限公司, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 0763) and Shenzhen Stock Exchange (stock code: 000063)), including the chief of operation management department of the handset division, the chief of commercial department and the chief commercial officer of the international sales division from July 1999 to July 2017. Ms. Lin received a bachelor's degree in international economics from Renmin University of China (中國人民大學) in 1999 and a master's degree in business administration from University of Management and Technology in the United States of America in June 2006.

Independent Non-executive Directors

Dr. Wang Yong (王勇), aged 57, is an independent non-executive Director. Dr. Wang is responsible for supervising and providing independent judgement to our Board. Dr. Wang has extensive experience in EMBA education research, particularly in the area of innovation and business growth management. Dr. Wang served as project manager of the Institute of Mechanical and Electrical, and manager of Water and Power Equipment Plant and Exhibition Model Plant of China Institute of Water Resources and Hydropower Research (中國水利水電科學研究院) in charge of scientific research and operation management from July 1988 to July 2002. Since August 2002, Dr. Wang has been director of Tsinghua University School of Economics and Management EMBA Centre (清華大學經濟管理學院EMBA教育中心), director of the Executive Education Centre and the Entrepreneur Scholars Program in succession. From November 2018 to December 2023, and from April 2020 to June 2025, Dr. Wang will serve as independent director of Everbright Securities Co., Ltd. (a company listed on Shanghai Stock Exchange (stock code: 601788) and the Main Board of the Stock Exchange (stock code: 6178)) and Yunnan Copper Industry Co., Ltd. (a company listed on Shenzhen Stock Exchange (stock code: 000878)). Save as disclosed above, Dr. Wang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Dr. Wang received a bachelor of science degree in hydraulic machinery from Huazhong University of Science and Technology (華中科技大學) in July 1988, a master of business administration and a doctor of business administration degree from Tsinghua University in January 2001 and January 2009, respectively.

Ms. Wong Sze Wing (黃斯穎), aged 44, is an independent non-executive Director. Ms. Wong is responsible for supervising and providing independent judgment to our Board. Prior to joining our Group, Ms. Wong was an associate and later an audit manager of PricewaterhouseCoopers from September 2001 to December 2006. From January 2007 to April 2008, Ms. Wong was the chief finance director of Orange Sky Golden Harvest Entertainment (Holdings) Limited (橙天嘉禾娛樂(集團)有限公司) (a company listed on the Main Board of the Stock Exchange (stock code: 1132)), and has been its independent non-executive director since April 2010, responsible for advising on strategic and financial planning in the China market. Ms. Wong was also previously the chief finance director of Avex Music and Imaging Production (China) Co., Ltd. (艾迴音樂影像製作(中國)有限公司), a joint venture company under Orange Sky Entertainment (International) Holdings Limited, from January 2007 to April 2008. Ms. Wong was deputy chief financial officer of Yingde Gases Company Limited (盈德氣體集團有限公司) since joining in July 2008, and has been chief financial officer and joint company secretary since February 2009, responsible for its investor relations, financial, investment and internal control. Ms. Wong Sze Wing was appointed as an independent director of Wangsu Science & Technology Co., Ltd. (網宿科技股份有限公司) (a company listed on Shenzhen Stock Exchange (stock code: 300017)) in April 2017, an independent non-executive director of Jiangxi Ganfeng Lithium Co.,Ltd. (江西贛鋒鋰業股份有限公司) (a company listed on Shenzhen Stock Exchange (stock code: 002460) and the Main Board of the Stock Exchange (stock code: 1772)) in June 2018, and an independent non-executive director of Giant Biogene Holding Co., Ltd. (巨子生物控股有限公司) (a company listed on the Main Board of the Stock Exchange (stock code: 2367)) in May 2022. Save as disclosed above, Ms. Wong is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Ms. Wong received a bachelor's degree in business administration from the University of Hong Kong in November 2001 and an EMBA from the China Europe International Business School (中歐國際商學院) in July 2012. Ms. Wong has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2005.

Profiles of Directors and Senior Management

Mr. Jiang Peixing (姜培興), aged 55, is an independent non-executive Director. Mr. Jiang is responsible for supervising and providing independent judgment to our Board. Prior to joining our Group, Mr. Jiang has been the chairman of the board of directors of Huade Capital Management Group Co., Ltd. (華德資本管理集團有限公司) since May 2017, an independent non-executive director of Hebei Tangshan Rural Commercial Bank Co., Ltd. (河北唐山農村商業銀行股份有限公司) since 2015, and the chairman of the board of directors of Beijing Huaxiang Lianxin Technology Co., Ltd. (北京華翔聯信科技股份有限公司) (a company listed on the National Equities Exchange and Quotations (stock code: 874037)) since March 2019. Mr. Jiang has extensive experience in corporate finance. Mr. Jiang served as chief executive officer of Zhong De Securities Company Limited (中德證券有限責任公司) from August 2011 to April 2017, and managing director thereof from June 2011 to April 2017. Mr. Jiang served as deputy chief executive officer of CCB International (Holdings) Limited (建銀國際(控股)有限公司) from July 2009 to June 2011. Mr. Jiang served as general manager of Investment Management Department of the head office of China Merchant Bank Co., Ltd. (招商銀行股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600035) and the Main Board of the Stock Exchange (stock code: 3968)), from September 2008 to July 2009, and general manager of the investment bank department thereof from 2006 to 2007. Mr. Jiang served as president of CMB International Capital Corporation Limited (招銀國際金融有限公司) from January 2005 to September 2008. Mr. Jiang served as assistant to president of China Galaxy Securities Co., Ltd. (中國銀河證券有限責任公司), a company listed on the Shanghai Stock Exchange (stock code: 601881) and the Main Board of the Stock Exchange (stock code: 6881), from July 2000 to January 2005, and general manager of its Shanghai headquarters from October 2002 to April 2004. Mr. Jiang served as general manager of Shenzhen Yangguang Fund Management Co., Ltd. (深圳陽光基金管理有限公司) from March 1996 to February 2000. Mr. Jiang served as deputy general manager of Futures Business Department of PICC Trust Investment Corporation (中國人保信託投資公司) from January 1994 to March 1996. Save as disclosed above, Mr. Jiang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Mr. Jiang received a bachelor's degree in information system management from Tsinghua University (清華大學) in July 1991, a master's degree in business administration from Tsinghua University in July 1999, a master's degree in public administration from Columbia University in June 2002, and obtained a doctor degree of business administration from University of Minnesota in 2018.

Senior Management

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

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

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

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

Management Discussion and Analysis

BUSINESS OVERVIEW AND STRATEGIC OUTLOOK

Industry Overview

2022 is the second year of the 14th Five-Year Plan, which is also a critical point for promoting the quality development of the healthcare service industry. In early 2022, the NHC issued the Guiding Principles for Planning the Establishment of Medical Institutions (2021–2025) (《醫療機構設置規劃指導原則(2021–2025年)》), proposed to build a high quality, balanced and efficient healthcare service system. Industry merge and acquisition (M&A) and consolidation cases have increased significantly since the pandemic. According to the China Equity Investment Market Research Report 2022 (《2022年中國股權投資市場研究報告》) published by Zero2IPO Research (清科研究), biotechnology/healthcare was the industry with the highest number of investment cases in the China M&A market in 2022.

In the hospital industry, in recent years, the Chinese government has introduced a number of policies to encourage the development of nongovernmental hospitals to increase the supply of medical services to alleviate the problem of large supply-demand gap and unbalanced distribution of medical services. The Report to the 20th National Congress of the Communist Party of China stated that the development of private hospitals shall be standardized, the policy of which, from the 18th to 20th National Congress, has shifted from "encouraging" to "supporting" and further to "being standardized". Such change showed that the future development of private hospitals would be systematic and standardized, with more emphasis on improving quality and efficiency, and the development environment of private hospitals would be further optimized. The Nantong Healthcare Development Plan during the 14th Five-Year Plan (《南通市「十四五」衛生健康發展規劃》) proposed to improve the policy system of healthcare industry, not to impose planning restrictions on the total amount of places and spatial layout of socially run medical institutions, and to guide social capital to run medical institutions in new urban areas, suburban areas and other areas with relatively weak medical resources. In addition, this Plan encouraged social capital to run medical institutions for shortages of mental, rehabilitation and nursing care and facilitated the development of such institutions to become high-end, large-scale and collective organizations, so as to drive their own development at a high level. It was encouraged that public and private hospitals develop cooperation in talent, technology and management, support the innovation of service models and supervision, and strengthen the supervision of service quality, collaborative supervision and industry integrity governance, so as to continuously improve the level of standardization, normalization and internationalization.

In terms of the medical examination industry, according to the China Health Statistics Yearbook (《中國衛生健康統計年鑒》) issued previously, the number of medical examinations in 2021 was 549 million, an increase of 60% compared to 344 million in 2011, and the penetration rate of the national medical examination industry was 38.9% in 2021. As China had a large number of sub-healthy people, chronic disease patients and elderly people, it launched the national strategy of "Healthy China" (健康中國). As a result, the concept of health gradually changed from "disease treatment-centered" to "health promotion-centered", driving the long-term development of the industry. With the continuous optimization of the pandemic prevention and control policy in the second half of 2022, the concept of "being the first person responsible for one's own health" gained popularity, and the public had a stronger demand for health management services, which, coupled with the factors of short-term shortage of public medical resources, has led to a positive recovery in the industry.

General Hospital Business

Nantong Rich Hospital, as the first private Class III Grade B general hospital in Jiangsu province, is one of the three high-level large-scale integrated medical institutions in Nantong. Nantong Rich Hospital took the initiative and acted proactively to ensure the pandemic prevention and control in Nantong Development Zone, and supported Shanghai, Wuxi, Xinjiang and Beijing. In September 2022, XMEDIC International Medical Examination Center of Nantong Rich Hospital Phase II was officially put into trial operation, which has become a new masterpiece for Rici to seek differentiated development in Nantong and precisely meet the diverse medical demands of people.

During the Reporting Period, Nantong Rich Hospital and its partner hospitals actively promoted "Internet+" medical treatment and launched regular remote single-disciplinary treatment and multidisciplinary treatment (MDT) services by Shanghai experts. During the Reporting Period, Nantong Rich Hospital obtained outstanding achievements in relation to scientific research. It successfully applied for 12 topics of Nantong Health Commission (南通市衛健委) and two topics of Nantong Science and Technology Bureau (南通市科技局), won the third prize of Nantong New Technology Introduction Award (南通市新技術引進獎), and two employees were awarded the title of the third-level cultivation target of the Sixth Session of Jianghai Talent Cultivation Project of Nantong City (南通市第六期江海英才市級培養專項).

In October 2022, Nantong Rich Hospital signed cooperation agreements with six renowned hospitals affiliated with Fudan University in Shanghai, including Zhongshan Hospital, Huashan Hospital, Oncology Hospital, Obstetrics and Gynecology Hospital, Pediatric Hospital, and Eye and ENT Hospital. In the future, "Fudan Medical" (復旦醫療) will work with Rici to build a clinical medical sub-center for special diseases, cultivate new management and medical innovation talents for Rici, and help Nantong Rich Hospital achieve high quality development of comprehensive strength.

During the Reporting Period, due to the implementation of the pandemic prevention requirements during the resurgence of the pandemic, the regular medical treatment of Nantong Rich Hospital was affected. It provided services for 356,610 outpatient visits (2021: 357,611) and 26,141 inpatient visits (2021: 29,395), representing a year-on-year decline of 0.3% and 11.1%, respectively. Nantong Rich Hospital optimized its revenue structure by improving its core indicators, actively treating COVID-19 cases from physical examination section, and increasing medical revenue from outpatient examinations and tests. During the same period, the drug ratio decreased by 2.6 percentage points, the average hospital stay was shortened by 0.54 day, the surgery to discharge ratio increased by 3.1 percentage points, and the service revenue increased by 2.6 percentage points.

Located in Nantong Rich Hospital, Rich Meidi Elderly Care Centre is jointly formed by Nantong Rich 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 of December 31, 2022, Rich Meidi Elderly Care Centre served 101 elderly people (2021: 103) with an occupancy rate of 94.2% (2021: 95.3%). The occupancy rate decreased by 1.1 percentage points during the Reporting Period compared to last year as the care center implemented the pandemic prevention requirements for fully closed-off management during the pandemic.

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 continued to adhere 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 Center" complementing each other, and continued to cultivate the two key markets of Shanghai and Jiangsu, and actively explore the Greater Bay Area and other regional core cities. As of December 31, 2022, the Group had 74 medical examination centers in China, among which 60 centers were in operation, covering 29 cities. Their presence was mainly concentrated on first tier, new first tier and second tier cities.

During the Reporting Period, in order to comprehensively improve the quality of medical examination services, the medical examination segment implemented "quality management projects" to "perfect medical quality, optimize service processes, improve the environment, enhance service etiquette, and enhance breakfast quality, etc." In terms of medical quality control, this segment provided stratified management and return visits for important abnormal results, and provided interpretation of individual reports, consultation and health education if necessary. In terms of optimizing the service flow, it increased the number of medical guides and roving staff, and regularly maintained the equipment to shorten the waiting time of people requiring medical examinations. In terms of improving the medical examination experience, it beautified the environment and improved staff service etiquette. Through the implementation of the quality management project, it has achieved remarkable results, including scientific and reasonable processes, thoughtful and delicate services, concise and orderly inspections, and timely and accurate reports.

During the Reporting Period, the spreading of the COVID-19 pandemic in regions across China, especially the closure and control of Shanghai in the first half of the year and the surge in the rate of COVID-19 infections brought about by the major adjustment of the pandemic prevention policy at the end of the year, disrupted the normal operation of the Group's medical examination business, which had brought a certain degree of negative impact. In this generally difficult environment for the medical examination industry, the Group insisted on improving medical quality and service quality and continued to optimize the customer structure. It steadily promoted the transformation and upgrade of its business from corporate customers to individual customers by actively developing online sales, etc., and still achieved a modest growth in revenue from medical examination business. During the Reporting Period, the total number of visits of customers under our medical examination business was 3,258,924 (2021: 3,243,761), representing a year-on-year increase of 0.5%, where corporate clients comprise the main customer base of the Group for medical examination services, accounting for approximately 76.0%. During the Reporting Period, the number of corporate and individual customers was 2,476,135 and 782,789, respectively (2021: 2,426,879 and 816,882, respectively), representing an increase of 2.0% and a decrease of 4.2%, respectively. The average spending per capita was RMB541.0 (2021: RMB522.6), an increase of 3.5% compared with the same period last year.

Specialty Hospital Business

According to data released by the National Bureau of Statistics of China (中華人民共和國國家統計局), 9.56 million people were born nationwide in 2022, 1.06 million fewer than in 2021, with a birth rate of 0.677% lower than that in 2021 by 0.075 percentage point. The average years of education of the working-age population reached 10.93 years, 0.11 years more than that in 2021, showing a decrease in the number of births in recent years, while with improving population quality. Against this background, taking into account the current economic environment, market competition and the financial impact of the OGP specialty business on the Group, the Group has gradually exited the OGP specialty business during the Reporting Period. During the Reporting Period, the Group received a total of 32,682 outpatient and inpatient clients and 458 clients in maternity care centers before disposing of the OGP specialty business.

Prospects

The development of private hospitals is driven by the long-term demand for medical care arising from aging and chronic diseases. With the promulgation of the new medical reform and other policies, the private hospital industry is gradually returning to its medical essence. Through professional and meticulous medical services, private hospitals provide patients with a comprehensive and quality medical experience, addressing the needs of ordinary users for medical care. In the future, while providing basic medical services, private hospitals will gradually enter the market for high-end and special needs services to meet the demand for medical and health services at different levels. 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, it will strengthen the construction of disciplines and focus on the development of key specialties such as oncology, geriatrics and critical care; also, it will deepen cooperation with hospitals affiliated with Fudan University to continuously improve medical technology, service quality and brand reputation; besides, it will build a strongly competitive medical talent pipeline, and introduce, select and evaluate discipline leaders, to build a technical backbone team.

The private medical examination industry has suffered a relatively large impact from the COVID-19 pandemic in the past three years, disrupting the normal operations and market expansion strategies. But at the same time, the COVID-19 pandemic has also greatly promoted the health awareness of the residents, and the consumer demand for high-quality medical examination service products is stronger than ever. After the adjustment of the pandemic prevention policy, the private medical examination industry is expected to gradually pick up. Coupled with the gradually mature, standardized and acceptable online sales for consumers such as "livestreaming e-commerce" in recent years, it is anticipated that the number of individual customers in the private medical examination industry will continue to grow rapidly. In this context, the medical examination business of the Group will continue to implement the dual-brand strategy of the mid-to-high-end medical examination, "Rici Medical Examination", and the high-end medical examination, "XMEDIC International Medical Examination Center", complementing each other, to meet the new needs of consumers for medical examination services in the post-pandemic era; it will continue to cultivate the Shanghai and Jiangsu markets, actively develop the Greater Bay Area and Zhejiang market, and gradually explore other new markets; in addition, it will further enhance operational efficiency by improving the management model and optimizing the staff structure.

FINANCIAL REVIEW

Revenue

Our 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:

	Year ended 31 December		Percentage change
	2022	2021	
	RMB'000	RMB'000 (Restated)	
Continuing Operations			
General Hospital Business	**631,112**	704,209	(10.4%)
Medical Examination Business	**1,765,390**	1,696,363	4.1%
Inter-segment	**(21,475)**	(23,365)	(8.1%)
Total	**2,375,027**	2,377,207	(0.1%)

Revenue from our continuing operations fell by 0.1% from RMB2,377.2 million in 2021 to RMB2,375.0 million in 2022.

Revenue from the general hospital business in 2022 amounted to RMB609.6 million, representing a decrease of 10.5% from the revenue of RMB680.8 million in 2021, excluding the inter-segment revenue of RMB21.5 million and RMB23.4 million in 2022 and 2021, respectively. This is largely because inpatient revenue dropped by RMB70.1 million due to a decline of 11.1% in the number of inpatient stays.

Revenue from the medical examination business in 2022 amounted to RMB1,765.4 million, representing an increase of 4.1% from RMB1,696.4 million in 2021, primarily due to an increase of 0.5% in the number of customer visits and a rise of 3.5% in per capita spending.

Cost of Sales

Cost of sales for 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:

	Year ended 31 December		Percentage change
	2022	2021	
	RMB'000	RMB'000 (Restated)	
Continuing Operations			
General Hospital Business	**492,337**	528,135	(6.8%)
Medical Examination Business	**976,963**	897,220	8.9%
Inter-segment	**(21,475)**	(23,365)	(8.1%)
Total	**1,447,825**	1,401,990	3.3%

Cost of sales for our continuing operations increased by 3.3% from RMB1,402.0 million in 2021 to RMB1,447.8 million in 2022.

Cost of sales of the general hospital business during 2022 amounted to RMB492.3 million, representing a decrease of 6.8% from RMB528.1 million in 2021. The decrease in cost of sales is primarily due to the decline in revenue of the general hospital business in 2022.

Cost of sales of the medical examination business in 2022 amounted to RMB977.0 million, representing an increase of 8.9% from RMB897.2 million in 2021. The main reason is the increase in revenue from medical examination business in 2022 and our cost grew faster than revenue in terms of the newly opened medical examination centers in 2022.

Gross Profit

Our gross profit from continuing operations fell from RMB975.2 million in 2021 to RMB927.2 million in 2022. Gross profit margin dropped by 2.0 percentage points from 41.0% in 2021 to 39.0% in 2022.

Distribution Costs and Selling Expenses

Distribution costs and selling expenses for continuing operations amounted to RMB286.8 million in 2022, as compared to RMB252.2 million in 2021 mainly due to the increased labor costs.

Administrative Expenses

Administrative expenses for continuing operations amounted to RMB222.4 million in 2022, as compared to RMB219.1 million in 2021.

Other Income

Our other income from continuing operations, which is mainly comprised of government subsidies, rental income and income from short-term wealth management products, amounted to RMB22.0 million in 2022 (2021: RMB20.2 million).

Other Losses

Our other losses from continuing operations, which are mainly comprised of expenses of pandemic prevention incurred by our general hospital business, amounted to RMB11.8 million in 2022 (2021: RMB5.9 million).

Finance Costs — Net

Our net finance costs from continuing operations amounted to RMB104.9 million in 2022, as compared to the net finance costs of RMB125.1 million in 2021. Exchange gains amounted to RMB11.7 million in 2022, while the exchange losses in 2021 was RMB8.5 million.

Share of Results of Investments Accounted for Using Equity Method

In 2022, the Group recognized a share of profit of RMB0.4 million from investments accounted for using equity method (2021: RMB0.8 million) in its consolidated results, mainly due to (i) a share of profit of investments accounted for using equity method of RMB0.7 million of Nantong Rich Meidi Elderly Care Centre, a subsidiary of a joint venture of the Group, whose business operation has been stable since its establishment in the second half of 2014; and (ii) a share of loss of investments accounted for using equity method of RMB0.3 million of Neijiang Rich Ruichuan Clinic Co., Ltd., an associate of the Group primarily engaged in providing medical examination services.

Income Tax Expense

In 2022, income tax expense for continuing operations amounted to RMB84.0 million (2021: income tax expense of RMB98.4 million). The decrease in income tax was mainly due to a decline in income tax expense resulted from a decrease in the profit from continuing operations for the year.

Discontinued Operations

During the Reporting Period, the Group has completed the disposal of the specialty hospital business. The specialty hospital business is therefore classified as discontinued operations.

The net profit from our discontinued operations in 2022 was RMB24.0 million, which was mainly attributable to the gain on disposal of specialty hospitals, compared to a net loss of RMB167.6 million from our discontinued operations in 2021.

The results of the specialty hospital business for the years ended December 31, 2022 and 2021 are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue	**89,779**	129,315
Cost of sales	**(127,927)**	(205,406)
Gross loss	**(38,148)**	(76,091)
Distribution costs and selling expenses	**(21,464)**	(29,139)
Administrative expenses	**(74,325)**	(29,300)
Net impairment losses on financial assets	**—**	(6)
Other income	**697**	1,693
Other losses	**(2,403)**	(156)
Operating loss	**(135,643)**	(132,999)
Finance costs	**(18,442)**	(31,631)
Finance income	**19**	33
Finance costs — net	**(18,423)**	(31,598)
Loss before income tax	**(154,066)**	(164,597)
Gain on disposal of subsidiaries	**208,028**	—
Income tax expenses	**(29,924)**	(3,000)
Profit/(loss) for the year from discontinued operations	**24,038**	(167,597)

Profit for the Year

For the foregoing reasons, we recorded a net profit of RMB267.2 million in 2022 (2021: a net profit of RMB126.1 million). The increase in net profit was mainly due to the increase in revenue from the medical examination business, and the gain on the sale of the Group's OGP specialty hospitals.

Adjusted EBITDA

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(restated)
Calculation of adjusted EBITDA from continuing operations		
Profit for the year	**243,149**	293,702
Adjustments to the following items:		
Income tax expense	**84,041**	98,373
Finance costs — net	**104,907**	125,107
Depreciation and amortization	**340,803**	307,653
Pre-opening expenses and EBITDA loss of soft-opening[1]	**35,284**	1,527
Share option expenses	**10,948**	16,861
Adjusted EBITDA	**819,132**	843,223
Adjusted EBITDA margin[2]	**34.5%**	35.5%

Notes:

(1) Primarily represents (a) the pre-opening expenses, such as staff costs and rental expenses, incurred in the applicable period in connection with the construction of medical examination centers; and (b) the EBITDA loss incurred during the period when the newly opened medical examination centers and the Nantong Rich Hospital's Phase II commenced their trail 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 amounted to RMB819.1 million in 2022, representing a decrease of 2.9% from RMB843.2 million in 2021.

FINANCIAL POSITION

Property and Equipment

Property and equipment primarily consist of buildings, medical equipment, general equipment, leasehold improvements and construction in progress. As at December 31, 2022, the property and equipment of the Group totally amounted to RMB1,444.6 million, representing a decrease of RMB54.4 million as compared to RMB1,499.0 million as at December 31, 2021. The decrease in properties and equipment was primarily due to the sale of specialty hospitals by the Group, leading to a decrease in properties and equipment.

Trade Receivables

As at December 31, 2022, the trade receivables of the Group were RMB278.7 million, representing a decrease of RMB67.6 million as compared to RMB346.3 million as at December 31, 2021.

Net Current Liabilities

As at December 31, 2022, the Group's current liabilities exceeded its current assets by RMB797.5 million (as at December 31, 2021: current liabilities exceeded its current assets by RMB588.4 million). The growth in the Group's net current liabilities were mainly due to the classification of the Group's other financial liabilities from non-current liabilities last year to current liabilities.

Liquidity and Capital Resources

As at December 31, 2022, the Group had cash and cash equivalents of RMB720.1 million (as at December 31, 2021: RMB771.3 million), with available unused bank facilities of RMB170.0 million (as at December 31, 2021: RMB281.2 million). As at December 31, 2022, the Group had outstanding borrowings of RMB935.3 million (as at December 31, 2021: RMB1,248.9 million), with non-current portion of long-term borrowings of RMB320.2 million (as at December 31, 2021: RMB474.7 million). Based on the Group's past experience and good credit standing, the Directors are confident that such bank facilities could be renewed or extended for at least another twelve months upon maturity. We adopt prudent treasury policies in cash and financial management to achieve better risk control, manage financial resources efficiently and minimise the cost of funds. For the currency in which cash and cash equivalents are denominated, please refer to note 17 to the consolidated financial information.

Significant Investments, Material Acquisitions and Disposals

On June 1, 2022, Shanghai Ruikui entered into an equity transfer agreement with Jinxin Holdings Group Co., Ltd. and the other minority shareholders of Changzhou Rich and Wuxi Rich Obstetrics & Gynecology Hospital Co., Ltd. (無錫瑞慈婦產醫院有限公司), pursuant to which, among others, (i) Shanghai Ruikui agreed to purchase and Jinxin Holdings Group Co., Ltd. agreed to sell 23.43% of the total equity interest in Wuxi Rich Obstetrics & Gynecology Hospital Co., Ltd. held by Jinxin Holdings Group Co., Ltd.; and (ii) Shanghai Ruikui agreed to sell and Jinxin Holdings Group Co., Ltd. agreed to purchase 57.92% of the total equity interest in Changzhou Rich held by Shanghai Ruikui. Upon completion, (i) Shanghai Ruikui ceased to hold any equity interest in Changzhou Rich, and (ii) Jinxin Holdings Group Co., Ltd. ceased to hold any equity interest in Wuxi Rich Obstetrics & Gynecology Hospital Co., Ltd. and ceased to be a connected person at the subsidiary level of the Company. For details, please refer to the Company's announcements dated June 1, 2022 and June 15, 2022.

