ANNUAL REPORT

2021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.

"2022 AGM"	the AGM to be held on June 17, 2022
"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 Hospital"	Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. (常州瑞慈婦產醫院), a company incorporated in the PRC with limited liability on July 12, 2016, which operates a high-end obstetrics, gynecology and pediatrics hospital incorporated in Changzhou City, Jiangsu Province
"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, executive Director and the spouse of Dr. Mei
"Dr. Mei"	Dr. Mei Hong, our executive Director, Controlling Shareholder and the spouse of Dr. Fang
"Grade A, Grade B and Grade C"	hospitals in China can be categorized into Class I, II and III in terms of service quality, management level, medical equipment, hospital size and medical technology. Each class can be further divided into Grade A, Grade B and Grade C. Class III Grade A hospitals are the top level hospitals in China
"Hangzhou Rich"	Hangzhou Rich Medical Clinic Co., Ltd. (杭州瑞慈醫療門診部有限公司), a company incorporated in the PRC with limited liability on December 1, 2016 and an indirectly wholly-owned subsidiary of the Company
"Hefei Rich"	Hefei Shushan Rich Clinic Co., Ltd. (合肥蜀山瑞慈健康體檢門診部有限公司), a company incorporated in the PRC with limited liability on June 29, 2015, which is an indirectly wholly-owned subsidiary of the Company
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, each being the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IPO"	the initial public offering of the Company, having become unconditional in all aspects on October 6, 2016
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	October 6, 2016, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"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

Definitions

"Nantong Meidi"	Nantong Rich Meidi Elderly Care Center 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, 2021
"RMB"	Renminbi, the lawful currency of the PRC
"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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Rich"	Shanghai Rich Clinic Co., Ltd. (上海瑞慈門診部有限公司), a company incorporated in the PRC with limited liability on February 14, 2007, which is an indirectly wholly-owned subsidiary of our Company
"Share(s)"	ordinary share(s) of US$0.0001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on September 19, 2016

"Shenzhen Rich Medical Exam"	Shenzhen Rich Medical Examination Management Co., Ltd. (深圳瑞慈健康體檢管理有限公司), a company incorporated in the PRC with limited liability on September 17, 2010, which is an indirectly wholly-owned subsidiary of our Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Wuhan Rich"	Wuhan Rich Clinic Co., Ltd. (武漢瑞慈門診部有限公司), a company incorporated in the PRC with limited liability on January 29, 2015, which is an indirectly wholly-owned subsidiary of our Company
"Wuxi Rich OGP Hospital"	Wuxi Rich Obstetrics & Gynecology Hospital (無錫瑞慈婦產醫院)
"%"	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

Non-executive Director

Ms. Jiao Yan *(retired with effect from June 18, 2021)*

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)*
Ms. Jiao Yan *(retired with effect from June 18, 2021)*
Mr. Jiang Peixing *(with effect from June 18, 2021)*
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

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

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

20/F, Building 1
Donghang Binjiang Center
No. 277 Longlan Road
Xuhui 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 Services (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 Hospital and Rici Shuixian
2018	•	We expanded our medical examination business into Fujian Province and Shandong Province by establishing Jinjiang Rich and Jinan Rich, 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 Center commenced operation
2019	•	Rich Women's and Children's Hospital commenced operation
	•	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 Center commenced operation in Nanjing
2020	•	Nantong Rich Hospital was officially branded as Nantong University Affiliated Rich Hospital (南通大學附屬瑞慈醫院) and Nantong Rich Oncology Hospital (南通瑞慈腫瘤醫院)
		The second XMEDIC center commenced operation in Shanghai
2021	•	We recorded profit of RMB126.1 million for the year ended December 31, 2021

Financial Highlights

- Revenue for the year ended December 31, 2021 was RMB2,506.5 million, representing an increase of 30.2% from RMB1,925.2 million for the year ended December 31, 2020.

- Gross profit for the year ended December 31, 2021 was RMB899.1 million, representing an increase of 54.8% from RMB580.7 million for the year ended December 31, 2020.

- Profit attributable to owners of the Company for the year ended December 31, 2021 amounted to RMB181.6 million, as compared to loss attributable to owners of the Company of RMB7.9 million for the year ended December 31, 2020.

- Adjusted EBITDA for the year ended December 31, 2021 was RMB787.1 million representing an increase of 68.1% from RMB468.2 million for the year ended December 31.2020.

Financial Summary

	For the Year Ended December 31,				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Revenue	1,080,149	1,373,936	1,726,206	1,925,190	**2,506,522**
Gross profit	401,154	386,203	483,982	580,664	**899,125**
Profit/(loss) before income tax	(108,914)	(175,747)	(168,248)	(108,823)	**227,477**
Income tax (expense)/credit	6,234	39,470	(2,250)	16,326	**(101,372)**
Profit/(loss) for the year	(102,680)	(136,277)	(170,498)	(92,497)	**126,105**
Profit/(loss) attributable to:					
Owners of the Company	(62,166)	(53,836)	(69,163)	(7,876)	**181,553**
Non-Controlling interests	(40,514)	(82,441)	(101,335)	(84,621)	**(55,448)**
Adjusted EBITDA *Note*	153,721	170,708	404,665	468,214	**787,082**

	As at December 31,				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Total assets	2,063,347	2,362,676	4,070,577	4,210,994	**4,536,199**
Total liabilities	1,133,293	1,655,614	3,507,641	3,878,554	**3,948,773**
Equity attributable to the owners of the company	902,247	694,501	644,235	505,809	**677,500**

Note:

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.

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, 2021.

2021 was the first year of China's "14th Five-Year Plan", and the state has successively issued a number of policies to vigorously support the development of the healthcare industry. The "14th Five-Year Plan" clearly placed the protection of people's health as a strategic priority for development, and has repeatedly emphasized adherence to the principle of prevention, improving national health promotion policies, and providing people with a full range of life-cycle health services. Under these favourable policies, medical examination, as the first gate of disease prevention, will rapidly usher in vigorous development in the future. In August 2021, eight ministries and commissions including the National Healthcare Security Administration of the PRC, NHC, and National Development and Reform Commission of the PRC issued the "Pilot Plan for Deepening Price Reform of Medical Services" (《深化醫療服務價格改革試點方案》). As an effective supplement to the public healthcare system, private healthcare institutions will develop rapidly in the future. Leading healthcare service companies with healthcare technology and brand advantages are expected to benefit from it and further expand their leading positions.

In terms of capital market, as one of the industries directly and continuously affected by the pandemic, the healthcare industry developed rapidly in the past two or three years. According to "Review and Prospect of China's Equity Investment Market in 2021" (《2021年中國股權投資市場回顧和展望》) issued by Zero2IPO Research Centre (清科研究中心), in China's equity investment market in 2021, biotechnology and healthcare were the sectors with the largest total investment amount, and the number of investment cases was second only to the IT industry. In the secondary market, the healthcare sector was hugely favoured, both domestically and abroad. The strong capital support was expected to facilitate the good development of the healthcare industry.

As a diversified private comprehensive healthcare service group with certain influence in China, the Group continued to maintain its original aspiration, insisted on focusing on its main business, and strived for high-quality development. During the Reporting Period, on one hand, the three business segments continued to consolidate the foundation, adhered to the essence of healthcare, improved the level of healthcare technology and service capabilities, and fulfilled the promise of high-quality healthcare; on the other hand, the Group actively optimized the business structure, maintained stable customers, refined operation and management, and successfully scaled up its business throughout the year.

The general hospital segment in 2021 continued to be the most stable one in terms of performance among the three major segments of the Group. In March 2021, Nantong Rich Hospital took the lead in establishing the Gastrointestinal Tumor Specialist Alliance. At the same time, it officially started to operate with a new name as Nantong Rich Cancer Hospital (南通瑞慈腫瘤醫院) in addition to its original name as Nantong Rich Hospital during the Reporting Period, laying the foundation for the development of the hospital business in the next stage. During the Reporting Period, Nantong Rich Hospital made new breakthroughs in the discipline construction. The application for the "14th Five-Year Plan" project of strengthening healthcare with science and education has achieved remarkable results, which meant that the hospital's clinical diagnosis and treatment standards were constantly improving, and its comprehensive strength was constantly increasing. In addition to business development, during the repeated pandemics, Nantong Rich Hospital, as a regional tertiary general hospital, has also undertaken its due social public responsibilities. In 2021, the number of inpatient visits of Nantong Rich Hospital reached 29,395 (25,587 in 2020) and the number of outpatient visits reached 357,611 (331,813 in 2020), and the revenue of Nantong Rich Hospital segment reached RMB704.2 million.