On August 18, 2022, Shanghai Ruikui, Hainan Xinmu and certain guarantors, being Unicorn II Holdings Limited ("**Unicorn II**"), Beijing Jingbei Women & Children United Family Hospital Co., Ltd. (北京和睦家京北婦兒醫院有限公司), Tianjin United Family Hospital (天津和睦家醫院有限公司) and Qingdao United Family Hospital (青島和睦家醫院有限公司), entered into an equity transfer agreement, pursuant to which, Shanghai Ruikui agreed to sell and Hainan Xinmu agreed to purchase (i) the equity interest in Rici Shuixian held by Shanghai Ruikui, representing 60% of the total equity interest in Rici Shuixian, and (ii) the total equity interest in Rici Ruijing, at a total consideration of RMB287.0 million, subject to adjustments with a mark-up not expected to exceed RMB12.0 million. Upon completion, Shanghai Ruikui will cease to have any equity interest in Rici Shuixian and Rici Ruijing. As of the date of this report, the Group held 1% equity interest in each of Rici Shuixian and Rici Ruijing, and Rici Shuixian and Rici Ruijing were no longer the subsidiaries of the Company and the financial results of Rici Shuixian and Rici Ruijing were no longer be consolidated into the consolidated financial statements of the Group. For details, please refer to the Company's announcement dated August 18, 2022 and the Company's circular dated October 25, 2022.

On August 18, 2022, Rici Healthcare Holdings Limited (the "**Subscriber**") (a directly wholly-owned subsidiary of the Company), Unicorn II and New Frontier Public Holding Ltd. entered into a share subscription agreement, pursuant to which Unicorn II agreed to issue and the Subscriber agreed to subscribe for 1,672,140 ordinary shares of Unicorn II, representing 1.19% of the enlarged share capital of Unicorn II (without taking into account the dilution from the issuance of any new share of Unicorn II under its incentive plan) at a total consideration of approximately RMB180.0 million. For details, please refer to the Company's announcements dated August 18, 2022 and October 21, 2022.

Capital Expenditure and Commitments

For 2022, the Group incurred capital expenditures of RMB747.3 million (2021: RMB592.7 million), primarily due to (i) the Nantong Rich Hospital Phase II project; (ii) purchases of medical equipment as well as renovation for our medical examination centers, general hospital and specialty hospitals; and (iii) the lease of business premises for new medical examination centers.

As at December 31, 2022, the Group had a total capital commitment of RMB80.1 million (as at December 31, 2021: RMB101.3 million), mainly comprising Nantong Rich Hospital Phase II project and the leasehold improvement.

Borrowings

As at December 31, 2022, the Group had total bank and other borrowings of RMB935.3 million (as at December 31, 2021: RMB1,248.9 million). Please refer to note 23 to the consolidated financial statements for more details.

Contingent Liabilities

The Group had no material contingent liability as at December 31, 2022 (as at December 31, 2021: Nil).

Financial Instruments

The Group did not have any financial instruments as at December 31, 2022 (as at December 31, 2021: Nil).

Gearing Ratio

As at December 31, 2022, on the basis of net debt divided by total capital, the Group's gearing ratio was 63.6% (as at December 31, 2021: 77.1%). The decrease in gearing ratio was mainly due to the decline in the Group's net financing and the increase in total equity.

Cash Flow and Fair Value Interest Rate Risk

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

Borrowings obtained at variable rates expose us to cash flow interest rate risk. Borrowings obtained at fixed rates expose us to fair value interest rate risk. As at December 31, 2022, borrowings of RMB532,325,000 were with floating interest rate. We did not hedge our cash flow and fair value interest rate risk during the year ended December 31, 2022.

Foreign Exchange Risk

For the year ended December 31, 2022, the Group was not exposed to significant foreign currency risk, except for the remaining bank deposits denominated in United States dollar. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Credit Risk

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

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

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

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

Liquidity Risk

Our finance department monitors rolling forecasts of our liquidity requirements to ensure we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn borrowing facilities at all times so that we do not breach borrowing limits or covenants (where applicable) on any of our borrowing facilities. We expect to fund the future cash flow needs through cash flows generated from operations, borrowings from financial institutions and issuing debt instruments or capital contribution from the shareholders of the Company (the "**Shareholders**"), as necessary. Based on contractual undiscounted payments, our financial liabilities were RMB3,426.6 million as at December 31, 2022 (as at December 31, 2021: RMB3,985.5 million).

Pledge of Assets

As at December 31, 2022, the Group had assets with a total carrying amount of RMB202,739,000 (as at December 31, 2021: assets of RMB265,682,000) and restricted deposits with an amount of RMB52,000,000 (as at December 31, 2021: restricted deposits of RMB115,500,000 and USD$10,250,000 (equivalent to RMB65,351,000)) pledged for the Group's borrowings.

Besides, the Group had 22.06% equity interest in Nantong Rich Hospital (as at December 31, 2021: 22.06%) secured to guarantee the exercise of the option right granted to Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership) (海門光控健康養老產業投資合夥企業(有限合夥)). For details, please refer to the announcement of the Company dated September 3, 2018.

On January 16, 2023, Nantong Rich Hospital, Nantong Rich Medical Management Group Co., Ltd. (南通瑞慈醫療管理集團有限公司), Dr. Fang Yixin, Dr. Mei Hong and Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership) (collectively, the "**Parties**") entered into a share repurchase agreement, pursuant to which the Parties agreed that Nantong Rich Medical Management Group Co., Ltd. or its designated third parties shall repurchase all of the equity interests in Nantong Rich Hospital held by Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership) and the total repurchase price shall be paid in two installments. As of the date of this report, the share repurchase had completed, and (i) Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership) ceased to be a shareholder of Nantong Rich Hospital, (ii) Nantong Rich Hospital became wholly owned by Nantong Rich Medical Management Group Co., Ltd. and thus an indirectly wholly-owned subsidiary of the Company, and (iii) 22.06% equity interest in Nantong Rich Hospital previously secured in favor of Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership) had been released. Please refer to the Company's announcement dated January 16, 2023 for more information.

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended December 31, 2022.

1. CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. The Company has applied the principles and complied with the code provisions as set out in the CG Code for the year ended December 31, 2022. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

2. THE BOARD

(1) Responsibilities

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

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

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

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

(3) Board Composition

During the year ended December 31, 2022 and as at the date of this annual report, the composition of the Board is as follows:

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

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

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

For the year ended December 31, 2022 and up to the date of this annual report, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of independent non-executive Directors representing at least one-third of the Board. Among the three independent non-executive Directors, Ms. Wong Sze Wing has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

(4) Board Diversity Policy

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

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

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

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

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

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

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

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

At present, two out of the four members of senior management are female, representing 50% of the senior management team. The Company strives to promote diversity and inclusion in the teams, in strict compliance with relevant laws and regulations as well as the Group's policy on eliminating discrimination. The Company offers diversity and inclusion training and applies the principle of equal opportunity to all policies related to human resources, remuneration and benefits, to ensure employment opportunities for people of all kinds. Any discrimination or harassment against employees owing to their marital status, pregnancy, disability, family status, race or gender are prohibited. During the year, our female employees accounted for around 80.7% of the total workforce.

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

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

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

(6) Induction and Continuous Professional Development

Pursuant to the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Pursuant to the code provision C.1.1 of the CG Code, each newly appointed Director should be provided with comprehensive, formal and tailored induction on appointment, and should receive briefing and professional development necessary to ensure that he/she has a proper understanding of the Company's operations and businesses as well as fully aware of his/her responsibilities under relevant statues, laws, rules and regulations. For the year ended December 31, 2022, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year of 2022, all Directors participated in continuous professional development to develop and refresh their knowledge and skills. The Company's external lawyers have facilitated directors' training by the provision or recommendation of presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company director. All Directors received training as at the date of this annual report. The Directors are asked to submit a signed training record to the Company on an annual basis.

According to the records kept by the Company, the attendance of the Directors for continuous professional development activities during the year ended December 31, 2022 was as follows:

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

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

(7) Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, the responsibility between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, Dr. Fang was appointed as the chief executive officer of the Company on March 20, 2019, and upon his new appointment, the Company does not have a separate chairman and the chief executive officer and Dr. Fang performs these two roles. The Board considers that vesting the roles of the chairman and the chief executive officer in Dr. Fang is beneficial to the Group for implementing its new business strategies given his abundant experience in the healthcare industry and longtime and substantive involvement in the day-to-day management and operation of the Group. In addition, the balance of power and authority is ensured by the operation of the Board and the senior management, which comprises experienced and capable individuals independent from Dr. Fang (except his spouse, Dr. Mei, and Mr. Fang Haoze, his son). The Board comprised four executive Directors (including Dr. Fang, Dr. Mei, Ms. Lin and Mr. Fang Haoze) and three independent non-executive Directors as at the date of this annual report and therefore has a fairly strong independence element in its composition.

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

(8) Change of Directors

There had not been any changes of the composition of the Board during the year ended December 31, 2022. The Company entered into a letter of appointment with each of the independent non-executive Directors, namely Dr. Wang Yong, Ms. Wong Sze Wing and Mr. Jiang Peixing, setting out the terms and conditions governing the appointment and ancillary matters, as amended and supplemented from time to time.

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

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

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

(9) Board Meetings and Committee Meetings

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

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

Apart from the regular Board meetings, the Chairman also held a meeting on August 30, 2022 with all independent non-executive Directors without the presence of executive Directors.

For the year ended December 31, 2022, 4 Board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

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

(10) Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code for the year ended December 31, 2022.

(11) Delegation by the Board

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

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

(12) Corporate Governance Function

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

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

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

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

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

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

3. BOARD COMMITTEES

(1) Nomination Committee

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

The principal duties of the Nomination Committee include the following:

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

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

One meeting of the Nomination Committee was held for the year ended December 31, 2022 and the attendance record of the Nomination Committee members is set out in the table below:

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

For the year ended December 31, 2022, the Nomination Committee reviewed and discussed the policy, procedure and criteria for nomination of the Directors, reviewed and discussed the Board diversity policy, assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the independent non-executive Director and fulfilled duties as required aforesaid.

(2) Nomination Policy

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

1 Objective

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

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

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

2 Selection Criteria

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

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

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

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

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

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

3 Nomination Procedures

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

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

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

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

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

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

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

4 **Confidentiality**

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

5 **Monitoring and Reporting**

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

6 **Review of the Policy**

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

(3) Remuneration Committee

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

The Remuneration Committee has adopted the second model described in paragraph E.1.2(c) under Appendix 14 to the Listing Rules (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management member).

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

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

One meeting of the Remuneration Committee was held for the year ended December 31, 2022 and the attendance record of the Remuneration Committee members is set out in the table below:

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

For the year ended December 31, 2022, the Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, assessed performance of executive Directors, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management and fulfilled duties as required aforesaid.

Details of the remuneration (excluding accounted remuneration under share option scheme) by band of the members of the senior management of the Company for the year ended December 31, 2022 are set out below:

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

(4) Audit Committee

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

- To review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditor before submission to the Board;
- To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor;
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, risk management and internal control and financial reporting functions, on an annual basis;

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

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

Two meetings of the Audit Committee were held for the year ended December 31, 2022 and the attendance record of the Audit Committee members is set out in the table below:

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

For the year ended December 31, 2022, the Audit Committee reviewed the Group's policies on corporate governance and discussed the same with the Board, reviewed the financial reporting system, compliance procedures, internal control and risk management systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions) and associated processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

The Audit Committee also reviewed the interim results for the six months ended June 30, 2022, the annual results of the Company and its subsidiaries for the year ended December 31, 2022 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit.

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

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

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2022 which give a true and fair view of the affairs of the Company and the Group's results and cash flows.

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

As at 31 December 2022, the Group's current liabilities exceeded its current assets by RMB797,540,000. Contract liabilities and deferred income included in current liabilities of the Group as at 31 December 2022 amounting to RMB558,930,000 are not expected to create cash outflow for the Group. The Group meets its day-to-day working capital requirements depending on cash flows generated from operating activities, bank borrowings, and unutilised banking facilities. Based on the Group's past experience and good credit standing, the Directors are confident on future operating cash flows and that the Group's bank financing could be renewed and/or extended for at least another twelve months upon maturity, if necessary. The Directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

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

5. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

No.	Major Risks	Main Risk Description	Changes Since 2022	Major Monitoring Measures and Risk Control Strategies
1	Business Expansion and Standardization Risk	1 There was insufficient support from head office for new expansions due to rapid expansion of the Company's business. 2 The lack of an adequate expansion system that promotes its control system and standard operating procedures resulted in the risks of deterioration of quality of the newly expanded business and incapability to meet corporate standards.	Unchanged	• Control over business expansion mechanism: The Company optimized the mechanism and standard operating procedures for managing and controlling business expansion risks, and continuously improved the standard procedures within the Group to further reduce expansion risks; the Company regularly evaluated the internal business development plan and adjusted the development plan according to the macro environment and its own conditions; according to the needs for its business adjustment, it hired high-level professional consultants in a timely manner, and took careful and long-term consideration from the perspective of strategy, law and business, so as to improve the realistic returns and long-term layout of business expansion. • Support for business expansion: The Company expanded sales channels, increased efforts on online sales promotion, and further facilitated the development of new retail channels such as sales through livestreaming and sales with Internet celebrities, in order to increase brand awareness and exposure and expand brand influence.

No.	Major Risks	Main Risk Description	Changes Since 2022	Major Monitoring Measures and Risk Control Strategies
				• Adjustment on business optimization: The Company gradually optimized its business segments by terminating the specialty hospital business, disposing of the related business and underlying assets in a reasonable and prudent manner. The cash inflow generated from the related business adjustment would improve the Company's liquidity position and enhance its overall financial position.
2	Competitor Risk	1 Due to the low threshold for products/services of the Company, there was serious homogenization with products/services of competitors as well as the risk of how to develop irreproducible and competitive products/services (for example, medium and high-end customers). 2 How to integrate big data with health resources and establish a platform to respond to industry competition. 3 Competitors continuously expanded their business by relying on the advantages of large platforms to squeeze the Company's market share.	Unchanged	• Creating high-quality services for differentiated competition: The Company implemented the "dual-brand strategy" for the medical examination business, and provided high-end quality services for high-net-worth individuals to achieve differentiated competition; efforts were made to increase investment in customer services to improve service quality to offer high-quality services, and actively expand innovative businesses, laying the foundation for subsequent development. It focused on business activities beyond customer expectations, and overcame the trap of homogeneous competition. • Facilitating product/service upgrades: It increased investment in mining and analysis of existing health data, and provided forward-looking services such as health warnings; a special team was set up to strengthen back-end health services for medical examinations and facilitate service upgrades; the Company continuously made innovation with the assistance of biotechnology. • External coordinated development: The investor relations department played its role in the management, development and maintenance of the relationship with external investors; the Company strove to attract new high-quality capital to achieve coordinated development.
3	Investment Risk	Unscientific investment decision-making procedures and insufficient investment assessment resulted in the outweighing of investment scale over its affordability or inadequate returns on investment.	Unchanged	• Based on the revision and improvement of internal documents such as investment management measures, the Company optimized the investment model, enhanced investment forecast, and continued to strictly control investment approval, project budget, project management, post-investment evaluation, etc.; • The investment decision-making evaluation indicators were further improved to conduct performance appraisals on the management.

No.	Major Risks	Main Risk Description	Changes Since 2022	Major Monitoring Measures and Risk Control Strategies
4	Informatization Construction Risk	The IT construction and planning failed to meet future operation and development needs of the Company, which restricted the Company's development and affected the realization of its strategic objectives.	Unchanged	• Further investment was increased in informatization construction: First, it invested in mobile client development to improve mobile terminal functionality, stability and user experience; Second, it increased investment in big data in healthcare and used data mining technology to develop forward-looking products and services to provide better services to customers; Third, the Company increased investment in IT, streamlined business scenarios and integrated business data to effectively support financial and operational analysis; Fourth, it strengthened the research on the impact of and increased investment in artificial intelligence, healthcare services and 5G on medical devices to develop new systems and functions to meet the data needs of existing network equipment; Fifth, a data maintenance team was established, with increased investment in data security and network security, especially the management of customers' sensitive information; Systems were in place to realise information stratification and permission control, which effectively protects customer data and information security.

No.	Major Risks	Main Risk Description	Changes Since 2022	Major Monitoring Measures and Risk Control Strategies
				• The Company upgraded the customer management system in the medical examination segment to facilitate the management of the whole sales process in the system. In addition, it introduced CMR system modules, set up a sales business model based on sales margins, and incorporated cost considerations into sales commission calculations, to further enhance the corporate efficiency, to more accurately reflect the contribution of individual sales contracts to the Company's profitability and to improve the quality of business and sales management; it integrated and upgraded the existing medical information system, and improved work efficiency through information interconnection, so as to provide customers with more convenient services; it further made overall planning for the development of new information systems or the application of technologies, and optimized and enhanced informatization construction by departments. Besides, it implemented paperless reform projects to optimize customer experience, improve the efficiency of medical examinations, and enhance the quality of medical services, in a bid to meet the needs of improving field services, and support the building of mid-to-high-end medical brands. • Further focus fell on internal potential tapping. An effective communication mechanism was established to strengthen the organic connection between the information department and various functional departments, enabling timely communication, circulation and resolution. The timeliness and effectiveness of information feedback and resolution were incorporated into the assessment of each department.

No.	Major Risks	Main Risk Description	Changes Since 2022	Major Monitoring Measures and Risk Control Strategies
5	Human Resources Risk	1 The structure/quality of staff cannot meet the needs of the Company's current development, as evidenced by the failure to adjust staff structure, alter the appraisal system and update the training content to satisfy the needs of the Company's current development, or the failure to acquire talents (through internal training or external recruitment) that satisfy the needs of the Company's current development, which led to the slowdown of the overall development of the Company, the failure to complete the expected strategic plan and the gradual loss of industry position. 2 The high employee turnover rate may lead to a rise in its operating costs, leakage of commercial confidentiality and vacancies in key positions, and may harm the overall corporate image.	Unchanged	• Talent introduction and employee recruitment: Efforts were stepped up on the establishment of a diversified recruitment channel system and the management of recruitment channels, especially the recruitment channel for medical talents closely linked to the Group's business; a scientific channel supplier evaluation and management system has been set up to ensure that business development meets the demand for talents; High-level management talents and technical talents were introduced when appropriate to inject fresh blood into the Company and enhance its vitality; cooperation with external resources enables the Company to build and cultivate its own expert team, core team and reserve force; It carried out cross-institutional collaboration with Nantong University to establish Rich Hospital Affiliated to Nantong University. With the help of the large platform in the fields of medical treatment, teaching and scientific research of Medical School of Nantong University, the Company further improved medical education, discipline construction, business technology, talent quality, management level and service quality. • Employee training: The Company enhanced the training and education for administrators and other medical professionals (including physicians, nurses and pharmacists) to improve their occupational skills and administration quality so as to provide customers and patients with better services; It strove to establish a learning organization and improve its internal communication platform, in order to facilitate information transmission, experience sharing, daily training, etc., accelerate the growth of employees, enhance its vitality, and boost the core competitiveness. • Incentive mechanism: The Company provided competitive remuneration and benefits, and strengthened the sense of belonging of employees, encouraged employees to increase efficiency, and provided different promotion opportunities based on their performance. • Internal communication mechanism: Attention was paid to the communication between the HR department and the management and among various business departments to strengthen the forward looking, foresight and whole-region vision of the HR department. • Establishment of corporate culture system: Starting from corporate values, cultural outlook, vision and mission, the Company gradually perfected its culture system, strengthened corporate culture, enhanced humanistic care and enhanced the cohesiveness of corporate culture.

No.	Major Risks	Main Risk Description	Changes Since 2022	Major Monitoring Measures and Risk Control Strategies
6	Capital Management Risk	1 The existence of unauthorized transactions regarding capital operation affected the safety and integrity of the Company's capital. 2 Unreasonable fund positions, inappropriate capital commitment or capital backlogs disenabled the Company to leverage the advantages of centralized capital management, which resulted in a decrease in profitability of the Company or insufficient capital and payment difficulties, thereby affecting the reputation of the Company or damaging its interests.	Decreased	• Continuous improvement of the fund management mechanism: In practice, it further optimized the fund management system and sorted out standard procedures within the Group to improve accounting information service capabilities, capital resource utilisation efficiency, and financial risk management and control capabilities. The separation mechanism of review permissions and responsibilities for capital business was further optimized to ensure the safety and integrity of funds. It developed plans for funds and performed unified management of the funds of each subsidiary, and the management regularly monitored, analyzed, forecast and tracked the funds via the weekly reporting mechanism; The authorization and review of intra-group fund allocation were standardized. • Strengthening centralized management of funds: Through the financial sharing center, the Company adopted the management model of the centralized payment of funds, implemented dual management for revenue and expenses, and established the Group's fund pool, based on which payment was collectively made via the sharing center according to fund plans to improve the scientificity of financial fund management. The financial status of the Group was objectively analyzed in a scientific manner to improve the safety of the Group's funds and enhance the allocation and control of capital resources; It optimized the use efficiency of accumulated funds and strategically adjusted the pace of operations to reasonably control cash flows.
7	Medical Dispute Risk	The Company was exposed to inherent risks of medical disputes and legal proceedings against the Company arising from its operations, which may incur huge costs and have material adverse impact on its business operations and reputation.	Unchanged	• Risk aversion: According to laws, regulations and industry rules, the Company formulated standard operating procedures for business workflow and enhanced the training, education and monitoring of current medical staff (including physicians, nurses and pharmacists), in order to reduce the possible risks of medical disputes between the Company and customers due to the failure to strictly comply with internal control procedures. The internal information transmission channels were optimized to ensure smooth information transmission. It improved internal information transmission channels to ensure the smooth transmission of information.

No.	Major Risks	Main Risk Description	Changes Since 2022	Major Monitoring Measures and Risk Control Strategies
				• Risk response: The Company perfected the customer complaint management system to give effective, rapid and continuous feedback to customers in the early stage, in a bid to improve customer satisfaction and reduce the possibility of disputes; It strengthened the ability of internal departments to deal with medical disputes, enabling them to effectively take follow-up actions for any disputes and protect the Company's interests to the greatest extent. It analyzed the causes and held those responsible accountable after the occurrence of disputes, hoping to seek improvements in future operations. • Establishment of crisis public relations mechanism and maintenance of reputation: First, the Company established a crisis public relations management mechanism to prevent the further escalation of risks; If necessary, it would team up with external public relations companies to communicate its products, services, values and other information to the public in a positive image, with a view to raising its awareness and public trust, and also to protecting its reputation, brand image and word of mouth to the greatest extent during special times; Second, the Company formulated emergency planning measures and established a crisis response team to ensure timely and effective crisis notification and crisis management to minimize the impact and loss.
8	Control and Compliance Risk	The defective standard operating procedures of the Company and the failure of operation staff to strictly meet the operation requirements led to the failure of businesses conducted in accordance with the workflow, which affected the operation effects of the Company and hindered the completion of transition from the "rule of man" to "rule of law".	Unchanged	• Control over legality, compliance and integrity: The Company continuously improved the standard operation manual for medical-related business, clarified the standards for each business step, and strictly checked the qualifications of relevant staff; It set up a sound compliance system, sorted out compliance risks and formulated non-compliance incident plans to determine follow-up routines, corresponding responsible persons and reward and punishment measures, and regularly conducted inspections in the fields of medical care and health and safety; A special functional department was established to responsible for collecting laws, regulations and industry standards, formulating standard operating procedures for each business, and regularly training and overseeing operators; It released norms to standardize the wording of advertising content and guide to the interpretation of laws and regulations, and optimized the publishing process of advertising files, in order to effectively prevent advertising violations; Actions were taken to revise and perfect relevant systems and operation norms such as procurement management and asset management, and to continuously optimize management processes to adapt to corporate development and reduce management risks.

No.	Major Risks	Main Risk Description	Changes Since 2022	Major Monitoring Measures and Risk Control Strategies
				• Control over execution procedures: With the strengthening of execution, the Company promoted fine management and fine operation to constantly improve its management level; The supervision department shall strictly execute the supervision procedures in accordance with the relevant systems to ensure the complete and effective implementation of the systems; The department for system formulation collected the implementation situation in a timely manner, and adjusted and perfected systems according to the feedback.
9	License Management Risk	The Company conducts business in a strictly regulated industry. If the Company fails to obtain or renew any licenses, permits, approvals and certificates required for its operations, or is found to be non-compliant with applicable laws or regulations for such licenses, permits, approvals and certificates, the Company may face penalties, suspension of operations or even revocation of such licenses, depending on the results of incidents. The operating results of the Company could be materially and adversely affected.	Unchanged	• The Company enhanced the awareness of operating and maintaining licenses in accordance with the law, with efforts stepped up on the training of license safety awareness for important positions in important departments. It understood and complied with relevant laws and regulations to avoid touching red lines in laws, and created its normalized training system. • The license management system was perfected to clarify the norms and management responsibilities of borrowing, returning and logout; A license database was established to conduct unified electronic management of licenses in various institutions, and a special review and examination mechanism for licenses was also established to enhance the control over the integrity and effectiveness of licenses; • Combining with the management of licenses, the Company further optimized the management system of seals to strengthen the management of various seals, standardized behaviors with systems, and increased efforts on monitoring and management. • Efforts were stepped up on risk prediction and remedial measures to minimize risks, reduce hazards, and restore use when risks occur.

No.	Major Risks	Main Risk Description	Changes Since 2022	Major Monitoring Measures and Risk Control Strategies
10	Litigation Risk	1 Due to possible fraud and other irregularities, the Company may be subject to legal sanctions, regulatory penalties or material financial loss or reputation loss. 2 The ineffective execution of various contracts, commitments and other legal documents signed by the Company led to litigation and actual operating losses.	Unchanged	• Anti-fraud: The anti-fraud system was optimized to enhance anti-fraud awareness; Leveraging the role and potential of the legal department, the Company intervened in matters such as significant influences or transactions at an early stage, took fraud prevention measures, and finally conducted evaluation and assessment; A mailbox, a hotline and other channels are available to encourage employees to report any fraudulent acts. • Management and execution of contracts: The Company managed the signing of contracts. Prior to contract signings, relevant departments were required to conduct preliminary demonstrations and checks. Risk management and control measures were taken as early as possible to avoid potential legal disputes; It strove to improve the timeliness and integrity of contract execution, and responded to legal proceedings caused by human factors and sought and implemented remedies in a timely manner; The causes shall be analyzed and those responsible shall be held accountable in a timely manner as a warning to others; For potential legal risks, the evaluation mechanism shall be optimized, and the legal department shall join hands with the financial department, the HR department and other departments to conduct assessment and prevent the risks. It shall account for pending litigation on a regular basis based on the facts.
11	Pandemic (Systemic Risk)	The day-to-day operations were staggering against the current backdrop of pandemic control and prevention. Revenue was significantly impacted with losses increased as labor costs and medical consumption were not effectively controlled; Financing costs went up, with certain credit risks. There was a shortage of hedging business.	Unchanged	• Under the guidance of the competent authorities, the Company implemented prevention and control measures to strengthen quality and safety management. During the period of pandemic closure and control, while ensuring the stability of corporate cash flow and the scale of financing, the Company took measures to actively respond to the pandemic, organized staff to support regional anti-pandemic work, and strengthened online training for employees under closure and control; After the closure of the epidemic, sales was increased to compensate for the losses caused by the pandemic. • The reporting system for infectious diseases was further perfected to standardize the management process. It strengthened the emergency management system and capacity building to enhance the risk response capability and improve the management level.

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

The internal control system of the Company was established in accordance with the principles of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Meanwhile, the Company conducted an independent audit (including interviews, walk-through tests and risk-based sampling tests) during the year ended December 31, 2022 on the business segments that had material impacts on its strategies and internal control and monitoring, and prepared the internal control and monitoring report submitted for the approval of the Audit Committee and the Board. During the year ended December 31, 2022, under the assistance of the Audit Committee and taking into consideration of the confirmation of the review on the effectiveness of the risk management and internal control systems conducted by the management and the Audit Committee and the assessment results of controls, the Board confirmed that the risk management and internal control systems of the Company were adequate and effective.

Inside Information

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

6. AUDITOR'S REMUNERATION

Audit fees of the Group for the year ended December 31, 2022 payable to the external auditors were approximately RMB1.35 million. The Group incurred approximately RMB0.57 million in 2022 for non-audit services related to the provision of consultation services in respect to internal control systems pursuant to the CG Code and tax planning, etc.

7. COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

During the year ended December 31, 2022, Mr. Chen Kun, a practicing solicitor in Hong Kong, served as the company secretary of the Company. His primary contact at the Company is Ms. Gao Min, general manager of the Department of Securities and Investment of the Company.

In compliance with Rule 3.29 of the Listing Rules, Mr. Chen Kun undertook not less than 15 hours of relevant professional training during the year ended December 31, 2022.

8. GENERAL MEETING

For the year ended December 31, 2022, one general meeting of the Company, being the annual general meeting of the Company held on June 17, 2022, was held. The attendance record of the Directors is set out in the table below:

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

9. COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at http://www.rich-healthcare.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The Board will review the Shareholders' communication policy regularly to ensure its effectiveness. During the year ended December 31, 2022, upon considering the abovementioned factors, the Board considered that the current Shareholders' communication policy is effective.

10. SHAREHOLDERS' RIGHTS

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

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

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

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

(2) Procedures for putting forward proposals at general meeting

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

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

(3) Enquiries to the Board

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

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

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

11. CHANGE IN CONSTITUTIONAL DOCUMENTS

No changes were made to the Articles of Association during the year ended December 31, 2022.

Environmental, Social and Governance Report

About this Report

This is the seventh Environmental, Social and Governance Report published by Rici Healthcare Holdings Limited ("Rici", the "Group", the "Company", "we", or "us"). This Report focuses on Rici's environmental, social, and governance (ESG) efforts and contributions. We hope to increase communication and contact with various stakeholders through the release of this Report.

The Board of Directors and all Directors of the Company hereby warrant that this Report is free of any false statements, misleading statements, or material omissions, and bear individual and joint responsibility for the authenticity, accuracy, and integrity of this Report.

Reporting period:

1 January 2022 to 31 December 2022, with some contents going beyond the time frame.

Organisational scope:

For ease of presentation and reading, "Rici Healthcare Holdings Limited" is referred to in this Report as "Rici", the "Group", the "Company", "we", or "us". Unless otherwise stated, the qualitative and quantitative information disclosed in this Report covers the Group and its 96 subsidiaries.

Release cycle:

The Environmental, Social and Governance Report of Rici Healthcare Holdings Limited is an annual report, with the last report being the Environmental, Social and Governance Report 2021.

Data description:

The data quoted in this Report are obtained from official documents, statistical reports, and financial reports of the Company, all of which have been audited by the Company.

References:

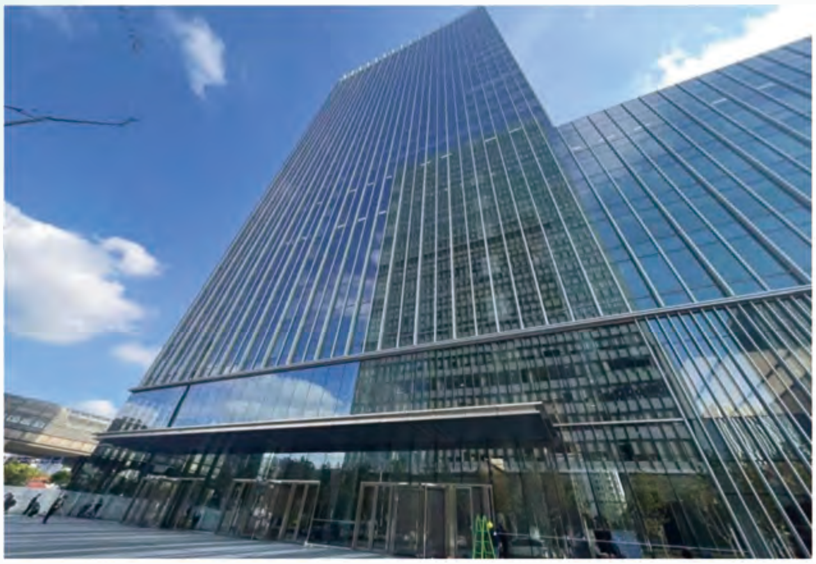
This Report is prepared in compliance with the "Environmental, Social and Governance Reporting Guide" (hereinafter referred to as the "**Guide**") (《環境、社會及管治報告指引》) set out in Appendix 27 to the Listing Rules, and

the core programme under the "Sustainability Reporting Guidelines (Chinese Version)" of the Global Reporting Initiative (GRI).

Contact information:

This Report can be downloaded from the website of the Stock Exchange (URL: http://www.hkexnews.hk). This Report is published in both Chinese and English. In the event of any discrepancy between the two versions, the Chinese one shall prevail.

Website: https://www.rich-healthcare.com/



After being dedicated to the healthcare industry for more than 20 years, the Group has formed a mega healthcare industry chain consisting of the general hospital, specialty hospital, medical examination, and elderly care & rehabilitation, among other segments, to cover health needs throughout the whole life cycle of humans. This Report introduces the Company's specific ESG policies and performance during the reporting period, covering the relevant performance and measures of the headquarters, the general hospital segment (Nantong Rich Hospital), the specialty hospital segment (Changzhou Rich, Rici Shuixian and Wuxi Rich Obstetrics & Gynecology Hospital Co., Ltd.)[1], the medical examination segment (including 60 medical examination centres in operation), and the elderly care & rehabilitation agencies (Nantong Rich Meidi Elderly Care Centre).

[1] Due to changes in the Group's business structure, the businesses of the three specialty hospitals were disposed by the Company during the Reporting Period. As at the end of the Reporting Period, the three specialty hospitals were no longer subsidiaries of the Group. Therefore, their data indicators disclosed below do not cover the entire reporting period.

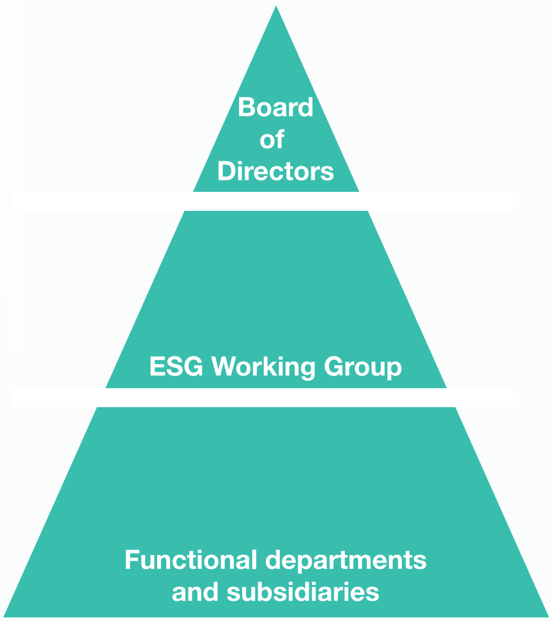
ESG Philosophy

The Group is convinced that "one taking from society should give back to it". For the Group, combining the concept of sustainable development with its business strategy is not only a manifestation of fulfilling corporate social responsibility (CSR), but also a way to optimise internal management and reduce risks. Only by doing so, can the Group operate in a long-standing, secure, and stable manner. The Group established an internal sustainability system and publicly released its first ESG report in 2016. Since then, we have continued to deepen our understanding of the ESG concept, optimise our ESG management system, and enhance our communication with various types of stakeholders such as employees, customers, shareholders, and suppliers. Our actions in key areas such as healthcare, customer privacy, employee benefits, environmental protection, and green supply chain have made us more competitive in terms of sustainable development as a socially responsible corporate citizen.

Board Statement

The Board of Directors (Board) undertakes that the Company will strictly comply with the disclosure requirements of the "Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited" (《香港聯合交易所有限公司證券上市規則》) and the "Environmental, Social and Governance Reporting Guide" (《環境、社會及管治報告指引》). Under the leadership of the Board, the ESG working group and its functional departments got the ESG work of the Group done in an orderly manner for the year. The Board oversaw all ESG issues, such as the strategy, management approach, and process for identifying material issues for the year, while ensuring that the issues ultimately assessed could be of practical relevance and importance to the Group's business, and that information could be kept open and transparent. The Board was regularly briefed by the ESG working group, held discussions in light of actual conditions, and adjusted the strategy and management approach as appropriate to ensure the efficient ESG governance.

ESG Management Framework



Three-tier ESG management framework

The Group establishes a three-tier ESG management structure, in which the Board acts as the highest decision-making body, and the ESG working group ("**Working Group**") delegates tasks to functional departments and subsidiaries for implementation, while managing and evaluating various data and performance of ESG governance across the Company and reporting to the Board on a regular basis to ensure the effectiveness of the overall ESG governance mechanism. Each of the three tiers has its own role to play. With clearly-divided tasks and priorities, they work together to advance the ESG governance of the Company.

Stakeholder Engagement

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

Stakeholders	Communication channels	Expectations and requirements
Government agencies	PR department Collection of policy documents Input from various sources	Compliant operation Job creation An industry leader
Shareholders and investors	General meetings Reports of the Company and channels for information disclosure	Corporate profit Risk reduction Corporate governance
Customers	Reports of the Company Website of the Company Customer hotline and email Questionnaires Offline activities	Quality services Privacy security Business ethics
Suppliers and partners	Meetings Onsite inspections Videos Teleconferences	Long-term partnership Genuine cooperation Business ethics Information disclosure
Employees	Meetings Staff training Staff appraisal Suggestion boxes Social networking software	Employee rights and interests Salary and benefits Training and promotion Work environment Occupational safety
Community and the public	Community services Company announcements Media releases	Community welfare Environmental protection

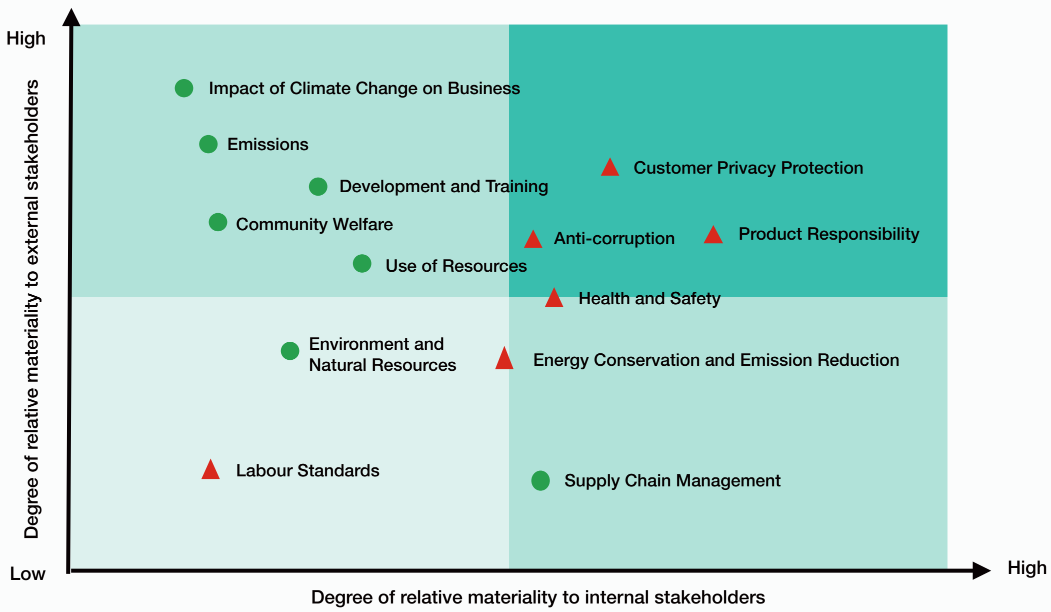
Identification of Material Issues

The Group conducts materiality assessments and analyses of ESG issues of concern to shareholders by integrating their views and expectations with ESG governance and development needs, so as to respond to stakeholder concerns in the ESG work in a proactive and targeted manner. The materiality of issues has been assessed through a rigorous and effective process, which is divided into four main stages.

Identification of potential material issues	We identify potential material issues that reflect the economic, environmental, and social impacts of the Group's business, or the assessments and decisions of stakeholders for the Group, through a detailed review of media analysis, peer comparison, and other relevant documents.
Ranking of potential material issues	We rank potential material issues, formulate a communication plan with stakeholders, get informed of their specific opinions and expectations as well as priority issues of concern to them, conduct materiality assessments, and produce a materiality matrix.
Management validation results	The management reviews and confirms the materiality analysis of the identified issues. We will faithfully reflect our performance in relevant issues in this Report.
Review	We check whether this Report provides a reasonable description of our ESG and sustainability performance on material issues, and invite stakeholders to provide their comments.

Issue Materiality Matrix

Through the above identification process, we are able to communicate with various stakeholders in a timely manner and obtain the views and expectations of key stakeholder representatives on ESG issues. We understand that some stakeholders became more concerned about climate change and energy efficiency in 2022 than they did in 2021. After communicating with key stakeholder representatives, we generated a matrix for assessing the materiality of ESG issues in 2022 (see the chart below). This Report is a detailed disclosure made with reference to the materiality assessment matrix.



Staying True to the Essence of Healthcare

Our mission is to serve life and help people lead healthier lives. We work hard to provide high-quality services for customers and create value for employees, customers and shareholders while pursuing the integration of economic benefits and social benefits. The Group attaches importance to the quality management of medical services, constantly improves the mechanism for handling complaints and disputes, makes every effort to ensure medical privacy, and enhances customer satisfaction with quality services. With these steps, we strive to build a harmonious and sustainable doctor-patient relationship.

Quality of Medical Services

Quality management of medical services

Healthcare quality is the core component of the Group's medical service management. The Group gives the top priority to healthcare quality, and incorporates the target of continuously enhancing healthcare quality and raising service standards into every aspect of its work. The medical examination segment, the general hospital segment, and the specialty hospital segment have all established a management system with clearly-divided responsibilities and duties to improve the quality of medical services in a comprehensive and efficient manner.

Medical Examination Segment

The Leading Group of Service of the Medical Examination Business Department

General Hospital Segment and Specialty Hospital Segment

The Quality and Safety Management Committee, the Medical Records Management Committee, and the Pharmacy Management Committee
The Hospital Infection Management Committee and the Blood Transfusion Management Committee

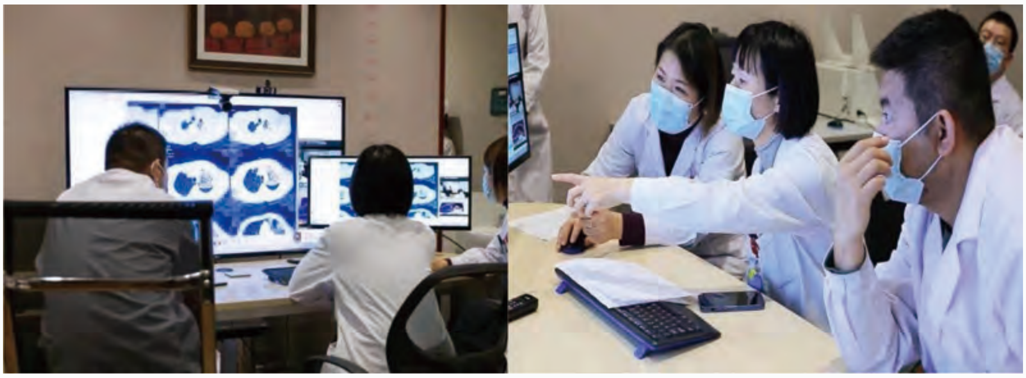
Healthcare Quality Management System

Improved healthcare quality

During the reporting period, the Group implemented a number of measures to improve medical services, such as increasing access to telemedicine, promoting the construction of medical alliances, expanding ambulatory care, and promoting multidisciplinary treatment (MDT), which effectively improved the quality of medical services and provided patients with a more convenient, professional and cost-effective treatment experience.

Case: Rici signed a telemedicine cooperation agreement with Fudan University

In September 2022, Nantong Rich Hospital signed telemedicine cooperation agreements with Zhongshan Hospital of Fudan University and Fudan University Shanghai Cancer Centre. As at the end of 2022, the hospital conducted 10 teleconsultations (6 with Zhongshan Hospital and 4 with Shanghai Cancer Centre) and offered over 20 medical consultations. Teleconsultation is a great way to make quality medical resources in Shanghai accessible in other places. The convenient and professional consultation services have been well received by local residents in Nantong.



At the same time, the hospital established an emergency green channel mechanism to regulate the matters in relation to charges, admission, examination, rescue, and treatment of patients from cooperative units or "120" emergency medical centres, a prerequisite for providing patients with timely, standardised, efficient and considerate medical services, increasing the success rate of rescue, and reducing medical risks.

Case: Nantong Rich Hospital opened an emergency green channel for patients

Cardiovascular diseases are common diseases that seriously threaten human health. Characterized with a high incidence and sudden onset, they often put patients' lives at risk. To save more people, the chest pain centre of Nantong Rich Hospital has opened emergency green channels for patients many times. In November 2022, informed of a 37-year-old Yunnan worker suffering from acute myocardial infarction, the centre opened an emergency green channel for the patient to get the fastest treatment. After undergoing the intracranial hematoma removal and decompressive craniectomy procedures in the emergency department, the patient was transferred back to the intensive care unit (ICU) and then the neurosurgery department for further treatment. He was saved by the fast response of the hospital.

To improve the quality of services effectively, the quality management department of the Group keeps written records of all services and generates reports submitted to the superior department level by level. Measures such as inspection, analysis, evaluation, and feedback are adopted to enhance the healthcare quality and service level continuously. Besides, the Group has set up appraisal and evaluation criteria for the quality management personnel, so as to monitor and improve the healthcare quality and service standard throughout the entire process. By the end of 2022, the Group conducted a comprehensive performance appraisal focusing on the quality of healthcare, the results of which showed a significant improvement in the quality of healthcare in the Group's subsidiaries compared to the previous year.

Medical Complaints and Disputes

The majority of the Group's complaints are the complaints about the services of the medical examination segment. Service complaints can be mainly divided into sub-categories, such as service attitude, timeliness, and user-friendliness. Below is the general handling process of a service complaint. The customer service department of the unit that takes a complaint ticket or an on-site complaint will call back/respond to the customer concerned within 24 hours, to fully understand the details of the complaint and the demands of the customer, and pacify the customer through proper explanation and communication. It is necessary to meet the customer's reasonable demands as far as possible, and record the handling process in detail.

For a complaint about service attitude, the customer service agent will listen to the customer's complaint patiently, say sorry to him/her, and win his/her understanding as far as possible. The agent will criticise the personnel involved after verifying the situation, and make rectifications in a timely manner. For a complaint about service timeliness, the agent will try to expedite the handling of the matter complained by the customer, say sorry to the customer, and give him/her a clear reply about the response time. The agent will figure out the cause of delay and make improvements in a timely manner. For a complaint about service user-friendliness, the agent will thank the customer for his/her valuable opinions, attach importance to his/her needs, and actively adopt his/her suggestions, to improve service quality and enhance customer satisfaction continuously.

Medical examination segment

The medical examination segment follows the "Customer Satisfaction and Communication Mechanism" (《客戶滿意與溝通機制》). The customer service department and 400 hotline service department of each medical examination centre take various kinds of complaints and disputes related to medical examination. The quality safety department of the headquarters collects the records on various kinds of complaints and disputes received by each medical examination institution on a regular basis, follows up on the status of complaints handled at the early stage, and prepares the "Ledger on the Management of Customer Complaints from Institutions Nationwide" (《全國機構客戶投訴管理台帳》). In 2022, a total of 3,258,924 medical examinations were carried out, and 44 complaints and disputes arose, of which 17 disputes involved claims.

Hospital segment

In the hospital segment, the doctor-patient communication office leads the handling of complaints in cooperation with relevant functional departments. The doctor-patient communication office is briefed on, handles, and follows up on medical disputes, and establishes a medical dispute ledger to record the handling and follow-up details. The medical department and departmental heads discuss and analyse all recent medical disputes during meetings, and explore follow-up solutions regarding irreconcilable medical disputes.

Hospitals have established the handling procedures and management systems for medical accidents, including the "Plan for Prevention and Handling of Medical Disputes and Medical Accidents by Rici's Hospital Business" (《瑞慈醫療集團醫院事業部醫療糾紛、醫療事故防範與處理預案》), "Opinions on Assessment and Punishment of Doctor-patient Disputes (Accidents) Involving Economic Losses of Rici' Hospital Business" (《瑞慈醫療集團醫院事業部涉及經濟損失醫患糾紛(事故)的考核及處罰意見》), "Litigation Management Measures of Rici' Hospital Business (《瑞慈醫療集團訴訟管理辦法》), and "Doctor-patient Communication System" (《醫患溝通制度》), which cover many aspects of content, including the collection of information on medical disputes, communication channels, time limit requirements for follow-up handling, punishment standards after the identification of responsibilities, and division of responsibilities of relevant departments.

As the Group is engaged in medical services instead of the manufacture of products, there are neither recalls of the products sold for safety and health problems, nor product manufacturing quality assurance and recall procedures. After taking complaints, the responsible departments, after-sales service team, and special team for doctor-patient relationship shall promptly record the facts behind the complaints, communicate with the customers/patients concerned, and if necessary, identify and determine the responsibilities of medical incidents, in order to handle the incidents properly as soon as possible.

Customer Privacy Protection

The Group attaches great importance to the privacy of customers, by strictly complying with relevant laws and regulations (such as the "Regulation on Medical Records Management in Medical Institutions" (《醫療機構病歷管理規定》), "Personal Information Protection Law of the People's Republic of China" (《中華人民共和國個人信息保護法》), and "Data Security Law of the People's Republic of China" (《中華人民共和國數據安全法》). At the same time, we have also formulated a set of internal documents such as the "Basic Specifications for Health Examination Reports of Rici Health Examination Centres (Version 2022)" (瑞慈體檢中心健康體檢報告基本規範(2022版)》) and provided all employees with a training course called the "Right to Informed Consent and Privacy Protection Code in Medical Examination" (《體檢中的知情同意權和私隱保護規範》) to regulate privacy protection practices. We strictly protect our customers' data and privacy while serving them.

Data security

Data security, an important objective of ESG governance, is one of the governance tasks that draw the Group's close attention. Taking into account the experience gained from data security management in previous years, the Group in 2022 set up a cybersecurity technical team to support the maintenance of databases and to better protect private data, medical records, diagnoses, prescriptions, and other data. The Group has installed firewall systems and database review systems for both internal and external networks to monitor data access requests and prevent the risk of data theft. Internal access gateways have been installed in all medical examination centres and hospitals to control and secure their information exchange with the central database. Mandatory training is provided for all employees on data security policies. Security measures should be adopted in the transmission, storage and disposal of customer data. Customer data will only be used for the purpose of providing services to customers themselves or for the research purpose anonymously.

Personal information

Medical examination reports (including electronic copies) will no longer be provided to the customer's workplace without his/her legal authorisation and consent. If the employer of the customer or a third-party organisation requires the customer's personal information such as medical examination reports, positive test results, positive results in group test reports, personal disease conditions, and statistics of certain diseases, it shall submit a commitment letter signed by the customer (a letter of authorisation is required if another individual is entrusted to sign the commitment letter). If the underwriter requires a relevant report or information, it should stamp on the underwriting notice and attach the signature of the customer. In 2022, the Group did not receive any valid complaints in relation to the breach of customer privacy or leaking of customer information.

Protection of Intellectual Property Rights (IPRs)

The Company attaches importance to IPR protection and management in accordance with China's laws and regulations protecting IPRs as well as the law enforcement system. During the reporting period, the Company formulated and issued the "Intellectual Property Rights Management System of Rici" (《瑞慈醫療集團知識產權管理制度》), which is applicable to the IPR management of the Group, including all business departments, hospitals, and subsidiaries, to regulate the duties and processes of IPR protection, enhance the legal awareness among staff, and safeguard the Group's intangible assets.

The legal affairs centre of the Group manages trademarks available across the Group, and departments manage their respective trade secrets. Each of the relevant business departments and functional lines shall designate the personnel responsible for the management of IPRs in the department/line. The legal affairs centre of the Group is responsible for the unified management and coordination of IPRs within its competence. The brand management centre of the medical examination business department takes charge of the daily operation, registration, and management of trademarks. The brand management centres of the medical examination business department and the hospital segment manage advertisements, promotional materials, and official accounts to ensure the legal compliance of the use of relevant intellectual works.

Sincere Cooperation for Win-win Outcomes

The sustainable development of a company is dependent on the cooperation of partners and peers. Upholding the principle of sincere cooperation for win-win outcomes, the Group has established comprehensive, long-standing and steady strategic partnerships with various parties.

Supplier Selection Mechanism

The segments of the Group adopt a unified procurement strategy. As of 31 December 2022, the total number of suppliers to the Group's headquarters, the medical examination segment, the general hospital segment and the specialty hospital segment was 753, of which 646 were in East China, 41 in South China, 27 in North China, 26 in Central China, 1 in Northwest China, and 4 in Northeast China. [2]Based on the standardised supplier assessment screening criteria, the Group, taking into account its peculiarity and complexity of the medical industry, has established a mature procurement system. In terms of supplier screening, the Group has developed stringent access requirements: suppliers must have a positive sense of service and reputation, and must be selected with preference to manufacturers and regional agents with strong establishment. For the procurement management of pharmaceuticals, the Group requires strict inspection on the qualifications and reputation in respect of quality of suppliers, in order to ensure the reasonability and safety of procurement. First-time suppliers/varieties are subject to the assessment and approval by the procurement department and the pharmacy committee. Through the comprehensive consideration of aspects such as quality assurance, supply capacity, technical capability, and product price, the Group ensures that the selected suppliers meet its relevant standards. In addition, the "Corruption-free Agreement" (《廉潔協議》) has been incorporated as a mandatory part of the supplier contracting process for procurement business. The signing rate of the "Corruption-free Agreement" (《廉潔協議》) reached 100% in the Group for 2022.