Chairman's Statement

The domestic pandemic situation has repeated, and the health awareness of the Chinese people has been further improved. With the arrival of the peak season for medical examination in the second half of the year, the medical examination business achieved a restorative growth in 2021. During the Reporting Period, the chain medical examination segment continued to promote the dual-brand strategy of the mid-to-high-end brand "Rici Medical Examination" and the high-end brand "XMEDIC International Medical Examination". At the same time, the chain medical examination segment implemented the key market strategy, insisted on deepening the two key markets of Shanghai and Jiangsu, and explored the Greater Bay Area and other key cities. In 2021, the number of customers in the medical examination segment reached 3.2 million, and the revenue reached RMB1,696.4 million, an increase of 32.7% over 2020.

Rici's OGP segment achieved a slight growth during the Reporting Period. At present, there are three OGP hospitals under the segment, which are located in Shanghai, Changzhou and Wuxi, respectively. In 2021, the number of childbirths in the OGP specialty hospital segment reached 872 (799 in 2020), representing an increase of 9.1% over 2020, and revenue reached RMB129.3 million, representing an increase of 36.2% over 2020.

Finally, on behalf of the Board, I would like to express my heartfelt thanks to all investors and partners of the Group for their unremitting support and trust 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 with the continuous favourable policies of the private healthcare service industry, and the joint efforts of all Rici people and practitioners who stick to professional healthcare like us, the standard of healthcare services in China will be improved gradually. Rici insists on taking healthcare services as its foundation, and will rise abruptly based on its accumulated strength. In the future, Rici people will continue to adhere to their original aspirations, provide more high-quality healthcare services for Chinese people, make contributions to the national strategy of Healthy China, and continue to create value returns for shareholders.

Fang Yixin
Chairman

March 31, 2022

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)	57	Chairman, executive Director and chief executive officer	February 3, 2016
Dr. Mei Hong (梅紅)	57	Executive Director	July 11, 2014
Mr. Fang Haoze (方浩澤)	33	Executive Director	June 24, 2019
Ms. Lin Xiaoying (林曉穎)	44	Executive Director	June 24, 2019
Independent non-executive Directors			
Dr. Wang Yong (王勇)	56	Independent non-executive Director	June 23, 2016
Ms. Wong Sze Wing (黃斯穎)	43	Independent non-executive Director	June 23, 2016
Mr. Jiang Peixing (姜培興)	54	Independent non-executive Director	June 6, 2017

Executive Directors

Dr. Fang Yixin (方宜新), aged 57, 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 and strategic planning of our Group. Dr. Fang has over 26 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 57, is an executive Director. Dr. Mei is responsible for logistics management, information management engineering management and internal audit 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 33, is an executive Director, executive vice president of the Company and the general manager of the medical examination business department of the Company. Mr. Fang is responsible for the overall operation and management of the medical examination business department and the brand management. 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 44, is an executive Director, vice president, chief operating officer, director of the president office and the general manager of human resources center of the Company, and is responsible for the financial and legal 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 56, 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 the project director of the Institute of Mechanical and Electrical, and the 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 the executive deputy director, executive director and director of Tsinghua University School of Economics and Management EMBA Center (清華大學經濟 管理學院 EMBA 教育中心) in succession. Dr. Wang served as an independent director of Shenzhen Clou Electronics Co., Ltd. (深圳市科陸電子科技股份有限公司) and Ocean's King Lighting Science and Technology Co., Ltd. (海洋王照明科技股 份有限公司), both of which are listed on the Shenzhen Stock Exchange, from November 2009 to February 2013, and from August 2011 to August 2014, respectively. 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 43, is an independent non-executive Director. Ms. Wong is responsible for supervising and providing independent judgement 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) (stock code: 1132), a company listed on the Stock Exchange, 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 the deputy chief financial officer of Yingde Gases Company Limited (盈德氣體集團有限公司) (stock code: 2168), a company listed on the Stock Exchange since joining in July 2008, and has been the chief finance 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. Save as disclosed above, Ms. Wong is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Ms. Wong received a bachelor's degree in business administration from the University of Hong Kong in November 2001 and an EMBA from the China Europe International Business School (中歐國際商學院) in July 2012. Ms. Wong has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2005.

Mr. Jiang Peixing (姜培興), aged 54, is an independent non-executive Director. Mr. Jiang is responsible for supervising and providing independent judgement 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 an independent non-executive director of Sinvo Fund Management Co., Ltd. (新沃基金管理有限公司) since 2017. Mr. Jiang has extensive experience in corporate finance. Mr. Jiang served as the 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 the managing director thereof from June 2011 to April 2017. Mr. Jiang served as the 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 the general manager of the 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 the general manager of the investment bank department thereof from 2006 to 2007. Mr. Jiang acted as the 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 an assistant of the 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 the general manager of its Shanghai headquarters from October 2002 to April 2004. Mr. Jiang acted as the 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 was a 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. 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 and 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.

Dr. Zhao Lin (趙林), aged 67, is a vice president of our Company and the general manager of hospital business department. Dr. Zhao is responsible for operation and management of general hospitals, specialty hospitals and elderly care business of our Group. Dr. Zhao acted as a vice president of our Group and general manager of hospital construction business department from June 2017 to December 2017, the vice president of our Group and general manager of hospital business department from December 2014 to June 2017, and a president of Nantong Rich Hospital from April 2000 to June 2017. Prior to joining our Group, Dr. Zhao was the director of traumatology department and emergency surgery department of the hospital affiliated to Nantong Medical School (南通醫學院) from December 1982 to April 2000. Dr. Zhao is not and has not been a director of any listed company in Hong Kong or overseas in the past three years. Dr. Zhao received a bachelor's degree in medicine and a master's degree in surgery from Nantong Medical School in 1982 and 1988, respectively, and a doctoral degree in business administration from American University in California (加利福利亞美洲大學) in September 2010.

Management Discussion and Analysis

BUSINESS OVERVIEW AND STRATEGIC OUTLOOK

Industry Overview

The year of 2021 is the first year of the 14th Five-Year Plan Period, during which China continued promoting the development of national fitness and building a healthy China. The medical service industry will enter an important stage of high-quality development under the guidance of policies. The medical service industry underwent a reshuffle after facing the external pressure from the impact of COVID-19, healthcare cost control, economic downturn, etc. Leading medical institutions not only recovered quickly from the pandemic, but are also expected to gain larger market share from the small-to-middle size competitors' exits and grow larger and stronger.

For the general hospital industry, benefiting from the government's policies encouraging the development of privately-run medical services, residents' growing demand for healthcare services, increasingly improved medical insurance system, and application of information technologies, private hospitals have been put on a fast track to vigorous development. According to the National Health Commission of the PRC (中國國家衛生健康委員會), as of the end of November 2021, there were approximately 36,000 hospitals in China, comprising 12,000 public hospitals and 25,000 private hospitals, representing a decrease of 38 public hospitals and an increase of 1,377 private hospitals, respectively, as compared to the end of November 2020. During the first eleven months of 2021, the total number of patient visits in China reached 3.8 billion, representing a year-on-year increase of 27.8%, of which 3.22 billion and 580 million visits took place in public and private hospitals, respectively, representing a year-on-year increase of 28.3% and 24.8%, respectively.

For the medical examination industry, although the revival of the pandemic in certain areas interfered with short-term development of the industry in the second half of 2021, the pandemic did not change the increasing demand for the medical examination in the long run. With the shift of medical model to prevention-oriented health management, the whole society is paying more and more attention to the prevention of severe infectious diseases and the early screening of chronic disease risks. In addition, as the traditional medical examination industry was in the peak season in the second half of 2021, the market demand for medical examination services was delayed but gradually unleashed. The results of the companies in the industry were back to the trend of recovery.

In terms of the OGP industry, the third-child policy and the supporting measures were introduced in the Reporting Period, and the local government formulated concrete implementation plans. The policy will gradually deliver its effect. The pandemic did not dampen demand for high-end gynecological and paediatric services. The relevant demand in the Yangtze River Delta region increased significantly. Increasingly more importance will be attached to the health quality of women of childbearing age and newborns in the long run. As medium and high-end women's and children's products are still in short supply, consumer demand for private high-end products is expected to have room for growth.