2 In 2022, the statistics were made for the suppliers with supply chain business transactions. Supply chain business is defined as in-and-out-of-storage transactions and physical transactions of fixed assets, non-fixed assets, and intangible assets.

Meanwhile, the Group has established a supplier review system under which all materials used are procured from suppliers with legitimacy, relevant qualifications, and quality assurance capabilities. In terms of supplier management, the Group's procurement department, together with the warehouse department and the departments that consume the materials, assesses the performance of suppliers annually and rates them according to the materials' usage, supply capacity, after-sales service, etc., based on which the "Supplier Evaluation Record Form"《(供應商考核評價紀錄表》) is generated. The management reviews the annual evaluation results, and the qualified suppliers will be registered on the "Qualified Supplier List"《(合格供應商名單》), which will be used as the basis for subsequent procurement. The newly added suppliers need to be rated according to the "New Supplier Evaluation Form" (《新供應商評估考核表》), and then the results are entered into the "Supplier Evaluation and Rating Record Form" (《供應商考核評級記錄表》).

Strategic Cooperation

The Company actively seeks practical cooperation with all parties to expand its network of partners, increase exchange and communication, and grow lagers and stronger. In 2022, the Group signed a tripartite cooperation agreement with Kameda Medical Centre and Sojitz Corporation in Japan to conclude a strategic partnership. Focused on high-quality medical development, Nantong Rich Hospital, a subsidiary of the Group, signed a cooperation agreement with a famous medical college of Fudan University to build a high-level medical exchange platform and jointly promote the development of medical undertakings in the Yangtze River Delta.

Case: Nantong People's Government, Shanghai Medical College of Fudan University, and Nantong Rich Hospital co-sponsored a seminar on new advances in tumour diagnosis and treatment

The 2022 "Fudan-Nantong"High-quality Medical Development Seminar was held in Nantong, where Nantong Rich Hospital of the Group signed cooperation agreements with a number of renowned tertiary public hospitals in Shanghai, including Zhongshan Hospital of Fudan University, Huashan Hospital of Fudan University, Fudan University Shanghai Cancer Centre, Obstetrics & Gynecology Hospital of Fudan University, Children's Hospital of Fudan University, and Eye & ENT Hospital of Fudan University. In the future, the two sides will make use of their respective strengths to carry out all-round cooperation in clinical medicine, scientific research, personnel training, health management, and other domains. By doing so, the Group could promote the enhancement of medical service capacity in the Yangtze River Delta, a prerequisite for facilitating high-quality development.

Case: Rici signed a tripartite cooperation agreement with Kameda Medical Centre and Sojitz Corporation in Japan

Rici entered into a strategic partnership online with Kameda Medical Centre and Sojitz Corporation, two entities located in Japan. According to the agreement, the three parties will establish a long-standing comprehensive strategic partnership, where they could leverage their respective strengths to expand their market share and brand influence in the international community through a collection of methods such as telemedicine, exchange visits, medical business cooperation, and academic research. Meanwhile, "XMEDIC", the high-end medical examination brand of the Group, will explore setting up a telemedicine centre with Kameda Medical Centre to introduce some medical screening programmes and products of the latter without any change. The brand aims to become an international healthcare centre that combines health consultation, health management, medical examination, and health services, allowing consumers to experience sophisticated medical check-up services provided by Japanese facilities without going abroad.

Promoting Integrity

The Group works hard to promote integrity by improving the integrity systems, formulating anti-corruption policies, increasing the awareness of clean and compliant practice, and creating a clean and upright atmosphere across the board.

Risk Management and Control

The Company has established a fairly sound organisational structure for risk control and formulated control procedures at various levels to ensure that the instructions given by the superior can be strictly implemented by the subordinate. In addition to the clearly-defined objectives, duties, and competences for different departments and positions, checks and balances have also come in place as a supervision mechanism to ensure functions can be fulfilled within the scope of authority. The Company has brought key aspects such as payment management, procurement management, sales management and seal management under centralised management to avoid related risks.

Anti-corruption Policy

The Group has always been implementing strict policies to prevent corruption, and has set "striving to uphold integrity and believing that integrity is the basis for establishment" as its core values, and embedded such values in its daily operation. On the basis of strict adherence to the laws and regulations such as the "Criminal Law of the People's Republic of China"《(中華人民共和國刑法》) and in accordance with its internal management needs, the Group has formulated the "Regulations on Fraud and Violation of the Group" (《本集團舞弊及違規行為條例》) and "Internal Audit Management System of Rici' Hospital Business" (《瑞慈醫療集團內部審計管理制度》), which define the fraud and violation monitoring mechanism. In 2022, there were no anti-corruption violations that had a significant impact on the Company. The Group provides clear guidelines on aspects of anti-bribery and anti-corruption in the form of an integrity manual, which functions as a code of conduct for all employees. The integrity manual is also an important part of the new staff induction training, and all new hires shall pass the relevant assessment before their formal employment.

Integrity Education and Reporting Mechanism

To further enhance the awareness of clean practice and business ethics among all staff members, the Group conducted a number of anti-corruption training sessions for all directors and employees during the reporting period. These awareness-raising activities covered approximately 120 persons through both online and offline means. The Group has established and implemented a series of anti-corruption reporting and monitoring mechanisms. Employees can report directly through a dedicated email address or hotline, and all reports are handled in a prudent and confidential manner. Through departmental self-monitoring and internal audit, the Company ensures timely detection and handling of matters on anti-corruption and anti-fraud, and hence reduces the negative impact of corruption and fraud. The Group has set up anti-fraud and anti-commercial bribery provisions in procurement contracts, requiring third parties to be honest, incorruptive, and law-abiding in the process of dealing with the Company in order to improve business ethics and the integrity of the management culture.

Anti-corruption training held by the Company

Focus on Environmental Protection

Environmental protection is crucial for attaining sustainable development. In 2022, the Group took a series of initiatives to protect the environment and prevent pollution. Some examples of these initiatives included actively reducing the consumption of various resources, increasing the recycling rate of resources, striving to reduce the emission/discharge of various pollutants such as exhaust and solid waste, continuously improving corporate environmental management, vigorously promoting the concept of green office and low-carbon travel, and enhancing internal capabilities for environmental management.

Environmental Policy and Governance

In strict accordance with the "Environmental Protection Law of the People's Republic of China" (《中華人民共和國環境保護法》) and other pertinent laws and regulations, the Group, on the aspect of its organisational structure, commenced the construction of its environmental management system in 2022, which has gradually formed a top-down management mechanism covering the Board and each business segment, so that every employee at each level has its own responsibility for environmental protection. Each segment is staffed with specialists being responsible for the management and exercise of environmental protection, who form working groups with clearly defined responsibilities and capabilities in the exercise of the duties delegated.

The Group has established a special organisation and system internally to supervise the implementation of environmental management. All subsidiaries and branches have promptly been registered upon pollutant discharge with local environmental management authorities in accordance with the environmental protection laws and regulations for admitting themselves into the scope of legal supervision of the local environmental protection agencies. In accordance with the provisions of the Environmental Protection Law of the People's Republic of China, the Notice of the General Office of the State Council on the Issuance of the Implementation Plan of the Pollutant Emission Control Permit System (《國務院辦公廳關於印發控制污染物排放許可制實施方案的通知》), the List of Fixed Pollution Source Emission Permit Classification Management (《固定污染源排污許可分類管理名錄》) and other relevant laws and regulations, the Group has categorized and managed each of its subsidiaries and has applied for or is in the process of applying for the Pollutant Discharge Permit (《排污許可證》), the Wastewater Discharge Permit (《排水許可證》) or other necessary approval and registration procedures in accordance with the regulations. The Group and its subsidiaries conduct environmental monitoring on a regular basis. All subsidiaries passed related tests during the reporting period.

Emissions Management

Waste management

In 2022, the Group (the headquarters, the general hospital segment consisting of Nantong Rich Hospital, and the medical examination segment consisting of 60 medical examination centres in operation) mainly offered healthcare services. The hazardous pollutants generated during operations were mainly medical wastes and medical wastewater. In strict compliance with the "Measures for Management of Medical Wastes" (《醫療廢物管理辦法》), the "Measures for Management of Medical Wastes from Medical and Health Institutions" (《醫療衛生機構醫療廢物管理辦法》), and other relevant laws and regulations, the Group has formulated the "Solid Waste Treatment and Disposal System of Rici" (《瑞慈醫療集團固體廢棄物處理與處置制度》), according to which, it regularly conducts training on the management of medical waste to raise employees' awareness of hazardous waste and instructs staff how to reduce the generation of hazardous waste in their daily work. The statistics of hazardous wastes generated are as follows:

General hospital segment: 242 tonnes/year
Medical examination institutions: 225.68 tonnes/year

The non-hazardous wastes generated during operations are general waste and non-medical waste. In strict compliance with the pertinent laws and regulations such as the "Environmental Protection Law of the People's Republic of China" (《中華人民共和國環境保護法》) and the "Measures for Management of Municipal Domestic Waste" (《城市生活垃圾管理辦法》), the Group has formulated the "General Waste Management System of Rici" (《瑞慈醫療集團一般廢棄物管理制度》), according to which medical recyclables (like plastic infusion bottles) and non-medical recyclables (like cardboards) are recycled and then delivered to qualified service providers in cooperation for processing as a move for energy saving and emission reduction. Meanwhile, the Group has signed and implemented contracts for waste disposal with the environmental management centres in the places where it operates. The statistics of non-hazardous wastes generated are as follows:

Table: Type and quantity of non-hazardous waste

Type of non-hazardous waste	Unit	2022
General waste	Tonne	General hospital segment: 62.515 tonne/year
Non-medical waste	Tonne	General hospital segment: 3,066 tonnes/year Medical examination segment: 39.3 tonnes/year

Exhaust and greenhouse gases (GHG)

Given the business characteristics of the Group, its exhaust and direct GHG emissions are mainly from vehicles owned by the Group, while indirect GHG emissions mainly come from the consumption of electricity, paper and business travel. In 2022, the statistics of GHG emissions generated during operations are as follows:

GHG

Direct GHG emissions: 366.1584[3]Carbon dioxide (Tonnes) "Equivalent emissions"
Indirect GHG emissions: 19114.5172 Carbon dioxide (Tonnes) "Equivalent emissions"

Exhaust

Nitrogen oxides (kg) 461.188 kg
Sulphur oxides (kg) 42.87 kg
Particulates (kg) 50.21 kg

Resource Use Management

Promoting green office

The Group has issued the "Measures for Management of Energy Conservation and Environmental Health at Office of Rici)" (《瑞慈醫療集團辦公室節能降耗和環境衛生管理辦法》). In the design of office environment and actual operation, the Group has always adhered to the requirements for protecting the environment under the laws and regulations, endeavoured to carry out its operations under the standards required for energy-saving, emission reduction, and recycling of resources, with an objective to integrate the concept and action of environmental protection into its daily operations and employee conduct management. The Group has taken the following environmental protection measures to reduce the impact of business operations on the environment:

In terms of the use of electricity and water

- Turning off all unnecessary electricity consumption equipment (such as computers, air conditioners, and lighting) during non-working hours
- Increasing the number of lighting switches or changing the lighting to sensor-based lighting, and replacing lighting tubes with LED lighting
- Inspecting water supply facilities on a regular basis, checking whether the response to the shutting-down instruction is timely and whether there are faults, in order to prevent water leakage and eliminate water evaporation, emission, drip and leakage
- Water is consumed for office use and used by healthcare workers in medical/medical examination centres during working hours. The healthcare industry requires healthcare workers to wash their hands and clean their tools frequently to prevent the spread of diseases, and thus water consumption (especially the water consumption of the hospital segment) is required for medical needs, infection prevention and control measures

In terms of the use of paper

- Printing double-sided and reducing the amount of paper use to half by certain office floors
- Designating a responsible person to record the usage amount for each printer
- Careful checking is required before printing to avoid duplicate printing
- Sharing documents among staff, and if not necessary, performing internal communications through e-mails and

3 According to the Guide set out in Appendix 27 to the Listing Rules, the CO_2 formula of GHG emissions from mobile combustion sources (for road, air, and water transport) is that CO_2 equivalent emissions (E)=A×EF. E=Emissions. A=Amount of fuel consumed. EF=Emission Factor of CO_2. The emission factor of diesel oil is 2.614, that of unleaded petrol is 2.36. The unit of emission factor is kg/L.

instant communication tools instead of issuing paper documents

Advocating re-using paper in offices

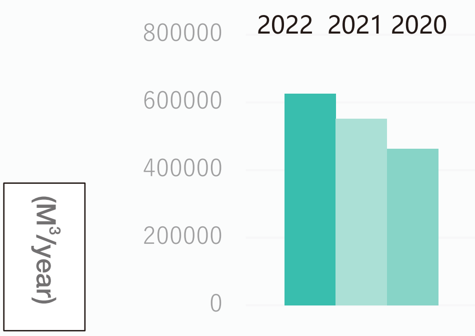
In terms of low-carbon transportation

- Encouraging employees to commute by public transportation and providing commuting shuttle buses for hospital employees in order to reduce the use of private cars
- Whenever the use of private cars for business trips is required, asking the relevant persons to share personal cars in order to reduce fuel consumption
- Setting up shared bicycle parking spots near office buildings to advocate green travel among employees

Use and consumption of resources

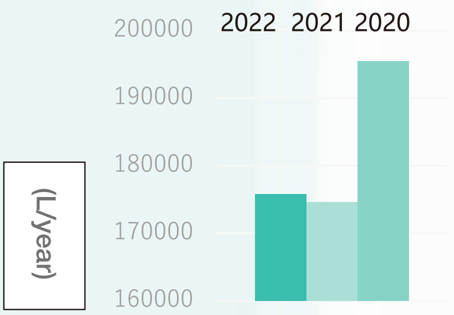
Different from manufacturers, the Group (the headquarters, the general hospital segment consisting of Nantong Rich Hospital, and the medical examination segment consisting of 60 medical examination centres in operation) does not engage in production, and so no packaging materials are consumed. The Group strictly abides by the "Water Conservancy Law of the People's Republic of China" (《中華人民共和國水利法》), "Electric Power Law of the People's Republic of China" (《中華人民共和國電力法》), "Energy Law of the People's Republic of China" (《中華人民共和國能源法》), "Energy Conservation Law of the People's Republic of China" (《中華人民共和國能源節約法》), and other relevant laws and regulations. The statistics of water, electricity, fuel, and paper consumed during operations in 2022 are as follows:

Water consumption in 2020-2022



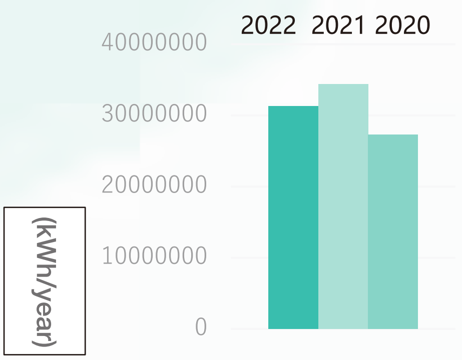
In 2022, the Group consumed a total of 624,828 cubic metres of water, with the intensity of 3 cubic meters per square metre of gross floor area. The water consumption in the headquarters is 1,211 cubic metres, 330,715 cubic metres in the general hospital segment, 41,073 cubic metres in the specialty hospital segment, and 251,829 cubic metres in the medical examination segment.

Fuel consumption in 2020-2022



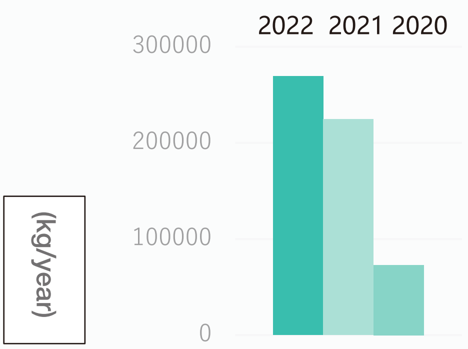
In 2022, the Group consumed a total of 175,774 litres of fuel, with the intensity of 0.846 litres per square metre of gross floor area. The fuel consumption in the general hospital segment is 124,018 litres, 12,977 litres in the specialty hospital segment, and 38,779 litres in the medical examination segment.

Electricity consumption in 2020-2022



In 2022, the Group consumed a total of 31,330,138 kWh of electricity, with the intensity of 150.86 kWh per square metre of gross floor area. The electricity consumption in the headquarters was 175,491 kWh, 11,035,983 kWh in the general hospital segment, 3,886,594 kWh in the specialty hospital segment, and 16,232,071 kWh in the medical examination segment.

Paper consumption in 2020-2022



In 2022, the Group consumed a total of 269,484.948 kg of paper, with the intensity of 1.298 kg per square metre of gross floor area. The paper consumption in the headquarters was 8,212.788 kg, 76,342.788 kg in the general hospital segment, 13,139.568 kg in the specialty hospital segment, and 171,789.804 kg in the medical examination segment.

Environmental Protection

Due to its business nature, the Group neither gets involved any activities or services that have a significant impact on ecological resources or biodiversity, nor sets up its business premises or offices in natural reserves or biodiversity-rich areas outside protected areas. During the construction phase, the Group prioritises cooperating with suppliers who perform well in the protection of ecological resources and biodiversity.

Climate Change

As climate change is becoming an increasingly critical issue, the planet on which humans depend is fraught with uncertainty. In this context, it is imperative to promote sustainable development as a response to climate change. Being a medical service provider whose main business has not been directly affected by climate change, the Group has taken appropriate measures to cope with possible extreme weather conditions in the future. During the reporting period, we made extensive efforts to raise awareness of the hazards caused by natural disasters (high-temperature weather conditions, floods, droughts, super typhoons, sea level rise, etc.) within the Group and beyond, conducted extreme weather risk assessments for all business premises or offices, and formulated appropriate contingency mechanisms to minimise the impact of extreme weather conditions on the Group's operations.

Fulfilling Responsibility for Employees

For a company, employees are one of its most important core competencies, and adhering to a people-oriented business philosophy turns out to be an essential prerequisite for its sustainable development. A sound employment system, harmonious relations with employees, a good working environment, reasonable incentives, and well-protected employee rights & interestsall of these are pivotal to forming a strong cohesive force in the company.

Equal Employment

The Group strictly abides by the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》) and other relevant laws, and has formulated internal policies such as the "Regulations on the Introduction of Talents to Rici" (瑞慈醫療人才引進管理規定》), "Regulations on Employee Entry of Rici" (《瑞慈醫療入職規定》), and "Staff Handbook" (《員工手冊》). We employ law-abiding people with skills suited to our demand through internal selection or competitive recruitment as per the principles of fairness, justice, and transparency. The Company insists on gender equality and equal pay for equal work, signs labour contracts with all employees in accordance with the law, and strictly implements all labour security policies. Employees are not treated differently on the basis of their ethnicity, race, gender, or religious beliefs.

Indicator	Unit	2020	2021	2022
Employees of the Group	person	7,208	7,706	**8,737**
Employees of the headquarters	person	230	187	**202**
Employees of the medical examination segment	person	5,471	5,916	**7,314**
Employees of the general hospital segment	person	1,019	1,097	**1,221**
Female employees	person	5,766	6,181	**7,051**
Male employees	person	1,442	1,525	**1,686**
Employees in East China	person	5,817	6,443	**7,159**
Employees in South China	person	628	479	**678**
Employees in North China	person	129	139	**164**
Employees in Central China	person	546	378	**439**
Employees in Northeast China	person	88	84	**94**
Employees in Southwest China	person/	/	183	**203**
Employees aged below 30	person	2,450	2,669	**2,728**
Employees aged between 30–50	person	2,955	3,227	**3,556**
Employees aged above 50	person	1,803	1,810	**2,164**
Employees with a bachelor's degree	person/	/	2,569	**2,972**
Employees with a master's degree or above	person/	/	167	**166**
Employee turnover rate	%	24.44%	24.47%	**21.41%**
Male employee turnover rate	%	28.42%	24.98%	**23.02%**
Female employee turnover rate	%	23.35%	24.34%	**21.02%**
Employee turnover rate in East China	%	21%	23%	**21%**
Employee turnover rate in North China	%	25%	30%	**25%**
Employee turnover rate in South China	%	23%	32%	**23%**
Employee turnover rate in Central China	%	26%	29%	**26%**
Employee turnover rate in Northeast China	%	27%	38%	**27%**
Employee turnover rate in Southwest China	%	25%	29%	**25%**

The Group never employs child labour or forced labour. Despite the absence of similar problems, the Group still regularly reviews its employment policies and gets informed of the latest relevant laws and regulations in order to keep its systems up to date and to ensure that all employment practices are rigorously implemented and incorporated into its human resources policies, regardless of steps taken to eliminate violations when they are discovered. During the reporting period, there was neither misconduct nor regulatory non-compliance related to discrimination, child labour or forced labour in the Group.

Employee Rights and Interests

Salary and benefits

The Group always adheres to the principle of fairness, opposes discrimination, ensures equal pay for employees, and abides by the same minimum wage standard. The Group strictly complies with the local labour laws and regulations to provide full-time employees with statutory benefits and paid holidays. It provides leave and benefits in line with national and local laws for all female employees during pregnancy, maternity and lactation, and makes sure male workers with pregnant spouse can also enjoy paternity leave. Female employees have access to special protection during menstrual period. As an "in-depth medical examination" advocate and practitioner, the Group is always concerned about the health conditions of its employees and provides free medical examinations for them.

Work-rest balance

As the Group is convinced, a work-life balance could not only increase employees' well-being, but also help to improve their work efficiency, which is a mutual benefit to both staff and the Company. Instead of encouraging working overtime, we ensure a work-life balance for our staff. In addition, a number of staff activities are held regularly, including afternoon tea breaks, birthday parties, staff sports meetings, food festivals, and team building events, to help staff enjoy their lives after work and promote their physical and mental well-being.

A team building activity held by Rici Qingdao Medical Examination Centre

Staff Safety

The Group regards human resources as the most valuable asset and is committed to providing a safe, healthy and harmonious working environment for all employees. From aspects such as institutional development, formulation of technical standards, enhancement of employees' risk awareness, supervision and evaluation management, supply of labour protection devices, and regular medical examination, the Group has prevented and controlled the health and safety risks on its employees. In 2022, the Group spent RMB5,898,174.49 on the purchase of personal protection devices for employees, and recorded expenditures on medical examinations of RMB5,351,546.97. Five employees in the Group's headquarters, medical examination segment, general hospital segment, and specialty hospital segment were injured at work in 2022, leading to the loss of 363 days due to work-related injuries. There were no work-related deaths in recent three years.

Institutional development

According to the "Law of the People's Republic of China on Prevention and Treatment of Infectious Diseases" (《中華人民共和國傳染病防治法》), the Group has formulated 20 vocational protection standards in light of its actual conditions, including the "Disinfection and Isolation System" (《消毒隔離制度》), "Infected Case Monitoring and Reporting System" (《感染病例監測與報告制度》), "Occupational Protection System for Medical Staff" (《醫務人員職業防護制度》)", and "Prevention and Control Plan for Occupational Diseases from Radiation Exposure" (《放射性職業病防治計劃》), and revised the code of safe practices for employees that are easily exposed to infectious substances. Through the systemisation of the occupational health and safety management and the clarification of responsibilities, the Group's work on infection management has changed from being passive to active and from ex-post response to prevention. With systematic and complete safety management standards in place, the Group has reduced the infection rate and the incidence of infections caused by inadequate surveillance and prevention, ensuring the safety of employees and patients.

Case: Prevention and Control Programme for Occupational Diseases from Radiation Exposure by Nantong Rich Hospital

To prevent, control, and eliminate the hazards of occupational diseases from radiation exposure, Nantong Rich Hospital has formulated the "Prevention and Control Programme for Occupational Diseases from Radiation Exposure" (《職業性放射性疾病防治計》) in accordance with the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" (《中華人民共和國職業病防治法》) and the "Regulations on the Administration of Radiation Diagnosis and Treatment" (《放射診療管理規定》), and set up a leading group for the prevention and control of occupational diseases from radiation exposure to get related work done properly. The prevention and control measures the hospital has adopted are as follows: the up-to-standard installation of radiation equipment and provision of protective devices; standardisation of job duties and operating procedures in the workplace exposed to radiation; regular health screenings for workers exposed to radiation; invitation of professional agencies to test radiation equipment; adoption of real-time emergency rescue and control measures; and control of the ionising radiation hazards in the workplace within the limits allowed by national standards; and elimination of occupational diseases from radiation exposure and radiation accidents.

Safety awareness

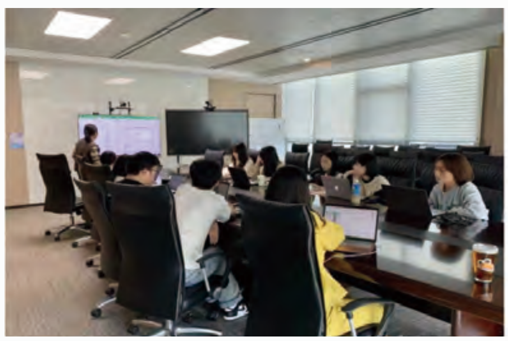
The Group formulates an annual training plan on infection management for staff at all levels at the beginning of each year. According to the plan, employees are arranged to attend training courses and examinations on infection policies and regulations, medical waste disposal, and occupational protection, among other fields of knowledge and skills, so as to help them familiarise themselves with the rules/regulations and operational procedures in relation to occupational health and safety and to enhance their capabilities for preventing infection incidents and controlling occupational hazards. Medical examination institutions regularly organise their staff to participate in occupational health training sessions, both online and offline. Nantong Rich Hospital conducts training on radiation protection and gets attendees assessed by the leading group for the prevention and control of occupational diseases from radiation exposure.

A radiation protection assessment conducted by Nantong Rich Hospital

Employee Development

The Group actively supports employees in developing their professional skills, and through the enhancement of employees' knowledge and skills, promotes its business towards sound development in turn. Supported by its corporate culture, the Group has carried out a series of training courses: "New Staff Training", "Leadership Development Training", "Medical Staff Training", "General Working Skills Training", and "Business Personnel Training". In 2022, all staff members (including middle and senior management) attended various forms of vocational training, with related data broken down as follows. The ratio of management to non-management personnel receiving training was 1.6:21.2, and the ratio of training hours received by management to non-management personnel was 249:368. The ratio of male to female employees receiving training was 1:4 and the ratio of training hours received by male personnel to female employees was 323:342. A total of 23 management members were promoted internally through the method of performance appraisal.