General Hospital Business

Nantong Rich Hospital is the only high-level general hospital in the Nantong Economic and Technological Development Zone. It is currently a Class III Grade B general hospital and also a designated hospital for medical insurance reimbursement and a National Standardized Medical Residency Training Coordination Base. Nantong Rich Hospital led the establishment of the Alliance for Gastrointestinal Cancer in March 2021. At the same time, it officially started to operate with a new name as Nantong Rich Cancer Hospital (南通瑞慈腫瘤醫院) in addition to its original name as Nantong Rich Hospital during the Reporting Period. Nantong Rich Hospital launched the outpatient service for COVID-19 vaccination in April 2021 and provided 37,420 vaccinations throughout the Reporting Period. During the repeated COVID-19 outbreak in Jiangsu Province in July 2021, Nantong Rich Hospital accepted the tasks of performing nucleic acid testing and providing medical treatment during the nucleic acid monitoring. It conducted about 211,085 nucleic acid tests in 2021, showing the important role that a privately-run hospital can play in the fight against the epidemic and fulfil its social responsibility. The second phase expansion project of Nantong Rich Hospital proceeded smoothly. Its OGP building had been decorated as of December 31, 2021 and is expected to be put into operation in the second half of 2022. The inpatient complex building and warehousing activity center are being decorated. Such facilities are also expected to become operational in the second half of 2022. While expanding itself, the hospital prioritized the enhancement of its capacity for scientific research and innovation and promotion of its continuous development. During the Reporting Period, the hospital made remarkable achievements in scientific research and new breakthroughs in the building-up of specialities. The hospital vigorously carried out three new technology and projects at the national, provincial and municipal levels, and 23 ongoing research projects. The hospital also attaches importance to quality management. During the Reporting Period, physicians and pharmacists in Nantong Rich Hospital won several awards from the local medical doctor association and pharmaceutical association. As of December 31, 2021, it had 1,078 in-service employees, including 311 doctors, 111 medical technicians and 517 nurses. Currently, the hospital has one National Key Clinical Specialty (pediatric surgery), one Provincial Key Specialty (pediatrics), six Municipal Key Clinical Specialties (including pediatrics, cardiothoracic surgery, cardiovascular medicine, general surgery, neurology, and anesthesiology), and one Municipal Key Specialty (pediatric internal medicine).

During the Reporting Period, due to the local repeated COVID-19 outbreaks, Nantong Rich Hospital arranged and carried out various work such as efforts to prevent and control the epidemic and to ensure medical quality and safety by prioritizing epidemic prevention and control and upholding the service tenet of "being patient-oriented". It also kept improving service quality and management capabilities, thereby achieving obvious economic and social benefits. During the Reporting Period, Nantong Rich Hospital provided services for 357,611 outpatient visits (2020: 331,813) and 29,395 inpatient visits (2020: 25,587), representing a year-on-year increase of 7.8% and 14.9%, respectively.

Leveraging on the medical resources of Nantong Rich Hospital, the Group established Rich Meidi Elderly Care Center and achieved synergy with it. As of December 31, 2021, Rich Meidi Elderly Care Center served 101 elderly people (2020: 103) with an occupancy rate of 95.3% (2020: 97.2%). Due to the implementation of epidemic prevention measures, Rich Meidi Elderly Care Center has been under closed-loop management so that occupants might leave but no admission was allowed. Therefore, the occupancy rate decreased by 1.9% during the Reporting Period as compared with the same period of the last year.

Medical Examination Business

The revenue of the medical examination business accounted for the largest portion of the Group's total revenue. During the Reporting Period, the medical examination chain segment continued its dual branding strategy by promoting its mid-to-high-end brand "Rici Medical Examination" and the high-end brand "XMEDIC International Medical Examination". In addition, the segment implemented a strategy of expanding in key markets. It kept increasing its presence in Shanghai and Jiangsu and exploring the Guangdong-Hong Kong-Macao Greater Bay Area and other regional central cities.

As of December 31, 2021, the Group had 68 medical examination centers in China (2020: 61), representing a year-on-year growth of 11.5%, among which 58 centers were in operation (2020: 57), representing a year-on-year growth of 1.8%. It has presence in 28 cities which are mainly first-tier, new first-tier and second-tier cities.

Our daily business was affected in a short term during the Reporting Period due to the sporadic spread of the epidemic in some regions and especially because of the strict prevention and control measures taken by our branches in Jiangsu Province according to local epidemic prevention policies. While actively implementing epidemic control measures, the medical examination chain segment sticked to its core function of medical care by improving medical technologies, skills and service capabilities and improving its operational control system. Meanwhile, the segment strengthened online sales to actively promote the recovery of its operating performance and minimize the impact of the epidemic on its main business. In addition, thanks to the peak season for traditional medical examinations in the second half of the year, the overall market demand gradually increased. Therefore, the medical examination business still recorded high-quality growth during the Reporting Period. During the Reporting Period, the total number of customer visits under the medical examination business was 3,243,761 (2020: 2,531,668), representing a year-on-year increase of 28.1%, of which corporate customers accounted for around 74.8% of the Group's major customer base of the medical examination services. During the Reporting Period, corporate and individual customers paid 2,426,879 and 816,882 visits, respectively (2020: 1,964,457 and 567,211 respectively), an increase of 23.5% and 44.0%, respectively, compared to the same period last year. The average spending per capita was RMB523 (2020: RMB504).

Specialty Hospital Business

The OGP segment established a comprehensive strategic partnership with Children's Hospital of Fudan University, Obstetrics and Gynecology Hospital of Fudan University and Children's Hospital of Shanghai Jiao Tong University. Currently, there are three OGP hospitals under the segment, which are located in Changzhou, Shanghai and Wuxi, respectively. The three hospitals are aimed at providing OGP services for high-net-worth individuals, under the support of medical-graded maternity care centers which are rare in the market.

During the Reporting Period, Changzhou Rich Hospital was officially approved as a Class II general hospital, and the digestive endoscopy center was successfully built, continuing the transformation from an OGP hospital to a general hospital. Rici Shuixian officially set up a department for cervical diseases, a department of medicine and surgery, and a department of otolaryngology. The business pattern of a large specialty hospital and a small general hospital emerged. It has officially begun to deepen cooperation with some insurance companies. Wuxi Rich OGP Hospital focused on the principal business of obstetrics, striving to optimize customers' medical experience and improve service quality.

During the Reporting Period, affected by the repeated epidemic in Jiangsu Province, the three OGP hospitals served a total of 58,472 outpatients and 1,127 inpatients, representing a year-on-year increase of 36.2% and 9.1%, respectively. Their maternity care centers served 975 inpatients, representing a year-on-year growth of 6.6%.

Prospects

Nantong Rich Hospital will take the opportunity of the opening of the new Integrated Ward Building to comprehensively improve the medical service environment and expand the medical service capacity, which will bring about a “building effect”. With highlighted high-end gynecological and obstetric services, the hospital will enhance competitiveness beyond the basic medical care to differentiate itself from public hospitals, in a bid to further meet the needs of citizens and the needs for social and economic development in Nantong. Driven by the cooperation with the affiliated hospitals of Fudan University, the hospital will concentrate on surgical oncology, cerebrovascular disease, cardiology, orthopedics and OGP to strengthen the development of distinctive disciplines and technologies and accelerate the construction of a talent echelon. Efforts will be made to establish a brand and grow internal businesses to build a first-class regional medical center. It will strengthen quality management, set up an innovative service model, improve business processes, upgrade software and hardware facilities, and bring patients a stronger sense of access to medical treatment. Nantong Rich Hospital has been moving towards a teaching general hospital, striving to become a high-level regional hospital that enjoys basically the same reputation with Affiliated Hospital of Nantong University and Nantong First People’s Hospital and serves more than 10 million people. The Phase II expansion project of Nantong Rich Hospital is progressing smoothly. The number of beds is expected to increase significantly upon construction completion, which will solve the current shortage of beds.

The private medical examination industry, which has seen a relatively fierce exogenous expansion in the recent years, has turned into a model of endogenous growth. On the one hand, internet will enable the number of 2C customers in the medical examination industry to increase greatly. On the other hand, the average cost of medical examination in China is still very low compared to that in developed markets, and residents will have increasingly greater willingness for high-quality medical services and products. In this context, the Group’s medical examination chain segment will, on the one hand, continue carrying out its dual branding strategy by promoting its mid-to-high-end brand “Rici Medical Examination” and the high-end brand “XMEDIC” to meet Chinese consumers’ demand for more accurate and personalized medical examination services; on the other hand, it will step up its presence in Shanghai and Jiangsu, expand its footprint in Zhejiang and the Greater Bay Area, and strategically tap into other key cities.

With the full implementation of the third-child policy, the proportion of pregnant and lyingin women with a second or more children is expected to go up further in the future. The new generation of informed parents have higher requirements for nurturing the next generation. The previous demand for antenatal check and maternity services related to OGP has shifted to diversified and personalized medical and health management needs, bringing new opportunities to the OGP sector.

FINANCIAL REVIEW

Revenue

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

	Year ended December 31		
	2021 (RMB'000)	2020 (RMB'000)	**Percentage change**
General Hospital Business	**704,209**[1]	579,927	21.4%
Medical Examination Business	**1,696,363**	1,278,598	32.7%
Specialty Hospital Business	**129,315**	94,959	36.2%
Inter-segment	**(23,365)**	(28,294)	(17.4%)
Total	**2,506,522**	1,925,190	30.2%

Note:

(1) Included the revenue from hemodialysis business.