Rici Grand Lecture



Management trainee training of Rici

New staff training

To help new staff quickly adapt to the new working environment and mesh well with their team, the Group provides a variety of induction training activities for new recruits. All new employees attended training in 2022. At the Group level, the Rici Grand Lecture is organised to share tips and help new staff members get familiarized with business fast. The medical examination segment provides new employees with induction training such as company introduction, employee instructions, and sales and customer relations guidance. The business departments of the affiliated companies lead new employees on site visits to help them understand corporate culture and systems faster. At the general and specialty hospital segments, new staff training comprises internal training and external training. One-week group training for new recruits will be conducted first and then professional pre-job skills training will follow, so that new staff can quickly understand and qualify themselves for their positions and specific working procedures.

Leadership development training

The Group provides the management personnel with training programmes targeting the enhancement of management and leadership and carries out specialised training programmes for management trainees. In 2022, the Group organised three training sessions for all newly promoted B-level managers, which covered about 30 people.

Medical staff training

Each business region/branch organises professional training, including hands-on training for medical examination business. The Nantong business region organised 32 training sessions throughout 2022, covering the entire medical and nursing staff in the region. Training content and topics include the system of reporting medical examination-related wrongdoing, medical and nursing cooperation during CPR and related drills, cardiovascular disease risk assessment and screening items offered by medical examination institutions, weight management, blood lipid control, understanding colonoscopy reports and pathology results, lung nodule management strategies, emergency drills against system and equipment failure, contingency plan for common emergencies related to medical examination, etc.

General working skills training

As the "customer-oriented" service model is the core of the corporate culture, the Group carries out the "service etiquette" training programme on a regular basis. In 2022, the customer service department of the headquarters organised a total of 28 online and offline training sessions for medical and nursing staff of medical examination institutions nationwide, which covered topics such as quality control, customer service, service etiquette, and products. These training sessions recorded an attendance of about 800.

Sales personnel training

The headquarters of the Group took the lead in organising sales personnel training, which covered all sales staff members (branch general managers, institution heads, sales management managers, sales management specialists, sales directors, sales managers, sales representatives, etc.) in 18 cities (Shanghai, Nantong, Nanjing, Yangzhou, Zhenjiang, Wuxi, Chengdu, Wuhan, Changsha, Shenzhen, Guangzhou, Foshan, Xiamen, Quanzhou, Shenyang, Qingdao, Jinan, and Taizhou) throughout the year. The training content involved the business side, sales policy, and products. A total of 22 training sessions were organised for 465 new sales staff members through online and offline methods.

Performance appraisal

The Group stresses "to assess the personnel through their performances", and adheres to the distribution principles of "prioritising performance, working harder and earning more, getting paid according to workload, and taking fairness into account", in order to stimulate the enthusiasm and creativity of employees. The design, implementation and results of the performance management system of the Group focus on the comprehensive and objective evaluation of the overall performance of employees, in order to enhance the matching degree of employees' quality, ability, performance, and position requirements.

Increasing Community Welfare

On the pledge of continuously performing corporate citizenship responsibility and the concept of sincerely serving the society, the Group actively participates in various community activities such as charity donations and voluntary medical services, continuously bringing positive changes to society. In 2022, the Group held many public benefit activities such as COVID-19 control initiatives and voluntary diagnosis & treatment services.

Fighting COVID-19 Together

The most admirable frontline workers in the COVID-19 pandemic

At the beginning of 2022, new COVID-19 cases emerged in many parts of China, putting enormous pressure on the prevention and control of the pandemic. Driven by its sense of responsibility and mission, Rici answered the government's call for COVID-19 control efforts and led its medical staff in many cities, including Shanghai, Nantong, Nanjing, Changzhou, Yangzhou, Hefei, Shenzhen, Guangzhou, Quanzhou, and Changsha, to work on the front line of the fight against the coronavirus spread. The staff of the Group did their best in the anti-pandemic battle.

Frontliners fighting against the COVID-19 pandemic

Medical video streaming amid the COVID-19 lockdown

In March 2022, Shanghai experienced an explosive COVID-19 outbreak, which put the city on hold for more than two months. The citywide lockdown made it hard for local residents to meet their basic needs, including medical care. As a high-end medical examination institution in China, Rici's medical examination segment launched a series of non-profit live streaming activities from 22 April 2022, disseminating health knowledge and providing free online consultations. In this way, residents stuck at home could access health information and medical assistance whenever they needed. Through this move, Rici effectively fulfilled the social responsibility as a medical enterprise in the midst of pandemic response. These well-received live-steaming sessions attracted over 1,000 online participants, of which nearly 600 persons made interactions.

“Live from the Pandemic, Concern for Health” series of public service live screenings

Voluntary diagnosis and treatment services

To cope with the continuing impact of the pandemic, Nantong Rich Hospital held 28 activities in March, June, and July-November, covering a total of 1,456 persons throughout the year. Among them, there were 4 free clinics, 15 lectures, 3 meetings, and 6 free clinics and lectures (including 3 large-scale free clinics). These activities took place in Nantong Development Zone and Nantong Rici Hospital, respectively. A total of eight specialties were involved to cover about 310 people. These well-received activities disseminated health knowledge among community residents and raised their awareness of disease prevention and treatment.

Well-received free clinics

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Appendix: Index of HKEX ESG Reporting Guide

Environmental, Social and Governance Reporting Guide		Content
A. Environmental		
Aspect A1: Emissions		
A1	General disclosure Information relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Emissions Management
A1.1	The types of emissions and respective emissions data (including ozone-depleting substances and major air pollutants)	Emissions Management
A1.2	Direct (Scope 1) and indirect (Scope 2) GHG emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Management
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Emissions Management
A1.5	Description of the emission target(s) and steps taken to achieve them.	Emissions Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	Emissions Management
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A2	General disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Resource Use Management
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility)	Resource Use Management
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Resource Use Management
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Resource Use Management
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A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable to the Group
Aspect A3: Environment and Natural Resources		
A3	General disclosure Policies on minimising the issuer’s significant impact on the environment and natural resources.	Ecological Resource Protection
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	Ecological Resource Protection

Environmental, Social and Governance Reporting Guide		Content
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B1.1	Total workforce by gender, employment type, age group and geographical region.	Equal Employment
B1.2	Employee turnover rate by gender, age group and geographical region.	Equal Employment
Aspect B2: Health and Safety		
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B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Staff Safety
B2.2	Lost days due to work injury.	Staff Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Staff Safety
Aspect B3: Development and Training		
B3	General disclosure Policies on improving employees' knowledge and skills for discharging duties at work Description of training activities Training refers to vocational training. It may include internal and external courses paid by the employer.	Employee Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Development
B3.2	The average training hours completed per employee by gender and employee category.	Employee Development

Environmental, Social and Governance Reporting Guide		Content
Aspect B4: Labour Standards		
B4	General disclosure Information relating to preventing child and forced labour: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Equal Employment
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Equal Employment
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Aspect B5: Supply Chain Management		
B5	General disclosure Policies on managing environmental and social risks of the supply chain.	Sincere Cooperation for Win-win Outcomes
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Sincere Cooperation for Win-win Outcomes
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Sincere Cooperation for Win-win Outcomes
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B6	General disclosure Information relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Staying True to the Essence of Healthcare
B6 1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to the Group
B6.2	Number of product and service related complaints received and how they are dealt with.	Staying True to the Essence of Healthcare
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Staying True to the Essence of Healthcare
B6.4	Description of quality assurance process and recall procedures.	Not applicable to the Group
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Staying True to the Essence of Healthcare
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B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Promoting Integrity

Environmental, Social and Governance Reporting Guide		Content
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Promoting Integrity
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B8	General disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Increasing Community Welfare
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B8.2	Resources contributed (e.g. money or time) to the focus area.	Increasing Community Welfare

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2022.

PRINCIPAL ACTIVITIES

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

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

BUSINESS REVIEW

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

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended December 31, 2022 are set out on pages 104 to 208 of this annual report.

The Board has resolved not to declare any final dividend for the year ended December 31, 2022.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, June 14, 2023 to Monday, June 19, 2023, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2023 AGM. In order to be eligible to attend and vote at the 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, June 13, 2023.

FINANCIAL SUMMARY

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

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended December 31, 2022 are set out in Note 7 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended December 31, 2022 are set out in Note 19 to the consolidated financial statements of this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended December 31, 2022 are set out in Note 21 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2022, the Company's distributable reserves were RMB852.2 million.

BORROWINGS

As at December 31, 2022, the Group had outstanding borrowings of RMB935.3 million. Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 23 to the consolidated financial statements of this annual report.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2022.

PRE-EMPTIVE RIGHTS

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

USE OF NET PROCEEDS FROM THE IPO

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

	Net amount available as at December 31, 2021 RMB'000	Actual amount utilised during the year ended December 31, 2022 RMB'000	Unutilised amount as at December 31, 2022 RMB'000
Nantong Rich Hospital Phase II Project	5,859	5,859	—
Total	5,859	5,859	—

DIRECTORS

The Board currently consists of the following seven Directors:

Executive Directors

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

Independent Non-executive Directors

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the sections headed "— Connected Transaction", "— Related Party Transactions" and "Management Discussion and Analysis" and Note 43 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended December 31, 2022 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended December 31, 2022 or subsisted at the end of the year.

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

Other than disclosed in the sections headed "— Connected Transaction", "— Related Party Transactions" and "Management Discussion and Analysis" and Note 43 to the consolidated financial statements contained in this annual report, no transaction, arrangement or contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2022.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

For the year ended December 31, 2022, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the year ended December 31, 2022.

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

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2022, by our Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2022, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

DEED OF NON-COMPETITION

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

The Controlling Shareholders confirmed that they have complied with the Non-competition Deed for the year ended December 31, 2022. The independent non-executive Directors have conducted such review for the year ended December 31, 2022 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied with.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters as disclosed in the section headed "— Directors' service contracts" and the section headed "Corporate Governance Report — 2. The Board — (8) Change of Directors" in this annual report, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended December 31, 2022.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2022.

LOAN AND GUARANTEE

During the year ended December 31, 2022, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective associates (as defined in the Listing Rules).

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

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

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

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

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

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

Details of movement of the share options granted under the Pre-IPO Share Option Scheme for the year ended December 31, 2022 are set out below:

	Number of options					
Name of option holder	Outstanding as at January 1, 2022	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at December 31, 2022	Exercise Price
Directors of the Company						
Dr. Fang	15,903,500	–	–	–	15,903,500	HK$1.60
Dr. Mei	15,903,500	–	–	–	15,903,500	HK$1.60
Senior management and other employees of the Group						
Cao Ying	15,903,500	–	–	–	15,903,500	HK$1.60
Total	47,710,500	–	–	–	47,710,500	

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

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

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

Share Option Scheme

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

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

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

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

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

On November 24, 2017, the Company granted share options to certain then Directors and employees of the Company and its subsidiaries to subscribe for a total of 79,517,500 ordinary shares in the share capital of the Company, at the price of HK$2.42 per Share. The closing price of the Shares before the date of grant of such options was HK$2.35 per Share. As of December 31, 2022, among the Options granted as described above, options in respect of a total of 700,000 Shares were granted to an associate (as defined under the Listing Rules) of a Director and the acceptance letter was signed. Details of such options granted to the associate of a Director are set out as follows:

Name	Position	Number of options granted
Mr. Mei Ye[1]	Deputy General Manager of Medical Examination Business Department	700,000
Total		**700,000**

Note:

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

Details of the options granted under the Share Option Scheme and those remained outstanding as at December 31, 2022 are as follows:

Name and Class of Grantees	Date of Grant	Number of Options Outstanding as at January 1, 2022	Granted during the year ended December 31, 2022	Exercised during the year ended December 31, 2022	Cancelled during the year ended December 31, 2022	Lapsed during the year ended December 31, 2022	Outstanding as at December 31, 2022	Exercise Price
(1) Associate of Director								
Mr. Mei Ye[1]	November 24, 2017	700,000	–	–	–	–	700,000	HK$2.42
(2) Other Employees	November 24, 2017	63,660,000	–	–	–	–	63,660,000	HK$2.42
Total		**64,360,000**	**–**	**–**	**–**	**–**	**64,360,000**	

Note:

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

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

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

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at December 31, 2022, 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 December 31, 2022. 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 December 31, 2022.

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

(C) Interest in associated corporation

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

Notes:

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

(2) Under the SFO, a holding company of the listed corporation is regarded as an "associated corporation". As at December 31, 2022, Chelsea Grace held 54.87% of our issued share capital and thus was our associated corporation.

Save as disclosed in this annual report and to the best knowledge of the Directors, as at December 31, 2022, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at December 31, 2022, 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 December 31, 2022.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2022, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customers accounted for 6.1% of the Group's total revenue. The Group's five largest customers accounted for 8.1% of the Group's total revenue.

In the year under review, the Group's largest suppliers accounted for 9.7% of the Group's total purchase. The Group's five largest suppliers accounted for 29.1% of the Group's total purchase.

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

HUMAN RESOURCES

The Group had 8,737 employees as at December 31, 2022, as compared to 7,706 employees as at December 31, 2021. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

RETIREMENT BENEFITS SCHEME

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

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

CONNECTED TRANSACTION

As disclosed in the announcements dated June 1, 2022 and June 15, 2022, Shanghai Ruikui entered into an equity transfer agreement dated June 1, 2022 with Jinxin Holdings Group Co., Ltd. and the other minority shareholders of Changzhou Rich and Wuxi Rich Obstetrics & Gynecology Hospital Co., Ltd., pursuant to which, among others, (i) Shanghai Ruikui agreed to purchase and Jinxin Holdings Group Co., Ltd. agreed to sell 23.43% of the total equity interest in Wuxi Rich Obstetrics & Gynecology Hospital Co., Ltd. held by Jinxin Holdings Group Co., Ltd. at the consideration of RMB27.11 million; and (ii) Shanghai Ruikui agreed to sell and Jinxin Holdings Group Co., Ltd. agreed to purchase 57.92% of the total equity interest in Changzhou Rich held by Shanghai Ruikui at the consideration of RMB24.86 million. Save as disclosed above, during the year ended December 31, 2022, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules. Jinxin Holdings Group Co., Ltd. is a connected person of the Company at the subsidiary level prior to completion of the abovementioned transactions.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended December 31, 2022 are set out in Note 43 to the consolidated financial statements contained in this annual report.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities. Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year under review. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year under review.

EVENTS SUBSEQUENT TO THE PERIOD

On January 16, 2023, Nantong Rich Hospital, Nantong Rich Medical Management Group Co., Ltd., Dr. Fang Yixin, Dr. Mei Hong and Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership) entered into a share repurchase agreement, pursuant to which, the parties agreed that Nantong Rich Medical Management Group Co., Ltd. or its designated third party(ies) shall repurchase all of Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership)'s equity interest in Nantong Rich Hospital. For details, please refer to the announcement of the Company dated January 16, 2023.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

INDEMNITY OF DIRECTORS

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

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions as set out in the CG Code as contained in the Listing Rules, as its own code to govern its corporate governance practices.

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

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

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

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

DONATIONS

During the year ended December 31, 2022, the Group did not make any charitable donations (2021: nil).

AUDITOR

The Board announced on December 14, 2022 that PricewaterhouseCoopers ("**PwC**") has resigned as the auditor of the Company with effect from December 13, 2022, and at the recommendation of the Audit Committee, it has resolved to appoint BDO Limited as the new auditor of the Company to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the next annual general meeting of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended December 31, 2022, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

On behalf of the Board

Fang Yixin
Chairman and Chief Executive Officer

Shanghai, March 31, 2023

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Rici Healthcare Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 108 to 208, which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

Refer to notes 5(e), 7 and 8 to the consolidated financial statements respectively and the significant accounting policies in notes 2.7, 2.9 and 2.24 to the consolidated financial statements

As at 31 December 2022, the Group had property and equipment and right-of-use assets with carrying amounts of RMB1,444.6 million and RMB1,219.5 million respectively. The amount of RMB2,664.1 million in total represented 58.3% of the Group's total assets.

Management is required to perform impairment assessment if a potential impairment is indicated. Management concluded that there was no indication of impairment of property and equipment and right-of-use assets of the Group other than those related to certain medical examination centres which have been in operation for more than two years as at 31 December 2022 but incurred operating losses in recent years.

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

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

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

Our response

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

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

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

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

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

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

Other information in the annual report

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

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

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

Directors’ responsibilities for the consolidated financial statements

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

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2022.

BDO Limited
Certified Public Accountants

Lui Chi Kin
Practicing Certificate Number P06162

Hong Kong, 31 March 2023

Consolidated Balance Sheet

As at December 31, 2022

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property and equipment	7	**1,444,578**	1,498,990
Right-of-use assets	8	**1,219,532**	1,275,275
Intangible assets	9	**5,388**	10,871
Investments accounted for using equity method	10	**9,122**	8,703
Financial assets at fair value through profit or loss		**1,500**	1,500
Financial assets at fair value through other comprehensive income	11	**181,725**	—
Deposits for long-term leases	12	**51,993**	44,324
Deferred tax assets	13	**124,806**	213,488
Other receivables	16	**110,000**	—
Prepayments	18	**61,893**	41,310
		3,210,537	3,094,461
Current assets			
Inventories	14	**38,727**	50,994
Trade receivables	15	**278,712**	346,319
Other receivables	16	**160,280**	48,876
Prepayments	18	**40,947**	37,525
Amounts due from related parties	43(d)	**1,114**	5,909
Cash and cash equivalents	17	**720,141**	771,264
Restricted cash	17	**116,400**	180,851
		1,356,321	1,441,738
Total assets		**4,566,858**	4,536,199
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	**1,065**	1,065
Reserves	21	**952,853**	676,435
		953,918	677,500
Non-controlling interests	22	**(49,092)**	(90,074)
Total equity		**904,826**	587,426

As at December 31, 2022

	Notes	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	**320,159**	474,721
Lease liabilities	25	**1,097,716**	1,204,422
Other financial liabilities	24	**—**	145,464
Deferred income	28	**90,296**	94,076
		1,508,171	1,918,683
Current liabilities			
Borrowings	23	**615,166**	774,202
Other financial liabilities	24	**162,920**	—
Lease liabilities	25	**265,509**	289,952
Contract liabilities	26	**552,090**	405,294
Trade and other payables	27	**481,852**	500,729
Amounts due to related parties	43(d)	**133**	134
Income tax payables		**69,351**	54,174
Deferred income	28	**6,840**	5,605
		2,153,861	2,030,090
Total liabilities		**3,662,032**	3,948,773
Total equity and liabilities		**4,566,858**	4,536,199

The notes on pages 114 to 208 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 108 to 208 were approved by the Board of Directors on 31 March 2023 and were signed on its behalf by:

Fang Yixin
Director

Mei Hong
Director

Consolidated Statement of Profit or Loss

For the year ended December 31, 2022

	Notes	Year ended 31 December 2022 RMB'000	2021 RMB'000 (Represented)
Continuing operations			
Revenue	29	**2,375,027**	2,377,207
Cost of sales	32, 33	**(1,447,825)**	(1,401,990)
Gross profit		**927,202**	975,217
Distribution costs and selling expenses	32, 33	**(286,843)**	(252,206)
Administrative expenses	32, 33	**(222,413)**	(219,136)
Reversal of impairment loss/(impairment losses) on financial assets	32	**3,448**	(1,795)
Other income	30	**22,038**	20,178
Other losses	31	**(11,754)**	(5,879)
Operating profit		**431,678**	516,379
Finance costs	34	**(111,327)**	(132,054)
Finance income	34	**6,420**	6,947
Finance costs — net	34	**(104,907)**	(125,107)
Share of results of investments accounted for using equity method	10	**419**	803
Profit before income tax		**327,190**	392,075
Income tax expense	35	**(84,041)**	(98,373)
Profit for the year from continuing operations		**243,149**	293,702
Discontinued operations			
Profit/(loss) for the year from discontinued operations	36	**24,038**	(167,597)
Profit for the year		**267,187**	126,105
Profit/(loss) for the year attributable to:			
Owners of the Company	37(a)	**290,793**	181,553
Non-controlling interests		**(23,606)**	(55,448)
		267,187	126,105
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company			
From continuing operations and discontinued operations			
— Basic and diluted	37	**RMB0.18**	RMB0.11
From continuing operations			
— Basic and diluted	37	**RMB0.15**	RMB0.19
From discontinued operations			
— Basic and diluted	37	**RMB0.03**	RMB(0.08)

The notes on pages 114 to 208 are an integral part of these consolidated financial statements.

Consolidated Statement of Other Comprehensive Income

For the year ended December 31, 2022

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit for the year	**267,187**	126,105
Other comprehensive income		
Item that will not be subsequently reclassified to profit or loss		
— Change in fair value of financial assets at fair value through other comprehensive income	**1,725**	—
Total comprehensive income for the year	**268,912**	126,105
Total comprehensive income for the year attributable to:		
Owners of the Company	**292,518**	181,553
Non-controlling interests	**(23,606)**	(55,448)
	268,912	126,105

The notes on pages 114 to 208 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Notes	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to Owners of the Company				
		(Note 19)	(Note 21)			
Balance at 1 January 2021		1,065	504,744	505,809	(173,369)	332,440
Profit/(loss) for the year		—	181,553	181,553	(55,448)	126,105
Other comprehensive income		—	—	—	—	—
Total comprehensive income		—	181,553	181,553	(55,448)	126,105
Changes in ownership interests in subsidiaries without change of control		—	(26,723)	(26,723)	18,825	(7,898)
Share option scheme	20	—	16,861	16,861	—	16,861
Capital contributions by non-controlling interests of subsidiaries		—	—	—	119,918	119,918
Total transaction with owners in their capacity as owners		—	(9,862)	(9,862)	138,743	128,881
Balance at 31 December 2021		1,065	676,435	677,500	(90,074)	587,426
Balance at 1 January 2022		**1,065**	**676,435**	**677,500**	**(90,074)**	**587,426**
Profit/(loss) for the year		**—**	**290,793**	**290,793**	**(23,606)**	**267,187**
Other comprehensive income		**—**	**1,725**	**1,725**	**—**	**1,725**
Total comprehensive income		**—**	**292,518**	**292,518**	**(23,606)**	**268,912**
Disposal of subsidiaries	38	**—**	**—**	**—**	**22,049**	**22,049**
Changes in ownership interests in subsidiaries without change of control	42	**—**	**(27,048)**	**(27,048)**	**(2,312)**	**(29,360)**
Share option scheme	20	**—**	**10,948**	**10,948**	**—**	**10,948**
Capital contributions by non-controlling interests of subsidiaries		**—**	**—**	**—**	**52,117**	**52,117**
Dividend paid to non-controlling interests		**—**	**—**	**—**	**(7,266)**	**(7,266)**
Total transaction with owners in their capacity as owners		**—**	**(16,100)**	**(16,100)**	**64,588**	**48,488**
Balance at 31 December 2022		**1,065**	**952,853**	**953,918**	**(49,092)**	**904,826**

The notes on pages 114 to 208 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flow from operating activities			
Cash generated from operations	39(a)	**916,798**	871,418
Interest paid		**(141,495)**	(141,443)
Income tax paid		**(68,930)**	(48,901)
Net cash generated from operating activities		**706,373**	681,074
Cash flow from investing activities			
Purchases of property and equipment		**(310,045)**	(324,666)
Purchases of intangible assets		**—**	(6,257)
Proceeds from disposal of property and equipment	39(b)	**17,185**	—
Payment of temporary funding provided to non-controlling interests of a subsidiary		**—**	(131,596)
Acquisition of financial assets at fair value through other comprehensive income		**(180,000)**	—
Disposal of subsidiaries, net of cash disposed of	38	**127,982**	—
Repayments received from non-controlling interests		**—**	116,000
Placement of restricted bank deposits		**64,451**	71,336
Interest received		**6,440**	6,050
Net cash used in investing activities		**(273,987)**	(269,133)
Cash flows from financing activities			
Acquisition of interests in a subsidiary		**(29,360)**	—
Loans from non-controlling interests of subsidiaries		**—**	26,528
Capital contribution from non-controlling interests of subsidiaries		**52,117**	300
Proceeds from other borrowings		**637,964**	70,000
Repayments of other borrowings		**(660,051)**	(63,159)
Proceeds from bank borrowings		**615,000**	761,500
Repayments of bank borrowings		**(870,997)**	(804,610)
Principal elements of lease payments		**(232,641)**	(184,550)
Dividend paid to non-controlling interests		**(7,266)**	—
Net cash used in financing activities		**(495,234)**	(193,991)
Net (decrease)/increase in cash and cash equivalents		**(62,848)**	217,950
Cash and cash equivalents at beginning of the year		**771,264**	561,819
Exchange gains/(losses) on cash and cash equivalents		**11,725**	(8,505)
Cash and cash equivalents at end of the year		**720,141**	771,264

The notes on pages 114 to 208 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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 ("**the PRC**").

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountant ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets which are measured at fair value.

The preparation of consolidated financial statements in compliance with adopted HKFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial statements are disclosed in Note 5.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Going concern

As at 31 December 2022, the Group's current liabilities exceeded its current assets by RMB797,540,000. Contract liabilities and deferred income included in current liabilities of the Group as at 31 December 2022 amounted to RMB558,930,000 are not expected to create cash outflow for the Group. The Group meets its day-to-day working capital requirements depending on cash flows generated from operating activities, bank borrowings, and unutilised banking facilities provided by banks in PRC. Based on the Group's past experience and good credit standing, the directors are confident on the Group's future operating cash flows and that the Group's bank financing could be renewed and/or extended for at least another twelve months upon maturity, as and when necessary. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

(c) Adoption of revised HKFRSs — effective 1 January 2022

In the current year, the Group has applied for the first time the following revised standards, amendments and interpretations (the "**revised HKFRSs**") issued by HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRS 3	Reference to the Conceptual Framework

The amendments 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 years.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) New or revised HKFRSs that have been issued but are not yet effective

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

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

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

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.1 Subsidiaries (continued)

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

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

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see 2.2.4 below), after initially being recognised at cost.

2.2.3 Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated balance sheet.

2.2.4 Equity method

Under the equity method of accounting, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.4 Equity method (continued)

Unrealised gains on transactions between the Group and its equity-accounted investments are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity-accounted investments have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.2.5 Changes in ownership interests in subsidiaries without change of control

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

2.2.6 Disposal of subsidiaries

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

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

2 Summary of significant accounting policies (continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 Summary of significant accounting policies (continued)

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the consolidated statement of profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "finance costs — net". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within "other losses".

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 Property and equipment

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

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

2 Summary of significant accounting policies (continued)

2.7 Property and equipment (continued)

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

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

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

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

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

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

2.8 Intangible assets

(a) Computer software

Acquired computer software license are capitalised on the basis of the costs incurred to acquire the specific software. Computer software is carried at cost less accumulated amortisation and impairment, if any. These costs are amortised over their estimated useful lives of 5 years.

2 Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

(b) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2.9 Impairment of non-financial assets

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

2.10 Investment and other financial assets

2.10.1 Classification

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

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

- those to be measured at amortised cost.

2 Summary of significant accounting policies (continued)

2.10 Investment and other financial assets (continued)

2.10.1 Classification (continued)

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

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

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

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

2.10.2 Recognition and derecognition

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

2.10.3 Measurement

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

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

2 Summary of significant accounting policies (continued)

2.10 Investment and other financial assets (continued)

2.10.3 Measurement (continued)

Debt instruments

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

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

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

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

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (continued)

2.10 Investment and other financial assets (continued)

2.10.4 Impairment

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

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

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Inventories

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

2.13 Trade receivables and other receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.10 for further information about the Group's accounting for trade receivables and other receivables and a description of the Group's impairment policies.

2 Summary of significant accounting policies (continued)

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

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

2.17 Borrowings

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

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

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

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

2 Summary of significant accounting policies (continued)

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.19 Other financial liabilities

A contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount (for example, for the present value of the forward repurchase price, option exercise price or other redemption amount). Such as written put option that gives the owner of a non-controlling interest the right to sell an entity's own equity instruments to the entity for a fixed or variable price. The financial liability is recognised initially at the present value of the redemption amount, and is reclassified from equity. The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Non-controlling interests are recognised in equity to the extent that the risks and rewards of ownership substantially remain with the non-controlling interests during the contract period. Where all of the risks and rewards of ownership have transferred to the parent, a non-controlling interests are not recognised. Irrespective of whether the non-controlling interests are recognised, a financial liability (recognised at the present value of the redemption amount) is recorded to reflect the forward or put option.

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.21 Employee benefits

(a) Short-term obligations

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

(b) Pension obligations

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

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

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

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

2 Summary of significant accounting policies (continued)

2.22 Share-based payments

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

(a) Share option scheme

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

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

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

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

(b) Share-based payment transactions among group entities

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

2 Summary of significant accounting policies (continued)

2.23 Provisions and contingent liabilities

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

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

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

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

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

2.24 Leases

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

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

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

2 Summary of significant accounting policies (continued)

2.24 Leases (continued)

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

2 Summary of significant accounting policies (continued)

2.24 Leases (continued)

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

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

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

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

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

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

2.25 Revenue recognition

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

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

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

2 Summary of significant accounting policies (continued)

2.25 Revenue recognition (continued)

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

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

(b) Revenue from medical examination services

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

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

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

2.26 Contract liabilities

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

2 Summary of significant accounting policies (continued)

2.27 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.28 Interest income

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

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

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

2.29 Government grants

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

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

Government grants relating to the purchase of property and equipment are included in non-current liabilities as deferred income and are credited to the consolidated statement of profit or loss on a straight-line basis over the expected useful lives of the related asset.

2.30 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2 Summary of significant accounting policies (continued)

2.31 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.32 Related parties

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

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

(ii) has significant influence over the Company; or

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

2 Summary of significant accounting policies (continued)

2.32 Related parties (continued)

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

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

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

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

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

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

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

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

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

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group is engaged in the provision of general hospital service and medical examination services in 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 from the Company's initial public offering, which are denominated in Hong Kong Dollar ("**HKD**"), and 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 31 December 2022, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, post-tax profit for the year would have been RMB869,000 (2021: RMB109,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

At 31 December 2022, if RMB had weakened/strengthened by 5% against USD with all other variables held constant, post-tax profit for the year would have been RMB2,759,000 (2021: RMB7,773,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

(ii) Cash flow and fair value interest rate risk

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

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

As at 31 December 2021 and 2022 if interest rates had risen/fallen by 50 basis points with all other variables held constant, the Group's net results for the year would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net results (decrease)/increase		
— risen 50 basis points	**(2,376)**	(3,586)
— fallen 50 basis points	**2,376**	3,586

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets

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

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

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

(i) Trade receivables

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

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for trade receivables:

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

		Aging					
As at 31 December 2021		Up to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Medical examination	Trade receivables carrying amount	230,322	10,940	4,177	727	2,533	
	Expected loss rate	2.5%	11.6%	35.5%	66.6%	100.0%	
	Provision for impairment of trade receivables	(5,758)	(1,269)	(1,483)	(484)	(2,533)	(11,527)
General hospital & Specialty hospitals – medical insurance	Trade receivables carrying amount	98,556	–	–	–	–	
	Expected loss rate	1.0%	–	–	–	–	
	Provision for impairment of trade receivables	(986)	–	–	–	–	(986)
General hospital & Specialty hospitals – non-medical insurance	Trade receivables carrying amount	11,418	317	246	250	130	
	Expected loss rate	1.2%	7.7%	100.0%	100.0%	100.0%	
	Provision for impairment of trade receivables	(134)	(24)	(246)	(250)	(130)	(784)
Total provision for impairment of trade receivables							(13,297)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

The loss allowances for trade receivables as at 31 December 2022 and 31 December 2021 reconcile to the opening loss allowances as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Opening loss allowance as at 1 January	**13,297**	14,361
(Decrease)/increase in trade receivable loss allowance recognised in profit or loss during the year	**(3,444)**	162
Disposal of subsidiaries	**(6)**	—
Receivables written off during the year as uncollectible	**(807)**	(1,226)
Closing loss allowance at 31 December	**9,040**	13,297

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Other financial assets at amortised cost

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

Management considers deposits for long term leases do not have significant increase in credit risk since initial recognition, and the deposits are refundable from landlords upon end of lease term or recoverable by the Group through using the leased property. For the remaining balance, given the short term nature of these assets, the ECL is had been provided under 12-month expected credit loss assessment given credit risk has not increase significantly since initial recognition. The management has reversed an ECL provision of RMB4,000 (2021: provision of RMB1,639,000) for the year ended 31 December 2022 after their assessment.

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

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Impairment (reversals)/losses on trade receivables	**(3,444)**	162
Impairment (reversals)/losses on other financial assets at amortised cost	**(4)**	1,639
Impairment (reversals)/losses on financial assets	**(3,448)**	1,801

(iv) Financial assets at fair value through profit or loss

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments RMB1,500,000 (2021: RMB1,500,000).

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2022					
Borrowings, including interests	**666,285**	**100,416**	**231,017**	**—**	**997,718**
Lease liabilities	**279,421**	**253,558**	**663,347**	**568,066**	**1,764,392**
Amounts due to related parties	**133**	**—**	**—**	**—**	**133**
Other financial liabilities	**182,470**	**—**	**—**	**—**	**182,470**
Trade and other payables	**481,852**	**—**	**—**	**—**	**481,852**
	1,610,161	**353,974**	**894,364**	**568,066**	**3,426,565**
As at 31 December 2021					
Borrowings, including interests	824,556	177,540	363,940	—	1,366,036
Lease liabilities	273,377	269,596	673,433	719,737	1,936,143
Amounts due to related parties	134	—	—	—	134
Other financial liabilities	—	182,470	—	—	182,470
Trade and other payables	500,729	—	—	—	500,729
	1,598,796	629,606	1,037,373	719,737	3,985,512

The interest on borrowings is calculated based on borrowings held as at 31 December 2022 and 2021, respectively. Floating-rate interests are estimated using the current interest rate as at 31 December 2022 and 2021, respectively.

3 Financial risk management (continued)

3.2 Capital management

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

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

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

The gearing ratios at 31 December 2022 and 2021 are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Total borrowings and lease liabilities (Notes 23, 25)	**2,298,550**	2,743,297
Less: Cash and cash equivalents (Note 17)	**(720,141)**	(771,264)
Net overall financing	**1,578,409**	1,972,035
Total equity	**904,826**	587,426
Total capital	**2,482,235**	2,559,459
Gearing ratio (%)	**63.59%**	77.05%

4 Fair value estimation

4.1 Fair value hierarchy

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

The following table presents the Group's financial assets measured and recognised at fair value at 31 December 2022 and 2021 on a recurring basis:

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

Recurring fair value measurements At 31 December 2021	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss				
— Unlisted equity securities	—	—	1,500	1,500

As at 31 December 2022 and 2021, the fair value of financial assets at fair value through profit or loss is approximately equal to their carrying amount.

4 Fair value estimation (continued)

4.1 Fair value hierarchy (continued)

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

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

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

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

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

	2022 **RMB'000**	2021 RMB'000
Opening balance as at 31 December	**1,500**	4,500
Disposal of unlisted equity securities	**–**	(3,000)
Closing balance as at 31 December	**1,500**	1,500

4 Fair value estimation (continued)

4.1 Fair value hierarchy (continued)

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

	2022 RMB'000	2021 RMB'000
Opening balance as at 1 January	—	—
Acquisition during the year	180,000	—
Fair value change during the year	1,725	—
Closing balance as at 31 December	181,725	—

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

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

4.2 Fair values of other financial instruments

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

5 Critical accounting estimates and judgements

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

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

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

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

(b) Current and deferred income tax

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

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

(c) Impairment of trade receivables

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

5 Critical accounting estimates and judgements (continued)

(d) Provision for medical dispute

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

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

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

The Group performs impairment review if a potential impairment is indicated. Management concluded that there was no indication of impairment of property and equipment and right-of-use assets of the Group other than those related to certain medical examination centres which have been in operation for more than two years as at 31 December 2022 but incurred operating losses in recent years. When the carrying value of an asset or a group of assets exceeds the recoverable amount (the higher of the net amount of fair value less cost of disposal and the present value of estimated future cash flow), it indicates that an impairment has occurred. During the estimation of the present value of future cash flow, the management needs to estimate the future cash flow of the asset or group of assets, and select an appropriate revenue growth rate, profit margins, discount rate and assumptions used by the management to determine the present value of the future cash flow.

(f) Fair value measurement

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

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

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

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

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

6 Segment information

Management has determined the operating segments based on the information reviewed by the CODM for the purpose of corporate planning, allocating resources and assessing performance.

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

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

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

In the current year, 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 year segment disclosures have been represented to conform with the current year'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 Natong Advanced Hejia maternal and Child Nursing Service Co., Ltd.

(b) Medical examination centres

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

An operating segment regarding to the specialty hospitals services was discontinued in the current year. The segment information reported in the following table does not include any amounts for the discontinued operations, which are described in more details in Note 36 to the consolidated financial statements.

The following table presents revenue and profit information regarding the Group's operation segments for the year ended 31 December 2022 and 2021, and the segment assets and liabilities at the respective balance sheet dates.

6 Segment information (continued)

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

	General hospital RMB'000	Medical examination centres RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
Continuing operations					
For the year ended 31 December 2022					
Revenue	631,112	1,765,390	–	(21,475)	2,375,027
Segment profit/(loss)	135,242	525,649	(20,532)	–	640,359
Administrative expenses					(222,413)
Net impairment losses on financial assets					3,448
Interest income					6,420
Interest expenses					(123,052)
Net exchange gains					11,725
Other income					22,038
Other losses					(11,754)
Share of result of investments accounted for using equity method					419
Profit before income tax					327,190
Income tax expense					(84,041)
Profit for the year from continuing operations					243,149

	Continuing operations			Discontinued operations			
	General hospital RMB'000	Medical examination centres RMB'000	Subtotal RMB'000	Specialty hospitals RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at 31 December 2022							
Segment assets	1,603,527	3,728,725	5,332,252	–	1,218,944	(1,984,338)	4,566,858
Segment liabilities	962,875	3,162,734	4,125,609	–	699,139	(1,162,716)	3,662,032
Other information							
Addition to property and equipment, right-of-use assets and intangible assets	142,761	600,831	743,592	2,696	997	–	747,285
Depreciation and amortisation	27,341	313,329	340,670	41,249	133	–	382,052

6 Segment information (continued)

	General hospital RMB'000	Medical examination centres RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
Continuing operations					(Represented)
For the year ended 31 December 2021					
Revenue	704,209	1,696,363	–	(23,365)	2,377,207
Segment profit/(loss)	174,974	558,739	(10,702)	–	723,011
Administrative expenses					(219,136)
Net impairment losses on financial assets					(1,795)
Interest income					6,947
Interest expenses					(123,549)
Net exchange gains					(8,505)
Other income					20,178
Other losses					(5,879)
Share of result of investments accounted for using equity method					803
Profit before income tax					392,075
Income tax expense					(98,373)
Profit for the year from continuing operations					293,702

	Continuing Operations			Discontinued Operations			
	General hospital RMB'000	Medical examination centres RMB'000	Subtotal RMB'000	Specialty hospitals RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at 31 December 2021							
Segment assets	1,606,219	3,115,328	4,721,547	838,013	839,222	(1,862,583)	4,536,199
Segment liabilities	992,851	2,770,110	3,762,961	929,265	236,495	(979,948)	3,948,773
Other information							
Addition to property and equipment, right-of-use assets and intangible assets	274,919	302,908	577,827	14,832	–	–	592,659
Depreciation and amortisation	28,203	279,450	307,653	76,858	–	–	384,511

7 Property and equipment

	Buildings RMB'000	Medical equipment RMB'000	General equipment RMB'000	Leasehold improvements RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021							
Cost	278,728	574,532	92,142	807,751	10,890	304,728	2,068,771
Accumulated depreciation	(73,545)	(320,793)	(61,507)	(345,596)	(6,547)	–	(807,988)
Impairment	–	–	–	(18,076)	–	–	(18,076)
Net book amount	205,183	253,739	30,635	444,079	4,343	304,728	1,242,707
Year ended 31 December 2021							
Opening net book amount	205,183	253,739	30,635	444,079	4,343	304,728	1,242,707
Additions	252	–	3,644	–	556	399,064	403,516
Transfers	–	97,849	–	50,515	–	(118,895)	29,469
Disposals (Note 39(b))	–	(583)	(8)	(3,727)	–	–	(4,318)
Depreciation	(8,321)	(74,245)	(10,988)	(78,080)	(750)	–	(172,384)
Closing net book amount	197,114	276,760	23,283	412,787	4,149	584,897	1,498,990
At 31 December 2021 and 1 January 2022							
Cost	278,981	664,585	95,796	853,773	11,446	584,897	2,489,478
Accumulated depreciation	(81,867)	(387,825)	(72,513)	(422,910)	(7,297)	–	(972,412)
Accumulated impairment losses	–	–	–	(18,076)	–	–	(18,076)
Net book amount	197,114	276,760	23,283	412,787	4,149	584,897	1,498,990
Year ended 31 December 2022							
Opening net book amount	197,114	276,760	23,283	412,787	4,149	584,897	1,498,990
Additions	100	34,554	2,193	3,234	290	269,674	310,045
Transfers	–	32,325	7,204	45,625	(69)	(85,625)	(540)
Disposals (Note 39(b))	–	(3,393)	(405)	(11,910)	(1,622)	(125)	(17,455)
Disposals of subsidiaries (Note 38)	–	(12,363)	(1,803)	(114,737)	(45)	(137)	(129,085)
Written off	–	–	–	(54,754)	–	–	(54,754)
Depreciation	(7,865)	(79,397)	(10,051)	(64,717)	(593)	–	(162,623)
Closing net book amount	189,349	248,486	20,421	215,528	2,110	768,684	1,444,578
At 31 December 2022							
Cost	279,081	695,066	97,224	593,022	7,924	768,684	2,441,001
Accumulated depreciation	(89,732)	(446,580)	(76,803)	(359,418)	(5,814)	–	(978,347)
Accumulated impairment losses	–	–	–	(18,076)	–	–	(18,076)
Net book amount	189,349	248,486	20,421	215,528	2,110	768,684	1,444,578

7 Property and equipment (continued)

Notes:

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Continuing operations:		
Cost of sales	**124,945**	144,990
Distribution costs and selling expenses	**194**	—
Administrative expenses	**15,526**	17,117
Discontinued operations	**21,958**	10,277
	162,623	172,384

(b) As at 31 December 2022, buildings with a total carrying amount of RMB141,084,000 (2021: RMB154,442,000) were pledged for the Group's borrowings (Note 23).

(c) As at 31 December 2022, equipment with a total carrying amount of RMB58,757,000 (2021: RMB108,242,000) are pledged for the Group's borrowings (Note 23).

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

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

For the year ended 31 December 2022 and 2021, there was no impairment loss recognised.

(e) As at 31 December 2022, the cumulative capitalised borrowing costs in construction in progress were RMB70,141,000 (2021: RMB49,276,000).

8 Right-of-use assets

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Properties	**1,201,629**	1,251,864
Equipment	**15,005**	20,413
Land use rights	**2,898**	2,998
	1,219,532	1,275,275

	Properties RMB'000	Equipment RMB'000	Land use rights RMB'000	Total RMB'000
At 1 January 2021				
Cost	1,654,809	78,624	4,698	1,738,131
Accumulated depreciation	(363,481)	(15,676)	(1,600)	(380,757)
Net book amount	1,291,328	62,948	3,098	1,357,374
Year ended 31 December 2021				
Opening net book amount	1,291,328	62,948	3,098	1,357,374
Additions	189,143	—	—	189,143
Transfer to property and equipment	—	(35,726)	—	(35,726)
Revaluation	(15,256)	—	—	(15,256)
Disposal	(14,597)	—	—	(14,597)
Depreciation	(198,754)	(6,809)	(100)	(205,663)
Closing net book amount	1,251,864	20,413	2,998	1,275,275

8 Right-of-use assets (continued)

	Properties RMB'000	Equipment RMB'000	Land use rights RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022				
Cost	1,784,702	32,445	4,698	1,821,845
Accumulated depreciation	(532,838)	(12,032)	(1,700)	(546,570)
Net book amount	1,251,864	20,413	2,998	1,275,275
Year ended 31 December 2022				
Opening net book amount	1,251,864	20,413	2,998	1,275,275
Additions	437,240	—	—	437,240
Disposal of subsidiaries (Note 38)	(273,048)	—	—	(273,048)
Revaluation	912	—	—	912
Disposal	(4,790)	—	—	(4,790)
Depreciation	(210,549)	(5,408)	(100)	(216,057)
Closing net book amount	1,201,629	15,005	2,898	1,219,532
At 31 December 2022				
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

Note:

As at 31 December 2022, land use rights with a total carrying amount of RMB2,898,000 (2021: RMB2,998,000) were pledged for the Group's borrowings (Note 23).

9 Intangible assets

	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
At 1 January 2021			
Cost	32,360	7,447	39,807
Accumulated amortisation	(21,282)	—	(21,282)
Accumulated impairment losses	—	(7,447)	(7,447)
Net book amount	11,078	—	11,078
Year ended 31 December 2021			
Opening net book amount	11,078	—	11,078
Transfer from construction in progress	6,257	—	6,257
Amortisation	(6,464)	—	(6,464)
Closing net book amount	10,871	—	10,871
At 31 December 2021 and 1 January 2022			
Cost	38,617	7,447	46,064
Accumulated amortisation	(27,746)	—	(27,746)
Accumulated impairment losses	—	(7,447)	(7,447)
Net book amount	10,871	—	10,871
Year ended 31 December 2022			
Opening net book amount	10,871	—	10,871
Transfer from construction in progress	540	—	540
Written off	(824)	—	(824)
Disposal of subsidiaries (Note 38)	(1,827)	—	(1,827)
Amortisation	(3,372)	—	(3,372)
Closing net book amount	5,388	—	5,388
At 31 December 2022			
Cost	32,554	7,447	40,001
Accumulated amortisation	(27,166)	—	(27,166)
Accumulated impairment losses	—	(7,447)	(7,447)
Net book amount	5,388	—	5,388

9 Intangible assets (continued)

Note:

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

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

For the year ended 31 December 2022 and 2021, there was no impairment loss recognised.

10 Investments accounted for using equity method

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**8,703**	7,900
Share of results	**419**	803
At the end of the year	**9,122**	8,703

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

Company name	Country/date of incorporation and operation	Paid-in capital	Equity interests held As at 31 December 2022	2021	Principal activities	Nature of relationship	Measurement method
Shanghai Rich Meidi Management Consulting Co.,Ltd. ("**Shanghai Meidi**") (a)	29 October 2013, Shanghai, the PRC	RMB15,000,000	**60%**	60%	Investment holding	Joint Venture	Equity method
Neijiang Ruichuan Clinic Co.,Ltd ("**Neijiang Ruichuan**") (b)	29 March 2017, Sichuan, the PRC	RMB14,313,000	**20%**	20%	Examination service	Associate	Equity method

10 Investments accounted for using equity method (continued)

(a) Summarised financial information

	Shanghai Meidi		Neijiang Ruichuan	
	31 December 2022 RMB'000	31 December 2021 RMB'000	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Profit/(loss) for the year	**1,129**	1,155	**(1,291)**	550
Other comprehensive income	**—**	—	**—**	—
Total comprehensive income	**1,129**	1,155	**(1,291)**	550

Notes:

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

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

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

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

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

As at 31 December 2022 and 2021, there are no material commitments and contingent liabilities in respect of associate and joint venture.

11 Financial assets at fair value through other comprehensive income

	2022 RMB'000	2021 RMB$'000
Unlisted equity investments	**181,725**	—

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

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

As at 31 December 2022, the unlisted equity investments outside Hong Kong represented 1.19% (2021: Nil) equity interest in Unicorn II Holdings Limited ("**Unicorn**"). Particulars of the Group's investments in Unicorn are as follows:

Name	Country of incorporation	Particulars of issued shares held	Number of shares held by the Group	Percentage of ownership interest attributable to the Group
Unicorn	Cayman Islands	Ordinary Share	1,672,140	1.19%

During the year, the increase in fair value of financial assets at fair value through other comprehensive income of RMB1,725,000 (2021: Nil) has been dealt with in other comprehensive income and FVOCI reserve. There is no transfer of cumulative gain or loss within equity during the year.

12 Deposits for long-term leases

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

13 Deferred tax assets

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
Tax losses	**55,807**	138,572
Right-of-use assets and lease liabilities	**34,710**	41,592
	90,517	180,164
Share option scheme	**27,532**	24,834
Loss allowances for financial assets	**2,053**	3,059
Deferred income	**1,401**	1,401
Impairment of property and equipment	**3,303**	1,597
Others	**—**	2,433
	34,289	33,324
Total deferred tax assets	**124,806**	213,488

13 Deferred tax assets (continued)

Movement in deferred tax assets for both years ended 31 December 2022 and 2021, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Movement	Tax losses RMB'000	Right-of-use assets and lease liabilities RMB'000	Deferred income RMB'000	Assets impairment RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	167,553	36,188	3,950	3,871	23,460	235,022
(Charged)/credited to the consolidated statement of profit or loss	(28,981)	5,404	(2,549)	785	3,807	(21,534)
At 31 December 2021	138,572	41,592	1,401	4,656	27,267	213,488
At 1 January 2022	**138,572**	**41,592**	**1,401**	**4,656**	**27,267**	**213,488**
(Charged)/credited to the consolidated statement of profit or loss	**(35,931)**	**5,108**	**–**	**700**	**265**	**(29,858)**
Disposal of subsidiaries (Note 38)	**(46,834)**	**(11,990)**	**–**	**–**	**–**	**(58,824)**
At 31 December 2022	**55,807**	**34,710**	**1,401**	**5,356**	**27,532**	**124,806**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB88,718,000 (2021: RMB98,710,000) in respect of tax losses amounting to RMB354,873,000 (2021: RMB394,840,000) as at 31 December 2022. All these tax losses will expire within five years.

14 Inventories

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Pharmaceuticals	**23,451**	35,299
Medical and other consumables	**15,276**	15,695
	38,727	50,994

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB344,281,000 for the year ended 31 December 2022 (2021: RMB374,841,000).

15 Trade receivables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	**287,752**	359,616
Less: Loss allowance	**(9,040)**	(13,297)
	278,712	346,319

As at 31 December 2022 and 2021, the fair value of trade receivables of the Group approximated to their carrying amounts.

15 Trade receivables (continued)

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables		
– Up to 6 months	**275,464**	340,296
– 6 months to 1 year	**4,413**	11,258
– 1 to 2 years	**5,537**	4,423
– 2 to 3 years	**790**	977
– Over 3 years	**1,548**	2,662
	287,752	359,616

Movements of loss allowance for trade receivables are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**13,297**	14,361
(Decrease)/increase in loss allowance	**(3,444)**	162
Disposal of subsidiaries	**(6)**	—
Receivables written off as uncollectible	**(807)**	(1,226)
At the end of the year	**9,040**	13,297

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

16 Other receivables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Loans to non-controlling interests of subsidiaries (note (a))	**59,000**	16,000
Deposits	**14,497**	13,095
Advances to staff	**11,460**	6,049
Prepaid value-added tax recoverable and refundable	**—**	4,667
Interest receivables	**3,257**	1,772
Note receivable	**—**	400
Others (note (b))	**183,818**	8,649
	272,032	50,632
Less: Loss allowance	**(1,752)**	(1,756)
	270,280	48,876
Current	**160,280**	48,876
Non-current	**110,000**	—
	270,280	48,876

Notes:

a. Balance represents loans to non-controlling interests of subsidiaries, which are unsecured and bore the interest rate at 1-year loan prime rate plus 1 basis point. Except for the loans to the non-controlling interests of subsidiaries of RMB49,000,000, the remaining balances were not recoverable within twelve months from the reporting date as at 31 December 2022.

b. Consideration receivable of RMB150,000,000 from the disposal of Shanghai Shuixian Obstetrics, Gynecology & Pediatric Hospital Co., Ltd. ("**Rici Shuixian**") during the year is included in Others. The consideration receivable is unsecured and non-interest bearing. RMB50,000,000 would be 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. Except for the consideration receivable of RMB50,000,000, they were not recoverable within twelve months from the reporting date as at 31 December 2022.

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

As at 31 December 2022 and 2021, the fair value of other receivables of the Group approximated to their carrying amounts.

17 Cash and bank balances

a. Cash and cash equivalents

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash at bank and on hand		
– Denominated in RMB	**647,578**	626,408
– Denominated in USD	**55,173**	141,940
– Denominated in HKD	**17,390**	2,916
	720,141	771,264

b. Restricted cash

As at 31 December 2022, fixed deposits of RMB52,000,000 (2021: USD10,250,000, equivalent to RMB65,351,000 and RMB115,500,000) were pledged at banks for the Group's borrowings of RMB50,000,000 (31 December 2021: RMB170,000,000) (Note 23).

Fixed deposit of RMB63,500,000 was restricted in bank system as at 31 December 2022 and released on 6 January 2023. The amount of RMB900,000 placed in a bank (2021: Nil) is a guarantee deposits for gas heating service as at 31 December 2022.