Our revenue increased by 30.2% from RMB1,925.2 million in 2020 to RMB2,506.5 million in 2021.

Revenue from the general hospital business in 2021 amounted to RMB680.8 million, representing an increase of 23.4% from RMB551.6 million in 2020, excluding inter-segment revenue of RMB23.4 million and RMB28.3 million in 2021 and 2020, respectively. This is largely because inpatient revenue increased by RMB85.3 million due to a rise of 14.9% in the number of inpatient visits. Meanwhile, outpatient revenue rose by RMB44.0 million due to an increase of 7.8% in the numbers of outpatient visits.

Revenue from the medical examination business in 2021 amounted to RMB1,696.4 million, representing an increase of 32.7% from RMB1,278.6 million in 2020, primarily due to an increase of 28.1% in the numbers of customer visits.

Revenue from the specialty hospital business in 2021 amounted to RMB129.3 million (2020: RMB95.0 million), mainly due to the increase in the numbers of outpatient and inpatient visits. In 2021, the numbers of outpatient visits and inpatient visits in our specialty hospitals were 58,472 and 2,102, respectively. Revenue generated from outpatient visits and inpatient visits were RMB50.4 million and RMB78.9 million, respectively.

Cost of Sales

Cost of sales primarily consists of pharmaceuticals and medical consumables costs, staff costs and depreciation and amortisation expenses. The following table sets forth an analysis of cost of sales by operating segments for the periods indicated:

	Year ended December 31		
	2021 (RMB'000)	2020 (RMB'000)	Percentage change
General Hospital Business	**517,350**[1]	415,322	24.6%
Medical Examination Business	**897,220**	772,780	16.1%
Specialty Hospital Business	**216,192**	184,718	17.0%
Inter-segment	**(23,365)**	(28,294)	(17.4%)
Total	**1,607,397**	1,344,526	19.6%

Note:

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

Our cost of sales increased by 19.6% from RMB1,344.5 million in 2020 to RMB1,607.4 million in 2021.

Cost of sales of the general hospital business in 2021 amounted to RMB517.4 million, representing an increase of 24.6% from RMB415.3 million in 2020. The increase of cost of sales is mainly due to the expansion of revenue scale of the general hospital business in 2021.

Cost of sales of the medical examination business in 2021 amounted to RMB897.2 million, representing an increase of 16.1% from RMB772.8 million in 2020. The main reason is the expansion of revenue scale of medical examination business in 2021. Notwithstanding the foregoing, as the fixed costs such as depreciation and amortisation expenses remained relatively stable, the increase in cost is lower than that in revenue.

Cost of sales of the specialty hospital business in 2021 amounted to RMB216.2 million, representing an increase of 17.0% from RMB184.7 million in 2020. This is because (i) the expansion of revenue scale led to a rise in the pharmaceutical costs and medical consumables costs; and (ii) there was no significant change in the composition of the staff and facilities of our OGP hospitals, and thus the fixed costs such as employee compensation and fixed depreciation and amortisation expenses remained relatively stable, and the increase in cost is much lower than that in revenue.

Gross Profit

Our gross profit increased from RMB580.7 million in 2020 to RMB899.1 million in 2021. Gross profit margin increased by 5.7% from 30.2% in 2020 to 35.9% in 2021.

Distribution Costs and Selling Expenses

Distribution costs and selling expenses amounted to RMB281.3 million in 2021, as compared to RMB226.3 million in 2020. The growth was mainly due to the fact that advertising expenses were at a low level in 2020 affected by the pandemic and returned to normal in 2021.

Administrative Expenses

Administrative expenses amounted to RMB248.4 million in 2021, as compared to RMB294.2 million in 2020. The decrease is mainly due to the decrease of professional service charges.

Other Income

Our other income, which mainly comprised of government subsidies, rental income and income from short-term wealth management products, amounted to RMB21.9 million in 2021 (2020: RMB23.3 million).

Other Losses

Our other losses, which mainly comprised of losses on disposal of property and equipment, amounted to RMB6.0 million in 2021 (2020: RMB9.1 million).

Finance Costs — Net

Our net finance costs amounted to RMB156.7 million in 2021, as compared to the net finance costs of RMB185.4 million in 2020. Interest expenses amounted to RMB155.2 million in 2021, representing a decline of RMB12.4 million from RMB167.6 million in 2020. Exchange losses amounted to RMB8.5 million in 2021, representing a decline of RMB17.7 million from RMB26.2 million in 2020.

Share of Results of Investments Accounted for Using Equity Method

In 2021, the Group recognised a share of profit of RMB0.8 million from investments accounted for using equity method (2020: 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 Co., Ltd, a subsidiary of a joint venture of the Group, whose business operation has been stable since its establishment in the second half of 2014; and (ii) a share of profit of investments accounted for using equity method of RMB0.1 million of Neijiang Rich Ruichuan Clinic Co., Ltd., an associate of the Group primarily engaged in providing medical examination services.

Income Tax Expense/Credit

In 2021, income tax expense amounted to RMB101.4 million (2020: income tax credit of RMB16.3 million). The growth in income tax expense was mainly due to an increase in the profit for the year.

Profit for the Year

For the foregoing reasons, we recorded a net profit of RMB126.1 million in 2021 (2020: a net loss of RMB92.5 million). The increase of the net profit was mainly due to the increase of revenue derived from all business segments of the Group.

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 define adjusted EBITDA as loss/profit for the year before certain expenses and depreciation and amortisation 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 year under HKFRSs to our definition of adjusted EBITDA for the years indicated.

	Year ended December 31	
	2021 (RMB'000)	2020 (RMB'000)
Calculation of adjusted EBITDA		
Profit/(loss) for the year	**126,105**	(92,497)
Adjustments to the following items:		
Income tax expense/(credit)	**101,372**	(16,326)
Finance costs — net	**156,706**	185,378
Depreciation and amortisation	**384,511**	371,540
Pre-opening expenses and EBITDA loss of soft-opening[1]	**1,527**	2,768
Share option expenses	**16,861**	17,351
Adjusted EBITDA	**787,082**	468,214
Adjusted EBITDA margin[2]	**31.4%**	24.3%

Notes:

(1) Primarily represents (a) the pre-opening expenses, such as staff costs and rental expenses, incurred in the applicable period in connection with the construction of medical examination centers; and (b) the EBITDA loss incurred during the period when the newly opened medical examination centers commenced their operations.

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

Adjusted EBITDA amounted to RMB787.1 million in 2021, representing an increase of 68.1% from RMB468.2 million in 2020. This is largely because of a rise in profit due to a significant increase in revenue for the year.

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, 2021, the property and equipment of the Group totally amounted to RMB1,499.0 million, representing an increase of RMB256.3 million as compared to RMB1,242.7 million as at December 31, 2020. The increase in properties and equipment was primarily due to the expansion project of Nantong Rich Hospital and the purchase of equipment and decoration for newly opened medical examination centers.

Trade Receivables

As at December 31, 2021, the trade receivables of the Group amounted to RMB346.3 million, representing an increase of RMB63.7 million as compared to RMB282.7 million as at December 31, 2020, mainly due to the increase in revenue derived from all business segments of the Group.

Net Current Liabilities

As at December 31, 2021, the Group's current liabilities exceeded its current assets by RMB588.4 million (as at December 31, 2020: current liabilities exceeded its current assets by RMB737.7 million). The decline in the Group's net current liabilities were mainly due to a significant increase in the year-end balance of the Group's cash and cash equivalents and accounts receivable as a result of a high growth in revenue in 2021.

Liquidity and Capital Resources

As at December 31, 2021, the Group had cash and cash equivalents of RMB771.3 million (as at December 31, 2020: RMB561.8 million), with available unused bank facilities of RMB281.2 million (as at December 31, 2020: RMB162.4 million). As at December 31, 2021, the Group had outstanding borrowings of RMB1,248.9 million (as at December 31, 2020: RMB1,285.2 million), with non-current portion of long-term borrowings of RMB474.7 million (as at December 31, 2020: RMB546.3 million). Based on the Group's past experience and good credit standing, the Directors are confident that such bank facilities could be renewed or extended for at least another 12 months upon maturity. We adopt prudent treasury policies in cash and financial management to achieve better risk control, manage financial resources efficiently and minimize the cost of funds. For the currency in which cash and cash equivalents are denominated, please refer to Note 16 to the consolidated financial statements.

Capital Expenditure and Commitments

For 2021, the Group incurred capital expenditures of RMB592.7 million (2020: RMB296.9 million), primarily due to (i) the second phase expansion project of Nantong Rich Hospital; and (ii) purchases of medical equipment as well as renovation for our medical examination centers, general hospitals and specialty hospitals; and (iii) the lease of business premises for new medical examination centers.