18 Prepayments

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current:		
Prepayment for property and equipment	**61,893**	41,310
Current:		
Prepayment for consumables	**17,308**	10,662
Others (note)	**23,639**	26,863
	40,947	37,525
Total prepayments	**102,840**	78,835

Note:

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

19 Share capital

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Par value	Share capital RMB'000
As at 31 December 2022 and 2021	1,590,324,000	0.00067	1,065

20 Share-based payments

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

   As at 31 December 2022, 47,710,500 (2021: 47,710,500) outstanding options were not exercisable, among which Nil (2021: 33,397,350) 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.

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

b. Another share option scheme was conditionally approved and adopted pursuant to a resolution of the shareholders of the Company passed on September 19, 2016. On and subject to the terms of the share option scheme, the board shall be entitled at any time within ten years after September 19, 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 November 24, 2017. The share options will vest in four tranches at the third, the fourth, the fifth and the sixth anniversaries of the offer date and will only become exercisable from the respective vesting dates up to the tenth anniversary of the offer date. The subscription price payable upon the exercise of the share options is fixed at HKD2.42.

   As at 31 December 2022, 64,360,000 (2021: 64,360,000) outstanding options were not exercisable, among which 25,744,000 (2021: 38,616,000) 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 fair value of the options granted was HKD70,152,400, which was subject to a number of assumptions and with regard to the limitation of the model. The options have been divided into four tranches according to different vesting periods.

Share option expenses of RMB10,948,000 (2021: RMB16,861,000) has been included in the consolidated profit or loss for the year ended 31 December 2022. It gave rise to a share option scheme reserve. No liabilities were recognised due to equity-settled share-based payment transactions.

21 Reserves

	Share premium RMB'000	Merger and capital reserves RMB'000	Statutory reserves and other reserves (a) RMB'000	FVOCI reserve RMB'000	Share option scheme RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021	715,292	(279,409)	195,832	–	82,863	(209,834)	504,744
Profit for the year	–	–	–	–	–	181,553	181,553
Appropriation to statutory reserves (b)	–	–	13,387	–	–	(13,387)	–
Change in ownership interest in subsidiaries without loss of control	–	(26,723)	–	–	–	–	(26,723)
Share option scheme (Note 20)	–	–	–	–	16,861	–	16,861
At 31 December 2021	715,292	(306,132)	209,219	–	99,724	(41,668)	676,435
At 1 January 2022	**715,292**	**(306,132)**	**209,219**	**–**	**99,724**	**(41,668)**	**676,435**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**290,793**	**290,793**
Other comprehensive income	**–**	**–**	**–**	**1,725**	**–**	**–**	**1,725**
Appropriation to statutory reserves (b)	**–**	**–**	**17,483**	**–**	**–**	**(17,483)**	**–**
Change in ownership interest in subsidiaries without loss of control (Note 42)	**–**	**(27,048)**	**–**	**–**	**–**	**–**	**(27,048)**
Share option scheme (Note 20)	**–**	**–**	**–**	**–**	**10,948**	**–**	**10,948**
At 31 December 2022	**715,292**	**(333,180)**	**226,702**	**1,725**	**110,672**	**231,642**	**952,853**

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

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

22 Non-controlling interests

	2022 RMB'000	2021 RMB'000
At 1 January	**(90,074)**	(173,369)
Loss for the year	**(23,606)**	(55,448)
Disposal of subsidiaries (Note 38)	**22,049**	—
Capital contributions by non-controlling interests of a subsidiary	**52,117**	119,918
Changes in ownership interests in subsidiaries without change of control (Note 42)	**(2,312)**	18,825
Dividend paid to non-controlling interests	**(7,266)**	—
At 31 December	**(49,092)**	(90,074)

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

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

Summarised balance sheet	Yantai Rich Ruigao Clinic Co.,Ltd. ("Yantai Ruigao") 31 December 2022 RMB'000	Changsha Rich Ruishang Healthcare Management Co., Ltd. ("Changsha Management") 31 December 2022 RMB'000	Rici Shuixian 31 December 2021 RMB'000	Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. ("Changzhou Hospital") 31 December 2021 RMB'000
Current assets	**191**	**16,484**	30,791	9,413
Current liabilities	**(25,804)**	**(68,158)**	(67,827)	(75,327)
Net current liabilities	**(25,613)**	**(51,674)**	(37,036)	(65,914)
Non-current assets	**510**	**47,519**	288,121	172,188
Non-current liabilities	**(850)**	**(29,265)**	(218,442)	(140,952)
Net non-current (liabilities)/assets	**(340)**	**18,254**	69,679	31,236
Net (liabilities)/assets	**(25,953)**	**(33,420)**	32,643	(34,678)
Accumulated non-controlling interests	**(13,967)**	**(21,374)**	(31,344)	(13,351)

22 Non-controlling interests (continued)

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

Summarised statement of profit or loss and other comprehensive income	Yantai Ruigao For the year ended 31 December 2022 RMB'000	Changsha Management For the year ended 31 December 2022 RMB'000	Rici Shuixian For the year ended 31 December 2021 RMB'000	Changzhou Hospital For the year ended 31 December 2021 RMB'000
Revenue	4	35,163	61,081	15,844
Profit/(loss) for the year	72	(1,552)	(45,629)	(75,806)
Other comprehensive income	—	—	—	—
Total comprehensive income/(loss)	72	(1,552)	(45,629)	(75,806)
Profit/(loss) allocated to non-controlling interests	35	(761)	(18,252)	(37,145)

Summarised cash flows	Yantai Ruigao For the year ended 31 December 2022 RMB'000	Changsha Management For the year ended 31 December 2022 RMB'000	Rici Shuixian For the year ended 31 December 2021 RMB'000	Changzhou Hospital For the year ended 31 December 2021 RMB'000
Cash flows from operating activities	(2)	(508)	(46,609)	(39,993)
Cash flows from investing activities	—	—	921	(1,594)
Cash flows from financing activities	—	—	41,462	43,648
Net (decrease)/increase in cash and cash equivalents	(2)	(508)	(4,226)	2,061

23 Borrowings

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Bank borrowings — secured and/or guaranteed (note (a))	**893,000**	1,148,997
Other borrowings — secured and guaranteed (note (b))	**42,325**	99,926
	935,325	1,248,923
Less: Non-current portion	**(320,159)**	(474,721)
Total current borrowings	**615,166**	774,202

The Group's borrowings were repayable as follows:

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
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**
31 December 2021				
Bank borrowings	714,757	97,120	337,120	1,148,997
Other borrowings	59,445	30,155	10,326	99,926
	774,202	127,275	347,446	1,248,923

23 Borrowings (continued)

Notes:

(a) As at 31 December 2022, bank borrowings include:

i. RMB50,000,000 (2021: RMB170,000,000) borrowings secured by RMB52,000,000 (2021: USD10,250,000 and RMB115,500,000) fixed deposits of the Group (Note 17(b));

ii. RMB120,000,000 (2021: RMB120,000,000) borrowings secured by the Group's buildings with net book value of RMB32,758,000 (2021: RMB34,482,000) (Note 7);

iii. RMB20,000,000 (2021: RMB20,000,000) borrowings secured by the Group's buildings with net book value of RMB32,952,000 (2021: RMB34,275,000) (Note 7); and

iv. RMB113,000,000 (2021: RMB113,000,000) borrowings secured by the Group's land use rights with net book value of RMB2,898,000 (2021: RMB2,998,000) (Note 8) and buildings with net book value of RMB75,374,000 (2021: RMB85,685,000) (Note 7);

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

(b) Other borrowings are secured by the Group's equipment with net book value of RMB58,757,000 (2021: RMB108,242,000) and are also guaranteed by the Company's subsidiaries for each other.

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

The weighted average effective interest rates for bank and other borrowings as at 31 December 2022 and 2021 were as follows:

	As at 31 December	
	2022	2021
Bank borrowings	**4.62%**	4.84%
Other borrowings	**5.70%**	5.65%

24 Other financial liabilities

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Redemption liability		
— Principal	**100,000**	100,000
— Interest	**62,920**	45,464
	162,920	145,464

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

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

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

The above arrangement is the financing arrangement in substance. The balance 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.

Since the put option would be expired on 31 December 2023, other financial liabilities has been classified as current liabilities as at 31 December 2022.

Subsequent to the balance sheet date, Everbright (Haimen) has excised 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.

25 Lease liabilities

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Present value of the minimum lease payments:		
Within 1 year	**265,509**	289,952
After 1 year but within 2 years	**225,992**	242,742
After 2 year but within 5 years	**520,374**	534,478
After 5 years	**351,350**	427,202
	1,363,225	1,494,374

26 Contract liabilities

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Sales of medical examination cards	**493,885**	309,476
Advances from medical examination customers	**51,444**	91,248
Advances from hospital patients	**6,761**	4,570
	552,090	405,294

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

Revenue will be recognised when the relevant services are rendered to the customers. The amount of revenue recognised for the year ended 31 December 2022 that was included in the contract liabilities as at 31 December 2021 was RMB156,694,000 (2021: RMB129,903,000).

27 Trade and other payables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables due to third parties (note)	**170,825**	189,173
Staff salaries and welfare payables	**88,549**	101,527
Payables for purchase of property and equipment	**134,530**	92,469
Deposits payable	**18,831**	22,833
Accrued taxes other than income tax	**3,028**	10,558
Accrued professional service fees	**1,276**	2,280
Interest payables	**1,145**	1,576
Accrued advertising expenses	**558**	1,116
Others	**63,110**	79,197
	481,852	500,729

Note:

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
– Up to 3 months	**150,559**	113,696
– 3 to 6 months	**5,672**	40,788
– 6 months to 1 year	**2,031**	13,614
– 1 to 2 years	**3,600**	8,019
– 2 to 3 years	**532**	1,289
– Over 3 years	**8,431**	11,767
	170,825	189,173

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

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

28 Deferred income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants		
At the beginning of the year	**99,681**	23,620
Additions (note)	**—**	78,581
Recongised in the profit or loss during the year	**(2,545)**	(2,520)
At the end of the year	**97,136**	99,681

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Current liabilities	**6,840**	5,605
Non-current liabilities	**90,296**	94,076
At the end of the year	**97,136**	99,681

Note:

In February and September 2021, Nantong Rich hospital received special government grants of RMB44,306,000 and RMB31,275,000 respectively for Nantong Rich Hospital Expansion II project from Nantong Finance Bureau. In April 2021, Shanghai Rich Medical Investment Group Co.,Ltd. received special government grants of RMB3,000,000 for construction of medical examination platform from Shanghai Qingpu Development and Reform Commission.

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

29 Revenue

Revenue of the Group consists of the following:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Represented)
Continuing operations		
General hospital		
Outpatient pharmaceutical revenue	**68,647**	67,105
Outpatient service revenue	**88,122**	90,805
Inpatient pharmaceutical revenue	**222,599**	275,724
Inpatient service revenue	**230,269**	247,210
Medical examination centres		
Examination service revenue	**1,763,194**	1,694,789
Management service revenue and others	**2,196**	1,574
	2,375,027	2,377,207

No customer individually contributed over 10% of the Group's revenue for the year ended 31 December 2022 and 2021.

30 Other income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Represented)
Continuing operations		
Government grants (note)	**13,731**	7,269
Rental income	**850**	15
Others	**7,457**	12,894
	22,038	20,178

30 Other income (continued)

Notes:

Government grants mainly represent:

i. subsidies from Nantong Economic and Technological Development Zone Management Committee of RMB1,601,000 (2021: RMB1,699,000) during the year ended 31 December 2022 for purchasing medical equipments;

ii. subsidies from Shanghai Qingpu Development and Reform Commission of RMB944,000 (2021: RMB2,621,000) during the year ended 31 December 2022 for construction of medical examination platform;

iii. subsidies from Nantong Economic and Technological Development Zone Finance Bureau of RMB6,500,000 (2021: Nil) during the year ended 31 December 2022 for scholarships and rewards;

iv. subsidies from Nantong Municipal Finance and Social Security Bureau of RMB892,000 (2021: Nil) for health human resources development;

v. the other government grants in total of RMB3,794,000 for the year ended 31 December 2022 (2021: RMB2,346,000) from local government;

vi. subsidies from Nantong Economic and Technological Development Zone Management Committee of RMB330,000 during the year ended 31 December 2021 for hospital development; and

vii. subsidies from Shanghai Qingpu Development and Reform Commission of RMB330,000 during the year ended 31 December 2021 as the special support.

31 Other losses

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Represented)
Continuing operations		
Losses on disposal of property and equipment	**270**	4,318
Others	**11,484**	1,561
	11,754	5,879

32 Expenses by nature

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Represented)
Continuing operations		
Employee benefit expenses	**901,209**	809,984
Depreciation and amortisation	**340,803**	307,653
Pharmaceutical costs	**211,918**	224,710
Outsourced testing expenses	**156,558**	161,419
Medical consumables costs	**141,222**	134,845
Advertising expenses	**68,605**	70,925
Utility expenses	**42,383**	43,014
Office expenses	**35,682**	29,195
Professional service charges	**20,677**	22,475
Maintenance expenses	**17,432**	15,319
Entertainment expenses	**12,595**	15,769
Travel expenses	**8,467**	8,973
Short-term or low-value operating lease rentals	**4,955**	3,070
Laundry expenses	**4,145**	2,154
Labour union dues	**3,717**	4,398
Stamp duty and other taxes	**3,276**	3,869
Auditor's remuneration		
— Audit services	**1,350**	2,280
— Non-audit services	**570**	317
Security costs	**21**	406
Gain on lease modification	**(3,343)**	(2,642)
Net reversal of (impairment loss)/impairment losses on financial assets	**(3,448)**	1,795
COVID-19-related rent concessions	**(28,862)**	—
Other expenses	**13,701**	15,199
	1,953,633	1,875,127

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Represented)
Continuing operations		
Salaries, wages and bonuses	**770,558**	654,210
Other welfare benefit expenses	**19,971**	90,800
Share option expenses (Note 20)	**10,948**	16,861
Pension	**99,732**	48,113
	901,209	809,984

a. Directors' and chief executive's emoluments

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

Name of director	Fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Other social welfares RMB'000	Share option scheme RMB'000	Total RMB'000
Year ended 31 December 2021:							
Dr. Fang	–	311	–	58	14	2,604	2,987
Dr. Mei	–	744	90	15	24	2,604	3,477
Mr. Fang Haoze	–	348	390	82	21	–	841
Ms. Lin Xiaoying	–	313	240	96	25	–	674
Dr. Wang Yong	180	–	–	–	–	–	180
Ms. Wong Sze Wing	180	–	–	–	–	–	180
Mr. Jiang Peixing	150	–	–	–	–	–	150
Ms. Jiao Yan (note (i))	–	–	–	–	–	–	–
	510	1,716	720	251	84	5,208	8,489

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

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

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

Note:

(i) Ms. Jiao Yan resigned as a non-executive director with effect from 18 June 2021.

(b) Five highest paid individuals

During the year ended 31 December 2022, the five individuals whose emoluments were the highest in the Group include two (2021: two) directors for the year ended 31 December 2022 whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2021: three) individuals are as follows:

	Year ended 31 December 2022 RMB'000	2021 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**1,819**	2,428
Share option scheme	**2,428**	1,161
Pension	**256**	238
	4,503	3,827

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

(b) Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Year ended 31 December	
	2022	2021
Emoluments bands (in HKD)		
500,001 to 1,000,000	**2**	1
1,000,001 to 2,000,000	**—**	2
2,000,001 to 5,000,000	**1**	—

(c) During the years, no director or any of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for left of office (2021: Nil).

(d) No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year (2021: Nil).

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

Save as disclosed in Note 43, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: Nil).

34 Finance costs — net

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Represented)
Continuing operations		
Interest on lease liabilities	**(73,880)**	(69,307)
Interest on borrowings	**(52,581)**	(65,192)
Interest on other financial liabilities	**(17,456)**	(15,585)
	(143,917)	(150,084)
Amount capitalised (note)	**20,865**	26,535
	(123,052)	(123,549)
Net exchange gains/(losses)	**11,725**	(8,505)
Finance costs	**(111,327)**	(132,054)
Interest income	**6,420**	6,947
Finance income	**6,420**	6,947
Finance costs — net	**(104,907)**	(125,107)

Note:

Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year, in this case 5.67% (2021: 6.63%).

35 Income tax expense

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Represented)
Continuing operations		
Current income tax		
– Current year	**85,366**	80,322
– Adjustments for current tax of prior years	**(1,259)**	(208)
Deferred income tax	**(66)**	18,259
Income tax expense	**84,041**	98,373

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
		(Represented)
Continuing operations		
Profit before income tax	**327,190**	392,075
Tax calculated at the applicable income tax rate (25%)	**81,797**	98,019
Tax effect of:		
Different tax rates of a subsidiary	**(1,039)**	(1,149)
Expenses not deductible for tax purpose	**3,867**	10,201
Tax losses not recognised as deferred tax assets	**9,733**	4,506
Utilisation of prior year tax losses and temporary differences not recognised as deferred tax assets	**(13,126)**	(14,051)
Tax loss expired	**1,837**	—
Temporary differences not recognised as deferred tax assets	**2,231**	1,171
Income not subject to tax	**—**	(116)
Adjustment for current tax of prior year	**(1,259)**	(208)
Income tax expense	**84,041**	98,373

35 Income tax expense (continued)

On 16 March, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "**CIT Law**") which became effective on 1 January 2008. Under the CIT Law, the CIT rate applicable to the most of the Group's subsidiaries located in mainland China from 1 January 2008 is 25%. In 2021 and 2022, the CIT rate applicable to some of the subsidiaries in mainland China is 15%.

The Company is registered in the Cayman Islands, and hence is not subject to enterprise income tax. Two subsidiaries in the Group registered in the British Virgin Islands are not subject to enterprise income tax.

No provision for Hong Kong profits tax has been made as the Group does not have assessable profits subject to Hong Kong profits tax during the years ended 31 December 2022 and 2021.

The PRC corporate income tax law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between PRC and Hong Kong. The directors of the Company had confirmed that retained earnings of the Group's PRC subsidiaries as at 31 December 2022 will not be distributed in the foreseeable future.

36 Discontinued operations

During the year ended 31 December 2022, the Group has completed the disposal of the business of specialty hospitals ("**specialty hospitals service**") to an independent third party.

Specialty hospitals service represented the separate line of major business and is classified as discontinued operations for the year ended 31 December 2022. For the purpose of presenting discontinued operations, the comparative consolidated statement of profit or loss and the related notes have been represented.

The carrying amount of the assets and liabilities of the subsidiaries at the dates of disposal are disclosed in Notes 38(a), 38(b) and 38(c), respectively.

36 Discontinued operations (continued)

The results of the specialty hospitals service business operations for the period from 1 January 2022 to the dates of disposal, which have been included in the consolidated statement of profit or loss, were as follows.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue	**89,779**	129,315
Cost of sales	**(127,927)**	(205,406)
Gross loss	**(38,148)**	(76,091)
Distribution costs and selling expenses	**(21,464)**	(29,139)
Administrative expenses	**(74,325)**	(29,300)
Net impairment losses on financial assets	**—**	(6)
Other income	**697**	1,693
Other losses	**(2,403)**	(156)
Operating loss	**(135,643)**	(132,999)
Finance costs	**(18,442)**	(31,631)
Finance income	**19**	33
Finance costs — net	**(18,423)**	(31,598)
Loss before income tax	**(154,066)**	(164,597)
Gain on disposal of subsidiaries (Note 38)	**208,028**	—
Income tax expenses	**(29,924)**	(3,000)
Profit/(loss) for the year from discontinued operations	**24,038**	(167,597)
Cash flows from discontinued operations:		
Operating cash inflows/(outflows)	**2,715**	(61,542)
Investing cash (outflows)/inflows	**(140,729)**	23,273
Financing cash (outflows)/ inflows	**(7,122)**	455,253
Total cash flows	**(145,136)**	416,984

37 Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing:

- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for share option schemes (Note 20).

	Year ended 31 December	
	2022	2021 (Represented)
Profit/(loss) attributable to owners of the Company (RMB'000)		
— Continuing operations	**233,124**	298,349
— Discontinued operations	**57,669**	(116,796)
Total profit/(loss) from continuing operations and discontinued operations attributable to owners of the Company	**290,793**	181,553
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	**0.18**	0.11
— Continuing operations	**0.15**	0.19
— Discontinued operations	**0.03**	(0.08)

(b) Diluted

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings/(loss) per share to take into account, where applicable:

i. the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

ii. the weighted number of ordinary shares in issue for the potential dilutive effect caused by the share options granted under the share option scheme assuming they were exercised.

For the year ended 31 December 2022 and 2021, as the average market share price of the Company's share was lower than assumed exercise price including the fair value of any services to be supplied to the Group in the future under the share option arrangement, there would be no dilutive impact.

38 Disposal of subsidiaries

As referred to in Note 36, the Group discontinued its business of specialty hospitals at the dates of disposal of its subsidiaries. The net assets of these subsidiaries at the dates of disposal were as follows.

(a) Disposal of Changzhou Hospital and its subsidiaries

On 1 June 2022 the Group entered into an agreement with an independent third party to dispose of its 57.92% equity interest of Changzhou hospital and its subsidiaries at cash consideration of RMB27,110,000. Gain on disposal amounted to RMB758,000 was analysed as follows:

	RMB'000
Net assets disposed of:	
Property and equipment (Note 7)	83,109
Right of use assets (Note 8)	48,203
Intangible assets (Note 9)	1,277
Cash and cash equivalents	3,255
Trade receivables	505
Other receivables	13,499
Inventories	2,445
Trade and other payables	(19,329)
Borrowings	(16,753)
Lease liabilities	(70,712)
	45,499
Add:Release of non-controlling interests	(19,147)
Less: Proceeds from disposal	(27,110)
Gain on disposal (Note 36)	(758)
Net cash inflows arising on disposal:	
Cash consideration received	27,110
Cash at bank disposed of	(3,255)
	23,855

The cash consideration of RMB27,110,000 for the disposal had been fully received by the Group for the year ended 31 December 2022.

38 Disposal of subsidiaries (continued)

(b) Disposal of Rici Shuixian and its subsidiaries

On 18 August 2022, the Group entered into an agreement with an independent third party to dispose of its 60% equity interest of Rici Shuixian and its subsidiaries at cash consideration of RMB287,000,000.Gain on disposal amounted to RMB212,794,000 was analysed as follows:

	RMB'000
Net assets disposed of:	
Property and equipment (Note 7)	45,974
Right of use assets (Note 8)	180,243
Intangible assets (Note 9)	550
Deferred tax assets (Note 13)	58,824
Cash and cash equivalents	3,986
Trade receivables	5,176
Other receivables	14,590
Inventories	586
Trade and other payables	(35,112)
Borrowings	(13,603)
Lease liabilities	(228,204)
	33,010
Add: Release of non-controlling interests	41,196
Less: proceeds from disposal	(287,000)
Gain on disposal (Note 36)	(212,794)
Net cash inflows arising on disposal:	
Cash consideration received	137,000
Cash at bank disposed of	(3,986)
	133,014

The cash consideration of RMB137,000,000 for the disposal had been fully received by the Group for the year ended 31 December 2022.The remaining balances of RMB150,000,000 was recognised in other receivable as at 31 December 2022, in which RMB50,000,000 would be settled on 31 March 2023; RMB50,000,000 would be settled in August 2024; and RMB50,000,000 would be settled in August 2025.

38 Disposal of subsidiaries (continued)

(c) Disposal of Wuxi Rich Obstetrics, Gynecology & Pediatric Hospital Co., Ltd. ("Wuxi Rich") and its subsidiaries

On December 2022 the Group entered into an agreement with an independent third party to dispose of its 100% equity interest of Wuxi Rich and its subsidiaries trading at cash consideration of RMB6,000,000. Loss on disposal amounted to RMB5,524,000 was analysed as follows:

	RMB'000
Net assets disposed of:	
Property and equipment (Note 7)	2
Right of use assets (Note 8)	44,602
Cash and cash equivalents	28,887
Trade receivables	30
Other receivables	13,390
Trade and other payables	(11,756)
Borrowings	(5,158)
Lease liabilities	(58,473)
	11,524
Less: Proceeds from disposal	(6,000)
Loss on disposal (Note 36)	5,524
Net cash outflows arising on disposal:	
Cash at bank disposed of	(28,887)
	(28,887)

The consideration was recognised in other receivables as at 31 December 2022.

39 Notes to the consolidated statement of cash flows

a. Net cash generated from operations:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit/(loss) for the year before income tax		
Continuing operations	**327,190**	392,075
Discontinued operations	**53,962**	(164,597)
Adjustments for:		
— Depreciation of right-of-use asset (Note 8)	**216,057**	205,663
— Depreciation of property and equipment (Note 7)	**162,623**	172,384
— Amortisation of intangible assets (Note 9)	**3,372**	6,464
— Net losses on disposal of property and equipment	**270**	4,318
— Net (reversal of)/impairment losses on financial assets (Note 15 and Note 16)	**(3,448)**	1,801
— Written off of property and equipment (Note 7)	**54,754**	—
— Written off of intangible asset (Note 9)	**824**	—
— Share of results of associate and joint venture (Note 10)	**(419)**	(803)
— Interest income	**(6,440)**	(6,979)
— Interest expense	**141,495**	155,180
— Foreign exchange (gains)/losses	**(11,725)**	8,505
— Share option scheme (Note 33)	**10,948**	16,861
— Gain on lease modification (Note 32)	**(3,343)**	(2,642)
— Gain on disposal of subsidiaries (Note 38)	**(208,028)**	—
— COVID-19-related rent concesssions	**28,862**	—
— Net gain on cancelling a lease contract	**—**	(1,676)
Changes in working capital:		
— Decease/(increase) in inventories	**9,236**	(7,282)
— Increase in trade receivables, other receivables and prepayments	**(63,764)**	(78,930)
— Decrease/(increase) in amounts due from related parties	**4,795**	(37)
— (Decrease)/increase in deferred income	**(2,545)**	76,061
— Increase/(decrease) in trade and other payables	**64,776**	(12,816)
— Increase in contract liabilities	**146,796**	112,604
— Decrease in amounts due to related parties	**(1)**	(1)
— Increase in deposits for long-term leases	**(9,449)**	(4,735)
Net generated from operating activities	**916,798**	871,418

39 Notes to the consolidated statement of cash flows (continued)

b. Proceeds from disposal of property and equipment:

	Year ended 31 December 2022 RMB'000	2021 RMB'000
Net book amount of property and equipment (Note 7)	**17,455**	4,318
Losses on disposal of property and equipment (Note 31)	**(270)**	(4,318)
Proceeds from disposal of property and equipment	**17,185**	—

c. Net debt cash reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	2022 RMB'000	2021 RMB'000
Cash and cash equivalents	**720,141**	771,264
Borrowings — repayable within one year (including overdraft)	**(615,166)**	(774,202)
Borrowings — repayable after one year	**(320,159)**	(474,721)
Other financial liabilities	**(100,000)**	(100,000)
Lease liabilities — repayable within one year	**(265,509)**	(289,952)
Lease liabilities — repayable after one year	**(1,097,716)**	(1,204,422)
Net debt	**(1,678,409)**	(2,072,033)
Cash and liquid investments	**720,141**	771,264
Gross debt — fixed interest rates	**(1,766,225)**	(1,877,374)
Gross debt — variable interest rates	**(532,325)**	(865,923)
Other financial liabilities-fixed interest rate	**(100,000)**	(100,000)
Net debt	**(1,678,409)**	(2,072,033)

39 Notes to the consolidated statement of cash flows (continued)

c. Net debt cash reconciliation (continued)

		Other assets liabilities from financing activities					
	Cash RMB'000	Borrowing due within 1 year RMB'000	Borrowing due after 1 year RMB'000	Other financial liabilities RMB'000	Lease liabilities due within 1 year RMB'000	Lease liabilities due after 1 year RMB'000	Total RMB'000
Net debt as at 1 January 2021	561,819	(738,913)	(546,279)	(100,000)	(266,784)	(1,257,170)	(2,347,327)
Cash flows	217,950	(35,289)	71,558	–	(23,168)	52,748	283,799
Foreign exchange adjustments	(8,505)	–	–	–	–	–	(8,505)
Net debt as at 31 December 2021 and 1 January 2022	771,264	(774,202)	(474,721)	(100,000)	(289,952)	(1,204,422)	(2,072,033)
Cash flows	(62,848)	159,036	154,562	–	24,443	106,706	381,899
Foreign exchange adjustments	11,725	–	–	–	–	–	11,725
Net debt as at 31 December 2022	720,141	(615,166)	(320,159)	(100,000)	(265,509)	(1,097,716)	(1,678,409)

40 Contingencies

Up to 31 December 2022, the Group had five (2021: three) ongoing medical disputes arising from the operation of Nantong Rich Hospital and several disputes arising from medical examination centres which have not been settled. The Group has assessed the individual cases and taken into account of the expenses incurred and recorded. The Group believes the financial exposure in relation to the ongoing medical disputes shall not material and thus no additional provision was made in this respect.