As at December 31, 2021, the Group had a total capital commitment of RMB101.3 million (as at December 31, 2020: RMB74.7 million), mainly comprising the related contracts of the second phase expansion project of Nantong Rich Hospital and the Group's information system upgrade.

Borrowings

As at December 31, 2021, the Group had total bank and other borrowings of RMB1,248.9 million (as at December 31, 2020: RMB1,285.2 million). Please refer to Note 22 to the consolidated financial statements for more details.

Contingent Liabilities

The Group had no material contingent liability as at December 31, 2021 (as at December 31, 2020: Nil).

Financial Instruments

The Group did not have any financial instruments as at December 31, 2021 (as at December 31, 2020: Nil).

Gearing Ratio

As at December 31, 2021, on the basis of net debt divided by total capital, the Group's gearing ratio was 77.1% (as at December 31, 2020: 87.1%). The decrease in gearing ratio was mainly due to the increase in the Group's cash and cash equivalents which is in line with the increasing trend of the Group's revenue in 2021.

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, 2021, borrowings of RMB865,923,000 were with floating interest rates. We did not hedge our cash flow and fair value interest rate risk during the year ended December 31, 2021.

Foreign Exchange Risk

For the year ended December 31, 2021, the Group was not exposed to significant foreign currency risk, except for the remaining bank deposits from the IPO, which were denominated in Hong Kong dollar, and the bank deposits denominated in United States dollar. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Credit Risk

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

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

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

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

Liquidity Risk

Our finance department monitors rolling forecasts of our liquidity requirements to ensure that we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn borrowing facilities at all times so that we do not breach borrowing limits or covenants (where applicable) on any of our borrowing facilities. We expect to fund the future cash flow needs through cash flows generated from operations, borrowings from financial institutions and issuing debt instruments or capital contribution from the shareholders of the Company (the "Shareholders"), as necessary. Based on contractual undiscounted payments, our financial liabilities were RMB3,985.5 million as at December 31, 2021 (as at December 31, 2020: RMB4,224.3 million).

Pledge of Assets

As at December 31, 2021, the Group had assets with a total carrying amount of RMB265,682,000 (as at December 31, 2020: assets of RMB159,314,000) and restricted deposits with an amount of USD10,250,000 (equivalent to RMB65,351,000) and restricted deposits with an amount of RMB115,500,000 (as at December 31, 2020: USD38,650,000, equivalent to RMB252,187,000) pledged for the Group's borrowings.

Besides, the Group had 22.06% equity interest in Nantong Rich Hospital (as at December 31, 2020: 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.

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, 2021.

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, 2021. 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

The Company has arranged appropriate liability insurance to indemnify the Directors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis and the Board has reviewed the insurance coverage for the year ended December 31, 2021.

(3) Board Composition

During the year ended December 31, 2021 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

Non-Executive Directors

Ms. Jiao Yan *(retired on June 18, 2021)*

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, 2021 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 3.10(A) 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.

(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, 2021, 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 2021, 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, 2021 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
Ms. Jiao Yan (retired on June 18, 2021)	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

Save and except the retirement of Ms. Jiao Yan as a non-executive Director at the annual general meeting of the company held on June 18, 2021, there had not been any changes of the composition of the Board during the year ended December 31, 2021. 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 31, 2021 with all independent non-executive Directors without the presence of executive Directors.

For the year ended December 31, 2021, 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
Ms. Jiao Yan *(Non-executive Director)*	2/4
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, 2021.

(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.

Two meetings of the Nomination Committee was held for the year ended December 31, 2021 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)*	2/2
Dr. Wang Yong	2/2
Mr. Jiang Peixing	2/2

In the meeting held on August 31, 2021, 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 and the appointment of new executive directors, reviewed the time commitment required from the non-executive Director and fulfilled duties as required aforesaid.

In the meeting held on June 18, 2021, the Nomination Committee discussed the retirement of Ms. Jiao Yan (former non-executive director).

(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, 2021 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

In the meeting held on August 31, 2021, 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 by band of the members of the senior management of the Company for the year ended December 31, 2021 are set out below:

Remuneration band (HK$)	Number of individual
1,000,000 and below	4
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, 2021 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 *(Note)*	1/1
Ms. Jiao Yan *(Note)*	1/1

Note: With effect from June 18, 2021, Ms. Jiao Yan has ceased to be a member of the Audit Committee and Mr. Jiang Peixing (independent non-executive Director) was appointed as a member of the Audit Committee, in replacement of Ms. Jiao.

For the year ended December 31, 2021, 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, 2021, the annual results of the Company and its subsidiaries for the year ended December 31, 2021 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, 2021 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.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

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 2021	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 established a strategic partnership with JD Health to initiate online and offline brand linkage, traffic attraction and promote the growth of new users. It expanded sales channels, increased efforts on online sales promotion, and actively tried new retail forms such as sales through livestreaming and sales with Internet celebrities, in order to increase brand awareness and exposure and further expand brand influence.

No.	Major Risks	Main Risk Description	Changes Since 2021	Major Monitoring Measures and Risk Control Strategies
2	Competitor Risk	(1) Due to the low threshold for products/services of the Company, there was serious homogenization with products/services of competitors as well as the risk of how to develop irreproducible and competitive products/services (for example, medium and high-end customers). (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 strengthen the development of the specialty hospital segment, 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. With increased investment in customer services, 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 innovated assisted by 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.	Decreased	• 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 2021	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 realisation 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 invested 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 are in place to realise information stratification and permission control, which effectively protects customer data and information security. • The Company upgraded the customer management system in the medical examination segment to facilitate the management of the whole sales process in the system to improve its sales management level. 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, 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 2021	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.

No.	Major Risks	Main Risk Description	Changes Since 2021	Major Monitoring Measures and Risk Control Strategies
				• 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.
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.	Unchanged	• 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 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. • Strengthening centralized management of funds: Through the financial sharing center, the management model of the centralized payment of funds was adopted, which improved the scientificity of financial fund management. The financial status of the Group was objectively analyzed in a scientific manner, and the management concept was continuously improved to ensure the safety of the Group's funds. It optimized the use efficiency of accumulated funds and strategically adjusted the pace of operations to reasonably control cash flows. Capital pool or direct bank-business connection was used to manage the funds of its subsidiaries in a unified manner, in a bid to enhance the allocation and control of capital resources.

No.	Major Risks	Main Risk Description	Changes Since 2021	Major Monitoring Measures and Risk Control Strategies
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. • 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: 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.

No.	Major Risks	Main Risk Description	Changes Since 2021	Major Monitoring Measures and Risk Control Strategies
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. • 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.

No.	Major Risks	Main Risk Description	Changes Since 2021	Major Monitoring Measures and Risk Control Strategies
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 2021	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 increasing 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. • The reporting system for infectious diseases was revised to further 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, 2021 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, 2021, 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, 2021 payable to the external auditors were approximately RMB2.3 million. And the Group incurred approximately RMB0.3 million in 2021 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, 2021, 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. Wen Zhe, general manager of the securities and investment department 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, 2021.

8. GENERAL MEETING

For the year ended December 31, 2021, one general meeting of the Company, being the annual general meeting of the Company held on June 18, 2021, 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
Ms. Jiao Yan *(Non-executive Director, retired on June 18, 2021)*	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.

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: 20/F, Building 1, Donghang Binjiang Center, No. 277 Longlan Road, Xuhui District, Shanghai, PRC
Attention: Board of Directors Office
Tel: 021–50623902
Fax: 021–68865390

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, 2021.

Environmental, Social and Governance Report

In 2021, the Group continued to improve its environmental, social and governance ("**ESG**") system in accordance with the relevant laws and regulations of the PRC and the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules. The Group adheres to the sustainable development strategy and is committed to providing high-quality healthcare services for the society. The purpose of this ESG report is to provide stakeholders with objectives, performance and future of the Group in respect of the environment and the society, including the impacts of the Group's operations on the environment, society and economy.

The Group attaches great importance to the transparency of information and reports annually on its environmental and social practices and aspects and manages its results in a responsible manner. This ESG report also helps the Group to establish standards for environmental and social work, identify areas where the performance can be enhanced, and make adjustments based on the progress of each year and the opinions collected from stakeholders.

The Group is primarily engaged in three major businesses, namely general hospital, specialty hospital and medical examination. ESG report focuses on the Group's specific guidelines and performance in environmental and social work for the year ended December 31, 2021, covering the relevant performance and measures of the headquarters, the general hospital segment (Nantong Rich Hospital), the specialty hospital segment (Changzhou Rich Hospital, Rici Shuixian and Wuxi Rich OGP Hospital) and the medical examination segment (including 58 medical examination centres in operation).

ENVIRONMENTAL PROTECTION

To operate in compliance with laws and regulations, the Group has taken all necessary measures on protecting the environment and preventing pollution, actively reduced the consumption of various resources and increased the recycling rate of resources, in order to reduce the negative impacts of corporate business activities on the environment. Also, the Group strived to reduce emissions of various pollutants such as atmospheric emissions and solid wastes, continuously improved corporate environmental management, and vigorously promoted the concept of green office and low-carbon travel, in order to create an environmentally friendly society.

The Group, on the aspect of its organizational structure, has commenced the construction of its environmental health and safety management system which has gradually formed a top-to-bottom management mechanism covering the Board to each business segment, so that every employee on each level has its own responsibility for the implementation of environmental health and safety work. Each segment is staffed with specialists being responsible for the management and exercise of environmental health and safety work, who form working groups with clearly defined responsibilities and capabilities in exercise of the duties delegated.

The major impacts of the Group's business activities on the environment and natural resources is mainly the consumption of relevant resources, such as water resources, electricity and fuel required in daily operations. The main sources of environmental pollution are atmospheric emissions (emissions of greenhouse gases, vehicle exhausts, etc.), and the main pollution factors are carbon dioxide, nitrogen oxides, sulphur oxides, particulates and solid wastes (hazardous wastes such as medical wastes from hospital and medical examination services, and non-hazardous wastes such as domestic and kitchen wastes from living quarters and offices).

Environmental Management Compliance

The Group attaches great importance to adherence to the compliance of environmental protection laws and regulations. All subsidiaries and branches have timely been registered upon pollutant discharge reporting registration 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 institutions. In the area where the pollutant discharge license system is implemented, all subsidiaries have applied for and obtained the Pollutant Discharge Permit (排污許可證) from the local environmental protection departments, or are in the process of applying for the wastewater discharge permit. The results of the environmental monitoring report of the subsidiaries of the Group issued by the local environmental monitoring authorities or third parties show that, in 2021, all subsidiaries have met the requirements for comprehensively controlling the emissions of the three wastes.

Promotion of Environmental Protection

In the design of office environment and actual operation, the Group has always adhered to the requirements of 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 the daily operations of the enterprise. The Group has taken the following environmental protection measures to reduce the impact of business operations to the environment:

In terms of the use of electricity and water

- Turning off all unnecessary electricity consumption equipment (such as computers, air conditioners, lighting, etc.) during non-working hours
- Increasing the number of lighting switches or changing the lightings to sensor-based lightings, and replacing lighting tubes with LED lightings
- 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 hospital segment) is required for medical needs, infection prevention and control measures

In terms of the use of paper

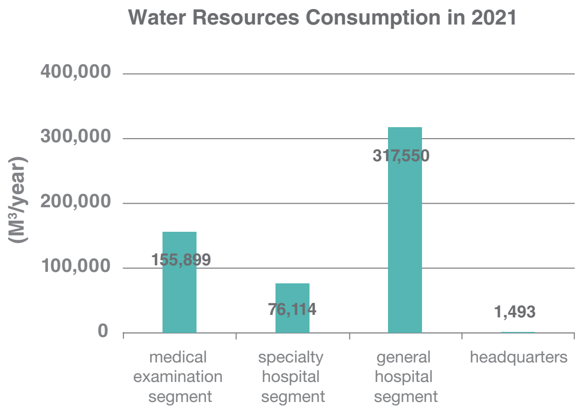
- Printing double-sided and reducing the amount of paper use to half by certain office floors
- Designating a responsible person to record the usage amount for each printer
- Careful checking is required before printing to avoid duplicate printing
- Sharing documents among staff, and if not necessary,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

In terms of low-carbon transportation

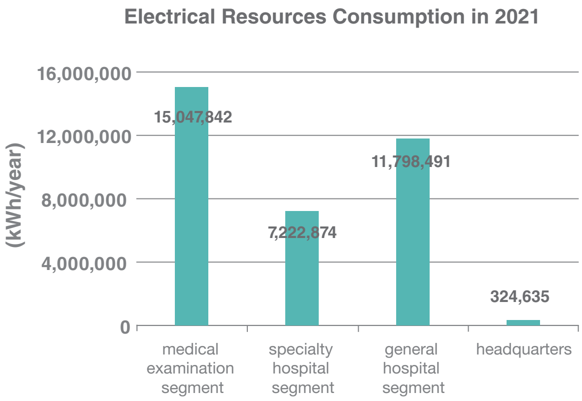
- Encouraging employees to commute by public transportation and providing commuting shuttle buses for hospital employees in order to reduce the use of private cars
- Whenever the use of private cars for business trip is required, asking the relevant persons to share personal cars in order to reduce fuel consumption

Use and consumption of resources

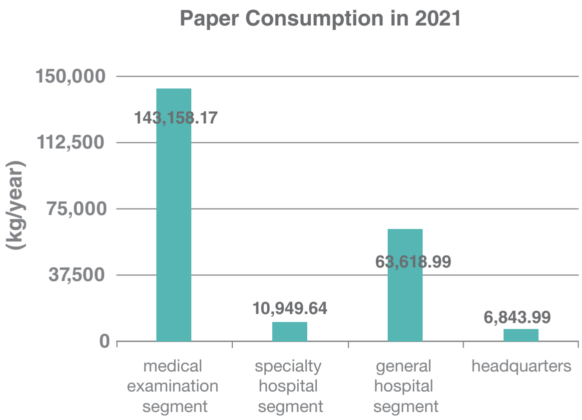
Different from manufacturers, the Group (the headquarters, the general hospital segment consisting of Nantong Rich Hospital, the specialty hospital segment consisting of Changzhou Rich Hospital, Rici Shuixian and Wuxi Rich OGP Hospital, and the medical examination segment consisting of 58 medical examination centres in operation) does not engage in production, and so no packaging materials are consumed. The Group strictly abides by 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 generated during operations in 2021 are as follows:



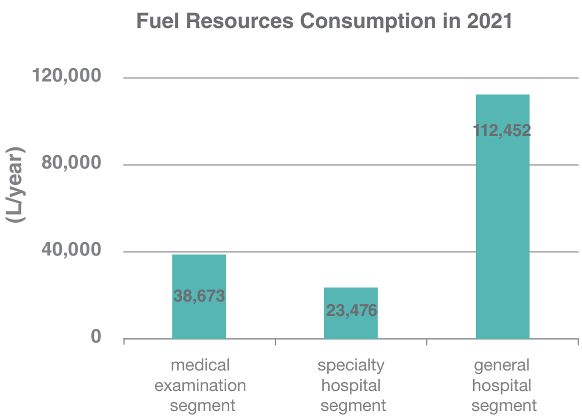
In 2021, the Group consumed a total of 551,056 cubic metres of water, with the intensity of 1.67 cubic meters per square metre of gross floor area. The water consumption in the headquarters was 1,493 cubic metres, 317,550 cubic metres in the general hospital segment, 76,114 cubic metres in the specialty hospital segment, and 155,899 cubic metres in the medical examination segment.



In 2021, the Group consumed a total of 34,393,842 kWh of electricity, with the intensity of 103.71 kWh per square metre of gross floor area. The electricity consumption in the headquarters was 324,635 kWh, 11,798,491 kWh in the general hospital segment, 7,222,874 kWh in the specialty hospital segment, and 15,047,842 kWh in the medical examination segment.



In 2021, the Group consumed a total of 224,570.79 kg of paper, with the intensity of 0.53 kg per square metre of gross floor area. The paper consumption in the headquarters was 6,843.99 kg, 63,618.99 kg in the general hospital segment, 10,949.64 kg in the specialty hospital segment, and 143,158.17 kg in the medical examination segment.



In 2021, the Group consumed a total of 174,601 litres of fuel, with the intensity of 0.53 litres per square metre of gross floor area. The fuel consumption in the general hospital segment was 112,452 litres, 23,476 litres in the specialty hospital segment, and 38,673 litres in the medical examination segment.