41 Commitments

a. Capital commitments

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Authorized and contracted for:		
Nantong Rich Hospital Expansion II	**53,271**	97,129
System upgrade expenditure	**2,760**	2,760
Leasehold improvements	**22,323**	1,383
Nantong Rich Hospital Expansion I	**1,731**	—
	80,085	101,272

42 Change in ownership interests in subsidiaries without change of control

Subsidiaries	Consideration to non-controlling interests	Carrying amount of non-controlling interests acquired	Loss on acquisition recognised within equity
Wuxi Rich (a)	29,360	(14,387)	(14,973)
Changzhou Hospital (b)	—	7,599	(7,599)
Other	—	4,476	(4,476)
	29,360	(2,312)	(27,048)

Notes:

a. In May 2022, the Group disproportionately increased the registered capital of Wuxi Rich. The Group recognised an increase in a non-controlling interests of RMB2,052,000 and a decrease in equity attributable to owners of the Company of RMB2,052,000 based on the difference between the capital contribution of the minority shareholder and the increased non-controlling interests.

Also, the Group acquired the remaining 25.57% equity interests in Wuxi Rich at a total consideration of RMB29,360,000. The Group recognised a decrease in a non-controlling interests of RMB16,439,000 and a decrease in equity attributable to owners of the Company of RMB12,921,000.

b. In December 2022, the Group disproportionately increased the registered capital of Changzhou Hospital. The Group recognised an increase in a non-controlling interests of RMB7,599,000 and a decrease in equity attributable to owners of the Company of RMB7,599,000 based on the difference between the capital contribution of the minority shareholder and the increased non-controlling interests.

43 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, has joint control over the party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The ultimate controlling shareholders of the Group are Dr. Fang and Dr. Mei.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2022 and 2021 and balances arising from related party transactions as at 31 December 2022 and 2021.

a. Name and relationship with related parties

Name of related party	Relationship with the Group
Dr. Fang (方宜新)	Controlling shareholder
Dr. Mei (梅紅)	Controlling shareholder
Mr. Fang Haoze (方浩澤)	Close family member of Dr. Fang and Dr. Mei
Nantong Rich Real Estate Development Co., Ltd. (南通瑞慈房地產開發有限公司) ("**Nantong Rich Real Estate**")	
Jiangsu Tayoi biological technology co., Ltd. (江蘇東洋之花生物科技股份有限公司) ("**Jiangsu Tayoi**")	Controlled by Dr. Fang
Nantong Meidi	Subsidiary of a joint venture

b. Saved as elsewhere disclosed in these consolidated financial statements, the following transactions were carried out with related parties:

i. Expenses paid on behalf of related parties by the Group

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Nantong Meidi	**71**	582
Nantong Rich Real Estate	**31**	37
	102	619

43 Related party transactions (continued)

b. Saved as elsewhere disclosed in these consolidated financial statements, the following transactions were carried out with related parties: (continued)

ii. Purchase of goods and services

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Mr. Fang Haoze	**–**	300
Jiangsu Tayoi	**133**	130
	133	430

iii. Guarantee provided by related parties for borrowings of the Group

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Dr. Fang and Dr. Mei	**–**	91,080

iv. Guarantee provided by related parties for other financial liabilities of the Group

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Dr. Fang and Dr. Mei	**22,964**	145,464

v. Services provided to related parties

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Nantong Meidi	**952**	952

43 Related party transactions (continued)

c. Key management compensation

Key management includes executive directors and non-executive directors. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**2,695**	3,030
Share option scheme	**3,148**	5,208
Pension	**262**	251
	6,105	8,489

d. Balances with related parties

Amounts due from related parties

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Nantong Meidi	**1,083**	5,722
Mr. Fang Haoze	**—**	150
Nantong Rich Real Estate	**31**	37
	1,114	5,909
Less: Loss allowance of amounts due from related parties	**—**	—
	1,114	5,909

The amounts due from related parties are for lending money to related parties, or expenses paid on behalf of related parties and rental deposits which were unsecured and non-interest bearing.

The Group applied expected credit loss model to assess the loss allowance on amounts due from related parties. No loss allowance was recognised for the year ended 31 December 2022 and 2021.

43 Related party transactions (continued)

d. Balances with related parties (continued)

Amounts due to related parties

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Jiangsu Tayoi	**133**	134

The amounts due to related parties are for purchase of goods and services from related parties.

44 Subsidiaries

Particulars of the subsidiaries of the Group as at 31 December 2022 and 2021 are set out below:

a. Directly holding subsidiaries

Subsidiaries incorporated in the BVI

Company name	Date of incorporation	Registered capital	Effective interests held by the Group 31 December 2022	2021	Principal activities
Rici Healthcare Holdings Limited	11 July 2014	USD1	**100%**	100%	Investment holding
Regent Healthcare Holdings Limited	6 June 2014	USD1	**100%**	100%	Investment holding

b. Indirectly holding subsidiaries

Subsidiaries incorporated in Hong Kong

Company name	Date of incorporation	Registered capital	Effective interests held by the Group 31 December 2022	2021	Principal activities
Hong Kong Rici Healthcare Holdings Limited	14 July 2014	HKD1	**100%**	100%	Investment holding
Cathay Grace Healthcare Holdings Limited	17 June 2014	HKD1	**100%**	100%	Investment holding

44 Subsidiaries (continued)

b. Indirectly holding subsidiaries (continued)

Subsidiaries established in the PRC

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group 31 December 2022	2021	Principal activities
Nantong Rich Hospital Co.,Ltd. (南通瑞慈醫院有限公司) (Note 24)	14 August 2000	68,000	**95,59%**	95,59%	General hospital service
Shanghai Rich Clinic Co.,Ltd. (上海瑞慈門診部有限公司)	14 February 2007	13,000	**100%**	100%	Examination service
Nanjing Rich Clinic Co.,Ltd. (南京瑞慈門診部有限責任公司)	1 December 2008	5,000	**100%**	100%	Examination service
Shanghai Rich Ruining Clinic Co.,Ltd. (上海瑞慈瑞寧門診部有限公司)	12 February 2009	5,000	**100%**	100%	Examination service
Shanghai Rich Ruibo Clinic Co.,Ltd. (上海瑞慈瑞鉑門診部有限公司)	10 April 2009	5,000	**100%**	100%	Examination service
Suzhou Rich Clinic Co.,Ltd. (蘇州瑞慈門診部有限公司)	22 August 2009	10,000	**100%**	100%	Examination service
Nantong Rich Clinic Co.,Ltd. (南通瑞慈健康體檢中心有限公司)	17 March 2010	5,000	**100%**	100%	Examination service
Shenzhen Rich Medical Examination Management Co.,Ltd. (深圳瑞慈健康體檢管理有限公司)	17 September 2010	20,000	**100%**	100%	Investment holding
Nantong Rich Binjiang Clinic Co.,Ltd. (南通瑞慈濱江健康體檢中心有限公司)	21 October 2010	30,000	**100%**	100%	Examination service
Shanghai Rich Ruitai Clinic Co.,Ltd. (上海瑞慈瑞泰門診部有限公司)	17 January 2011	5,000	**100%**	100%	Examination service
Shanghai Rich Ruijie Clinic Co.,Ltd. (上海瑞慈瑞傑門診部有限公司)	12 July 2012	5,000	**100%**	100%	Examination service
Shanghai Rich Ruizhao Clinic Co.,Ltd. (上海瑞慈瑞兆門診部有限公司)	19 March 2013	5,000	**100%**	100%	Examination service
Chengdu Jinjiang Rich Clinic Co.,Ltd. (成都錦江瑞慈門診部有限公司)	6 November 2013	5,000	**100%**	100%	Examination service
Shanghai Rich Ruize Clinic Co.,Ltd. (上海瑞慈瑞澤門診部有限公司)	25 November 2013	5,000	**100%**	100%	Examination service
Shenzhen Rich Clinic Co.,Ltd. (深圳瑞慈門診部)	28 February 2014	10,000	**100%**	100%	Examination service
Guangzhou Ruisen Guojin Clinic Co.,Ltd. (廣州瑞森國金醫療門診部有限公司)	28 February 2014	15,000	**90%**	90%	Examination service
Jiangsu Rich Medical Management Co.,Ltd (江蘇瑞慈醫療管理有限公司).	14 July 2014	350,000	**100%**	100%	Investment holding

44 Subsidiaries (continued)

b. Indirectly holding subsidiaries (continued)

Subsidiaries established in the PRC (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group 31 December 2022	2021	Principal activities
Nantong Rich Medical Management Group Co.,Ltd. (南通瑞慈醫療管理集團有限公司)	14 July 2014	650,000	**100%**	100%	Investment holding
Shanghai Rich Medical Investment Group Co.,Ltd. (上海瑞慈醫療投資集團有限公司)	25 August 2014	660,000	**100%**	100%	Investment holding
Guangzhou Rich Investment Co.,Ltd. (廣州瑞慈投資有限公司)	1 September 2014	20,000	**100%**	100%	Investment holding
Changzhou Rich Clinic Co.,Ltd. (常州瑞慈醫療門診部有限公司)	16 September 2014	15,000	**100%**	100%	Examination service
Wuhan Rich Medical Investment Management Co.,Ltd. (武漢瑞慈醫療投資管理有限公司)	10 November 2014	10,000	**100%**	100%	Investment holding
Nantong Haoze Medical Management Co.,Ltd. (南通浩澤醫療管理有限公司)	13 November 2014	30,000	**100%**	100%	Investment holding
Nanjing Rich Ruixing Clinic Co.,Ltd. (南京瑞慈瑞星門診部有限公司)	5 December 2014	5,000	**95%**	95%	Examination service
Wuhan Rich Clinic Co.,Ltd. (武漢瑞慈門診部有限公司)	29 January 2015	5,000	**100%**	100%	Examination service
Guangzhou Rich Zhongxin Clinic Co., Ltd. (廣州瑞慈中信門診部有限公司)	27 January 2015	15,000	**88%**	88%	Examination service
Hefei Haoze Health Management Co., Ltd. (合肥浩澤健康管理有限公司)	16 February 2015	5,000	**100%**	100%	Investment holding
Shanghai Rich Ruixin Clinic Co., Ltd. (上海瑞慈瑞鑫門診部有限公司)	19 March 2015	5,000	**95%**	95%	Examination service
Shanghai Fanjin Investment Management Co., Ltd. (上海返錦投資管理有限公司)	1 April 2015	100,000	**100%**	100%	Investment holding
Beijing Rich Ruitai Clinic Co., Ltd. (北京瑞慈瑞泰綜合門診部有限公司)	20 May 2015	10,000	**100%**	100%	Examination service
Shanghai Rich Ruijin Clinic Co.Ltd. (上海瑞慈瑞錦門診部有限公司)	28 May 2015	5,000	**95%**	95%	Examination service
Hefei Shushan Rich Clinic Co., Ltd. (合肥蜀山瑞慈健康體檢門診部有限公司)	29 June 2015	18,000	**100%**	100%	Examination service
Suzhou Rich Ruihe Clinic Co., Ltd. (蘇州瑞慈瑞禾門診部有限公司)	25 August 2016	10,000	**88%**	88%	Examination service

44 Subsidiaries (continued)

b. Indirectly holding subsidiaries (continued)

Subsidiaries established in the PRC (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group 31 December 2022	2021	Principal activities
Yangzhou Rich Ruiyang Integrated Chinese and Western Medicines Clinic Co., Ltd (揚州瑞慈瑞揚中西醫結合門診部有限公司) (Note 39)	9 October 2016	5,000	**88%**	88%	Examination service
Hangzhou Rich Medical Clinic Co., Ltd. (杭州瑞慈醫療門診部有限公司)	1 December 2016	15,000	**100%**	100%	Examination service
Nanjing Rich Ruixiang Clinic Co., Ltd (南京瑞慈瑞祥門診部有限公司)	7 December 2016	5,000	**88%**	88%	Examination service
Chengdu High-tech Rich Ruigao Clinic Co., Ltd. (成都高新瑞慈瑞高門診部有限公司)	14 December 2016	5,000	**100%**	100%	Examination service
Chengdu Wenjiang Rich Ruiwen Clinic Co., Ltd. (成都溫江瑞慈瑞文門診部有限公司)	20 December 2016	17,500	**88.6%**	88.6%	Examination service
Xuzhou Rich Ruixu Clinic Co.,Ltd. (徐州瑞慈瑞徐體檢門診部有限公司)	20 December 2016	5,000	**88%**	88%	Examination service
Wuxi Rich Ruixi Clinic Co., Ltd. (無錫瑞慈瑞錫門診部有限公司)	21 December 2016	5,000	**88%**	88%	Examination service
Nantong Rich Ruifeng Clinic Co.,Ltd. (南通瑞慈瑞峰健康體檢中心有限公司)	10 January 2017	5,000	**88%**	88%	Examination service
Shenyang Rich Health-care Management Co., Ltd. (瀋陽瑞慈健康體檢管理有限公司)	9 May 2017	20,000	**80%**	80%	Investment holding
Shenyang Rich Ruishen General Clinic of Western District of Shenyang Co.,Ltd (瀋陽瑞慈瑞瀋鐵西綜合門診部有限公司)	20 June 2017	5,000	**80%**	80%	Examination service
Foshan Rich Ruifo Clinic Co., Ltd (佛山瑞慈瑞佛門診部有限公司)	5 July 2017	5,000	**51%**	51%	Examination service
Changsha Rich Ruishang Healthcare Management Co., Ltd (長沙瑞上健康管理有限公司)	22 June 2017	20,000	**51%**	51%	Examination service
Zhenjiang Rich Ruirun Clinic Co.,Ltd. (鎮江瑞慈瑞潤門診部有限公司)	5 July 2017	5,000	**51%**	51%	Examination service
Shanghai Rich Ruilong Clinic Co.,Ltd. (上海瑞慈瑞隆門診部有限公司)	20 July 2017	5,000	**70%**	70%	Examination service

44 Subsidiaries (continued)

b. Indirectly holding subsidiaries (continued)

Subsidiaries established in the PRC (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group 31 December 2022	2021	Principal activities
Huzhou Rich Ruihu Clinic Co.,Ltd. (湖州瑞慈瑞湖門診部有限公司)	14 August 2017	5,000	**51%**	51%	Examination service
Xiamen Rich Ruisi Clinic Co.,Ltd. (廈門瑞慈瑞思門診部有限公司)	16 August 2017	5,000	**51%**	51%	Examination service
Shanghai Rich Ruimin Clinic Co.,Ltd. (上海瑞慈瑞閔門診部有限公司)	17 August 2017	5,000	**70%**	70%	Examination service
Nantong Rich Hemo-dialysis Co., Ltd (南通瑞慈血液透析有限公司)	8 September 2017	5,000	**100%**	100%	Diagnosis service
Yantai Rich Ruigao Clinic Co.,Ltd. (煙臺瑞慈瑞高門診部有限公司)	3 November 2017	5,000	**51%**	51%	Examination service
Qingdao Rich Ruicheng Healthcare Management Co., Ltd (青島瑞慈瑞城健康管理有限公司)	9 November 2017	5,000	**100%**	100%	Health counselling
Nantong Rich Ruixing Clinic Co.,Ltd. (南通瑞慈瑞興健康體檢中心有限公司)	15 November 2017	20,000	**51%**	51%	Examination service
Changzhou Rich Financial Medical Instrument Co., Ltd (常州瑞慈醫療器械有限公司)	24 November 2017	30,000 (USD'000)	**100%**	100%	Lease service
Wuhan Rich Ruiyue Clinic Co.,Ltd. (武漢瑞慈瑞嶽綜合門診部有限公司)	11 December 2017	20,000	**51%**	51%	Examination service
Shanghai Ruikui Healthcare Consulting Co., Ltd. (上海瑞魁健康諮詢有限公司)	6 February 2018	170,000	**100%**	100%	Investment holding
Hefei High-tech Rich Ruihe Clinic Co., Ltd. (合肥高新區瑞慈瑞合綜合門診部有限公司)	8 February 2018	20,000	**70%**	70%	Examination service
Shanghai Rich Ruiqing Clinic Co., Ltd. (上海瑞慈瑞青門診部有限公司)	3 April 2018	5,000	**100%**	100%	Examination service
Shanghai Rich Ruishan Clinic Co., Ltd. (上海瑞慈瑞山門診部有限公司)	15 June 2018	20,000	**70%**	70%	Examination service
Shanghai Hongdun Enterprise Management Co., Ltd. (上海虹敦企業管理有限公司)	19 June 2018	10,000	**51%**	51%	Investment holding
Nanjing Advanced Integrative Clinic Co., Ltd. (南京幸元會綜合門診部有限公司)	5 July 2018	30,000	**70%**	70%	Examination service
Jinan Rich Ruiji Health Management Co., Ltd. (濟南瑞慈瑞濟健康管理有限公司)	11 July 2018	20,000	**100%**	100%	Health counselling

44 Subsidiaries (continued)

b. Indirectly holding subsidiaries (continued)

Subsidiaries established in the PRC (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group 31 December 2022	2021	Principal activities
Quanzhou Rich Ruiquan Clinic Co., Ltd. (泉州瑞慈瑞泉門診部有限公司)	19 July 2018	20,000	**70%**	70%	Examination service
Nantong Rich Ruiyun Clinic Co., Ltd. (南通瑞慈瑞運健康體檢中心有限公司)	20 July 2018	20,000	**70%**	70%	Examination service
Yancheng Rich Health Management Co., Ltd. (鹽城瑞慈健康管理有限公司)	3 August 2018	15,000	**70%**	70%	Investment holding
Huaian Rich Ruimao Clinic Co., Ltd. (淮安瑞慈瑞茂門診部有限公司)	26 November 2018	5,000	**70%**	70%	Examination service
Shanghai Rich Ruiqiao Clinic Co., Ltd. (上海瑞慈瑞蕎門診部有限公司)	11 December 2018	20,000	**72%**	72%	Examination service
Shanghai Cherry Pediatric Clinic Co., Ltd. (上海睿醫小櫻桃門診部有限公司)	24 November 2016	5,000	**100%**	100%	Examination service
Shanghai Rich Ruiyuan Clinic Co., Ltd. (上海瑞慈瑞轅健康體檢中心有限公司)	30 January 2019	5,000	**70%**	70%	Examination service
Suqian Rich Ruiqian Clinic Co., Ltd. (宿遷瑞慈瑞謙門診部有限公司)	20 February 2019	5,000	**70%**	70%	Examination service
Shanghai Advanced Integrative Clinic Co., Ltd. (上海幸元會健康體檢中心有限公司)	25 April 2019	53,600	**70%**	70%	Examination service
Shanghai Rich Medical technology Co., Ltd. (上海瑞慈醫療科技有限公司)	13 May 2019	30,000	**100%**	100%	Health counselling
Shenzhen Rich Ruizhou Clinic Co., Ltd. (深圳瑞慈瑞洲健康體檢中心)	5 August 2019	15,000	**70%**	70%	Examination service
Suzhou Gusu Rich Ruiwu Clinic Co., Ltd. (蘇州姑蘇瑞慈瑞梧健康體檢中心有限公司)	13 May, 2020	15,000	**70%**	70%	Examination service
Changzhou Wujin Rich Ruiyao Integrative Clinic Co., Ltd. (常州武進瑞慈瑞曜綜合門診部有限公司)	17 August 2020	15,000	**70%**	70%	Examination service
Nantong Advanced Hejia Maternal and Child Nursing Service Co. Ltd. (南通幸元會和嘉母嬰護理服務有限公司)	13 October 2020	5,000	**100%**	100%	Nursing service
Hangzhou Rich Ruijiang Clinic Co., Ltd. (杭州瑞慈瑞江門診部有限公司)	1 June 2021	15,000	**70%**	70%	Examination service

44 Subsidiaries (continued)

b. Indirectly holding subsidiaries (continued)

Subsidiaries established in the PRC (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group 31 December 2022	2021	Principal activities
Xuzhou Rich Ruipeng Clinic Co., Ltd. (徐州瑞慈瑞彭體檢中心有限公司)	22 June 2021	15,000	**70%**	70%	Examination service
Nantong Rich Ruiwei Clinic Co., Ltd. (南通瑞慈瑞威健康體檢中心有限公司)	18 September 2021	20,000	**70%**	70%	Examination service
Yangzhou Rich Ruiyun Clinic Co., Ltd. (揚州瑞慈瑞韻健康體檢有限公司)	29 September 2021	15,000	**70%**	70%	Examination service
Beijing Rich Ruihai Clinic Co., Ltd. (北京瑞慈瑞海綜合門診部有限公司)	24 November 2021	15,000	**70%**	70%	Examination service
Guangzhou Rich Ruisui Clinic Co., Ltd. (廣州瑞慈瑞穗健康體檢中心有限公司)	2 December 2021	15,000	**70%**	70%	Examination service
Taizhou Rich Ruixin Clinic Co., Ltd. (泰州瑞慈瑞新健康體檢中心有限公司)	14 December 2021	15,000	**70%**	70%	Examination service
Guangzhou Rich RuiYi Clinic Co., Ltd. (廣州瑞慈瑞宜健康體檢有限責任公司)	24 April 2022	15,000	**70%**	N/A	Examination service
Shanghai Rich Ruiyue Clinic Co., Ltd. (上海瑞慈瑞悦門診部有限公司)	10 August 2022	15,000	**70%**	N/A	Examination service
Shanghai Advanced Xing Rong Clinic Co., Ltd. (上海幸元會幸融健康體檢中心有限公司)	30 August 2022	15,000	**70%**	N/A	Examination service
Shanghai Rich SeoYeon Clinic Co., Ltd. (上海瑞慈瑞延門診部有限公司)	20 September 2022	15,000	**70%**	N/A	Examination service
Wuhan Rich Ruilang Clinic Co., Ltd. (武漢瑞慈瑞朗綜合門診有限公司)	18 November 2022	15,000	**70%**	N/A	Examination service
Nanjing Rich Ruihong Health Management Co., Ltd. (南京瑞慈瑞弘健康管理有限公司)	21 November 2022	15,000	**70%**	N/A	Investment holding

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available. The PRC companies listed above are all limited liability companies.

Changzhou Rich Medical Instrument Co., Ltd, Shanghai Fanjin Investment Management Co., Ltd. and Jiangsu Rich Medical Management Co., Ltd. ("**Jiangsu Rich Management**") are registered as wholly foreign owned enterprises under PRC law. All the other subsidiaries established in the PRC are held by Jiangsu Rich Management and registered as domestic companies under PRC law.

45 Balance sheet and reserve movement of the Company

Balance Sheet of the Company

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**268,162**	257,372
Current assets		
Cash and cash equivalents	**3,243**	3,375
Prepayments	**360**	360
Amounts due from related parties	**607,167**	609,173
	610,770	612,908
Total assets	**878,932**	870,280
Equity attributable to owners of the Company		
Share capital	**1,065**	1,065
Reserves (a)	**852,191**	843,545
	853,256	844,610
Total equity	**853,256**	844,610
LIABILITIES		
Current liabilities		
Trade and other payables	**327**	321
Amounts due to related parties	**25,349**	25,349
	25,676	25,670
Total liabilities	**25,676**	25,670
Total equity and liabilities	**878,932**	870,280

The balance sheet of the Company was approved by the Board of Directors on 31 March 2023 and was signed on its behalf by:

Fang Yixin	**Mei Hong**
Director	Director

45 Balance sheet and reserve movement of the Company (continued)

a. Reserve movement of the Company

	Contributed Surplus RMB'000	Share premium RMB'000	Share option scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	93,464	715,292	84,202	(65,997)	826,961
Loss for the year	—	—	—	(277)	(277)
Share option scheme (Note 20)	—	—	16,861	—	16,861
At 31 December 2021	93,464	715,292	101,063	(66,274)	843,545
At 1 January 2022	**93,464**	**715,292**	**101,063**	**(66,274)**	**843,545**
Loss for the year	**—**	**—**	**—**	**(2,302)**	**(2,302)**
Share option scheme (Note 20)	**—**	**—**	**10,948**	**—**	**10,948**
At 31 December 2022	**93,464**	**715,292**	**112,011**	**(68,576)**	**852,191**

46 Dividend

No dividend had been declared or paid during the year (2021: Nil) and the Board has resolved not to propose any final dividend for the year ended 31 December 2022 (2021: Nil).

47 Subsequent events

Subsequent to the balance sheet date, Everbright (Haimen) has excised 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 of RMB64,008,000 has been made on 31 January 2023. Details of the transactions are set out in the Company's announcement dated 16 January 2023.

48 Authorization for issue of the consolidated financial statements

The consolidated financial statements were approved and authorized for issued by the Board of Directors of the Company on 31 March 2023.

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

股份代號 Stock Code: 1526

於開曼群島註冊成立之有限公司 Incorporated in the Cayman Islands with limited liability