Environmental Pollutant Control and Discharge

In 2021, the Group (the headquarters, the general hospital segment consisting of Nantong Rich Hospital, the specialty hospital segment consisting of Changzhou Rich Hospital, Rici Shuixian and Wuxi Rich OGP Hospital, and the medical examination segment consisting of 58 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 (《醫療生物機構醫療廢物管理辦法》) and other relevant laws and regulations, the Group signed a cooperation agreement with the local centralized medical waste disposal unit to strictly implement the content of the agreement. The statistics of medical wastes generated are as follows:

- general hospital segment: 195,397.00 kg/year
- specialty hospital segment: 16,671.37 kg/year
- medical examination segment: 257,901.32 kg/year

The non-hazardous pollutants generated during operations were non-medical wastes. In strict compliance with the Environmental Protection Law of the People's Republic of China, Measures for Management of Urban Domestic Waste and other relevant laws and regulations, the Group signed a cooperation agreement with the local environmental management centre and strictly implemented the content of the agreement. The statistics of non-hazardous wastes generated are as follows:

- general hospital segment: 4,380,000 L/year
- specialty hospital segment: 350,400 L/year + 247.29 KG
- medical examination segment: 55,849 L/year

As the Group is different from players in heavy industries, air and direct greenhouse gas emissions are mainly from vehicles owned by the Group, while indirect greenhouse gas emissions mainly come from the consumption of electricity, paper and business travel. In 2021, the statistics of greenhouse gas emissions generated during operations are as follows:

	Emissions	Business Segment	Emissions in 2021
Greenhouse gas (GHG)	Carbon dioxide (Tonnes) "Equivalent emissions"	headquarters	855.51
		general hospital segment	9,802.24
		specialty hospital segment	5,895.10
		medical examination segment	12,257.78
		Total	28,810.63
		Scope 1: Direct greenhouse gas emissions	406.77
		Scope 2: Energy indirect greenhouse gas emissions	27,810.86
Air	Nitrogen oxides (kg)	general hospital segment	980.01
		specialty hospital segment	255.71
		medical examination segment	296.02
	Sulphur oxides (kg)	general hospital segment	2.29
		specialty hospital segment	0.59
		medical examination segment	0.64
	Particulates (kg)	general hospital segment	93.31
		specialty hospital segment	17.73
		medical examination segment	28.23

HIGH-QUALITY SERVICE PRACTICE

The mission of the Group is to bring prolonging and healthier lives for people. The Group is persistently committed to providing high-quality services to customers and creating values for employees, customers and Shareholders while pursuing integration of economic benefits and social benefits.

Provision of High-Quality Services

Healthcare quality is the core content and eternal subject of the Group's healthcare service management. The Group gives the top priority to healthcare and incorporates the targets of continuously enhancing healthcare quality and improving service level in its work.

In order to regulate healthcare practices, strengthen the quality control on healthcare services, ensure healthcare security, protect the rights and interests of service objects, comprehensively improve the healthcare quality level and enhance the quality of healthcare services, the Group has established the leading group of service medical examination division for the medical examination segment, and set up the quality and safety management committee, the medical records management committee, the pharmacy management committee, the hospital infection management committee and the blood transfusion management committee in the hospital segments. All quality management and enhancement structures are deployed with full-time or part-time employees being responsible for the quality management work.

At the same time, we have established a green channel emergency rescue mechanism in hospitals to regulate the matters in relation to charges, admission, examination, rescue and treatment of patients from cooperated units or "120" emergency medical centre, in order to provide timely, standardised, efficient and considerate medical services, increasing the success rate of rescue and reducing medical risks.

The Group has documented its work on the management of service quality, and the record issued by the quality management department would be reported and escalated on a regular basis progressively. Through measures such as inspection, analysis, evaluation and feedback, we continuously enhance the medical quality and service standard.

The Group has set up assessment and evaluation criteria for relevant full-time or part-time staff and carried out whole-process monitoring and continuous improvement on the healthcare service quality and standard. At the end of 2021, the Group conducted a comprehensive performance evaluation centring on healthcare quality, the results of which showed that the healthcare quality of the Group's subsidiaries significantly improved as compared with 2020.

Social Honours

Some of the significant awards and certifications received by the Group in 2021 are set out as follows:

Award	Awarding body
2020 Nantong Development Zone 4 May Red Flag Youth League Committee (General Branch, Branch)	Nantong Economic and Technological Development Zone Working Committee of the Communist Youth League
Nantong Rich Hospital was awarded the "Love Unit" of Nantong Cancer Rehabilitation Association in 2020	Nantong Cancer Rehabilitation Association
Rici Shuixian won the title of 2019–2020 Jing'an District Civilized Unit	Jing'an District People's Government
Changzhou Rich Hospital won the "Changzhou 1 May Labour Award"	Changzhou Federation of Trade Unions
Rici 2020 Industry Influential Brand Award	Meituan
Rici Medical Examination was awarded the 2020 Leaping Brand	JD
Rici Medical Examination Yangzhou Branch was awarded "Together to fight the pandemic, and show sincerity in love without borders"	Hanjiang District Health Commission

Medical Complaints and Disputes

The Group attaches great importance to the handling of medical complaints. A designated team is responsible for the receiving and handling of medical complaints, keeping detailed records of the complaint handling process, patiently explaining to complainants, and giving satisfactory replies to complainants.

- **Medical examination segment**

  The medical examination business follows the "Customer Satisfaction and Communication Mechanism" (《客戶滿意與溝通機制》). The customer service department of each medical examination center is responsible for responding to various kinds of complaints and disputes related to medical examination, while the customer service department of the headquarters is responsible for collecting records on various kinds of complaints and disputes in relation to medical examination received by each medical examination institution on a regular basis and following up the status of complaints handled at the early stage, and summarising and preparing the "tanding Book of Management of Complaints from Institutional Customers"(《全國機構客戶投訴管理台帳》) in China.

- **General and specialty hospital segment**

  Complaints of the hospital segment are mainly handled by the doctor-patient communication office, with the involvement of relevant functional departments. Hospitals established the handling procedures and management systems for medical accidents, including "Preplan 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' (《瑞慈醫療集團訴訟管理辦法》), "Registration Form of Complaint Reception and Handling in Hospital of Rici' Hospital Business" (《瑞慈醫療集團醫院事業部醫院投訴接待、處理登記表》), "Request Form of Compensation for Medical Disputes (Accidents) in Hospital of Rici' Hospital Business" (《瑞慈醫療集團醫院事業部醫院醫療糾紛(事故)賠償或補償請示單》), "Responsibility Determination Form of Medical Disputes (Accidents) in Hospital of Rici' Hospital Business" (《瑞慈醫療集團醫院事業部醫院醫療糾紛(事故)責任認定單》), as well as "Doctor-patient Communication System" (《醫患溝通制度》), which cover collection of information on medical disputes, communication channels, time limit requirements for follow-up handling, the punishment standard after the identification of responsibilities and clarification of responsibilities of relevant departments. The doctor-patient communication office is responsible for the collection, handling and follow-up of medical disputes and establishes a standing book to record the handling and follow-up procedures. The medical department and the head of each department discuss and analyse all recent medical disputes during meetings, and discuss the follow-up solutions regarding irreconcilable medical disputes.

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

During 2021, there were a total of 64 service disputes with the Group, with 60 about medical examination segment, 3 about general hospital segment and 1 about specialty hospital segment. The responsible departments, after-sales service team and special team for doctor-patient relationship shall timely record the incidents, communicate with customers/patients, and if necessary, identify and determine the responsibilities of healthcare incidents, in order to handle the incidents properly as soon as possible.

Customer Privacy Protection

The Group attaches great importance to the privacy of customer information, and has strictly complied 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》), Law on Medical Practitioners of the People's Republic of China (《中華人民共和國執業醫師法》), Measures for the management of nurses of the People's Republic of China (《中華人民共和國護士管理辦法》), and Tort Liability Law of the People's Republic of China (《中華人民共和國侵權委任法》) and Information Data Security Management System (《資訊資料安全管理制度》), in order to strictly protect customers' data and privacy while providing services to customers. In terms of customer data security management, the Group focuses on ensuring the safe storage and use of customer data, including personal data, medical records, diagnostic data, prescriptions and other data. The Group appoints special personnel to keep customer data, and regularly maintains the relevant system database for storing data. The Group has implemented a confidential data security system and stipulates that all employees must keep all customer data confidential and receive mandatory training on data security policies. Security measures should be taken in the transmission, storage and disposal of customer data. Customer information should be used only for the purpose of providing services to customers or for the research purpose anonymously.

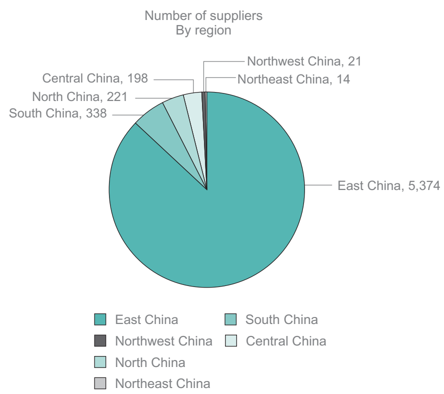
Although the employer wants to know the medical exam information of an individual in a medical exam group, the Group will no longer provide the employer a medical exam report (including electronic version) without legal authorisation or the individual's permission. In order to comply with the national laws and regulations under the premise of meeting the needs of the employer that customers work for, if the employer or its cooperative manufacturer requires medical exam report of customers or positive results of tests; statistics of positive results, personal disease condition and a certain disease of an individual in a summary report of the medical exam group, the employer must submit a commitment letter signed by the individual (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 individual.

The Group has taken multiple measures to ensure network and data security, including installing a web application firewall system to block attacks and malicious visits from external sources; installing a database review system to monitor and analyse all internal data access requests and proactively identify and reject suspicious data access requests; installing access gateways in medical examination centres and hospitals to control and ensure the safe exchange of data between medical examination centres, hospitals and the central database; and installing gateways and firewalls to limit the access to external network from the internal computer network.

During the reporting period, the Group did not receive any valid complaints in relation to the breach of customer privacy or leaking of customer information.

SUPPLIER MANAGEMENT

In the healthcare industry, supplier management is an important part of quality control, and the selection of suppliers directly affects the quality and level of healthcare services of the Group. Therefore, the Group has always adhered to an open and transparent supplier screening and review process and would select qualified suppliers which commensurate with our standards, on the basis of providing high-quality services to the community, and giving priority to cooperate with suppliers that are environment-friendly and with the commitment to social responsibilities.



The segments of the Group adopt a unified procurement strategy. As of December 31, 2021, the total number of suppliers to the Group's headquarters, the medical examination segment, the general hospital segment and the specialty hospital segment was 6,166, of which 5,374 were in East China, 338 in South China, 221 in North China, 198 in Central China, 21 in Northwest China and 14 in Northeast China.

Supplier Selection Mechanism

Based on the standardised supplier assessment screening criteria, the Group, taking into account of 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, for all procurements, in order to prevent and combat unfair competition and reflect the spirit of fair cooperation between both parties, the Group enters into "Corruption-free Agreements" (《廉潔協議》) with suppliers.

Periodic Assessment Of Suppliers

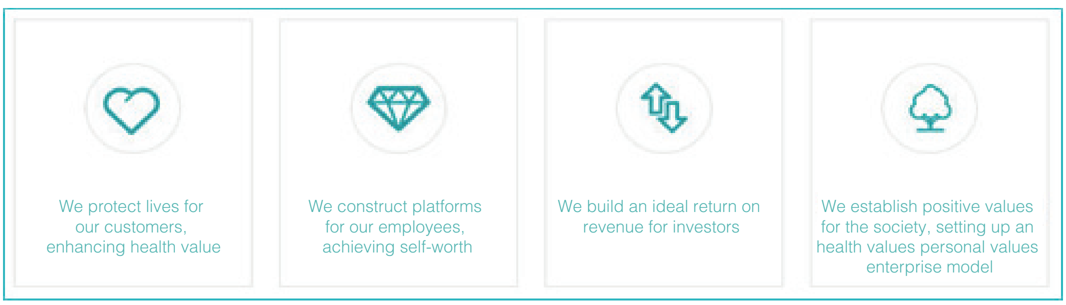
The Group has established a supplier review system under which all materials used are procured from suppliers with legitimacy, relevant qualifications and quality assurance capabilities. In terms of supplier management, the Group's procurement department, together with the warehouse department and the departments that consume the materials, assess the performance of suppliers annually and rate them according to the materials' usage, supply capacity and 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》)".

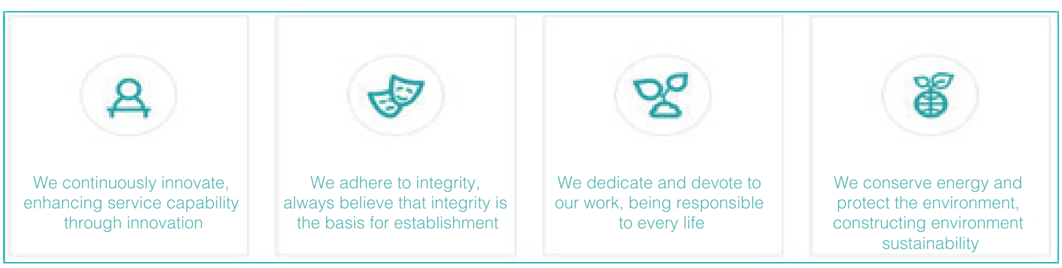
OUR EMPLOYEES

Corporate Culture

The Group's corporate culture includes two main aspects, namely values and culture.

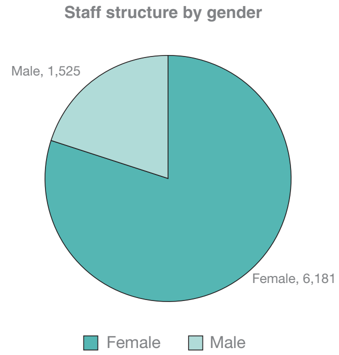
Values	• Operating Rici for a lifetime, building assets of health for society, enterprise, employees, and customers • Creating healthy homes, innovation, integrity, dedication and environmental protection, together setting up enterprise energy
Culture	• Reverence for life is the basis of faith • Caring for life is the basis of moral • Engaging in life is the basis for happiness • Enhancing life is the basis for development





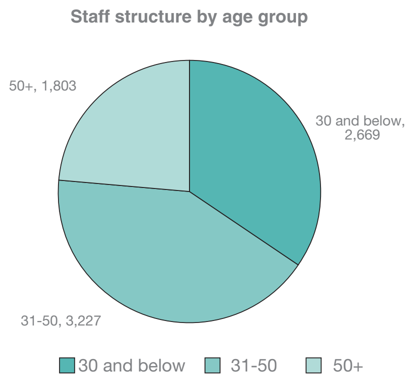
Sustainable Development of Talents

The Group firmly believes that excellent talents are valuable assets of the enterprise and the cornerstone of the sustainable development of the Company. Through the combination of external recruitment and internal trainings, the Group actively attracts external talents, and at the same time strengthens internal trainings and enhancement, building a high-calibre pool of talents for the Group. As at December 31, 2021, the total number of employees of the Group's headquarters, medical examination segment, general hospital segment and specialty hospital segment was 7,706, of which 187 were from the headquarters, 5,916 from the medical examination segment, 1,097 from the general hospital segment, and 506 from the specialty hospital segment; the ratio of male to female staff was about 1:4.



Pioneer Employer

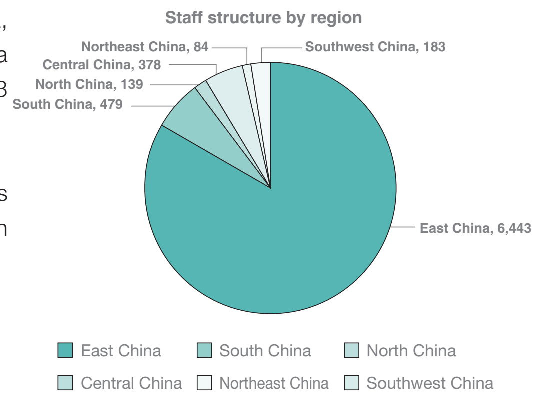
The Group adheres to nurture staff through excellent corporate culture, conscientiously building a comprehensive and caring platform for the employees. The Group never employs child labour or forced labour. Despite the absence of similar problems, the Group still regularly reviews the employment policies to ensure that all employment practices are strictly implemented and incorporated into the human resources policies, regardless of steps taken to eliminate violations when they are discovered. In 2021, the total number of employees aged under 50 in the headquarters, medical examination segment, general hospital segment, and specialty hospital segment of the Group was 5,896, accounting for 76.5% of our total employees. More and more young talents have become the backbone of the development of the Group.

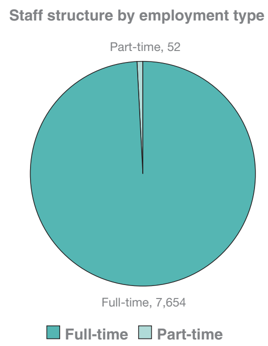


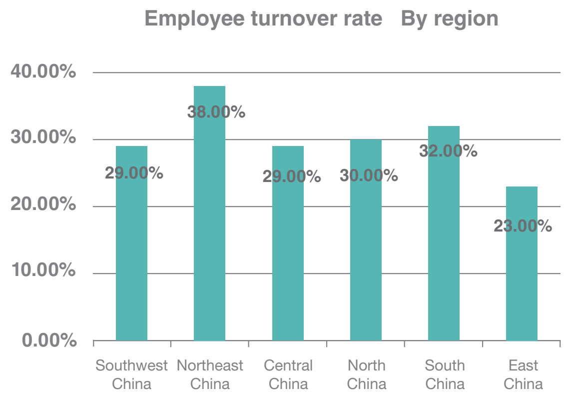
The staff of the Group can be divided into East China, South China, North China, Central China, Northeast China, and Southwest China by region, with the number being 6,443, 479, 139, 378, 84 and 183 respectively.

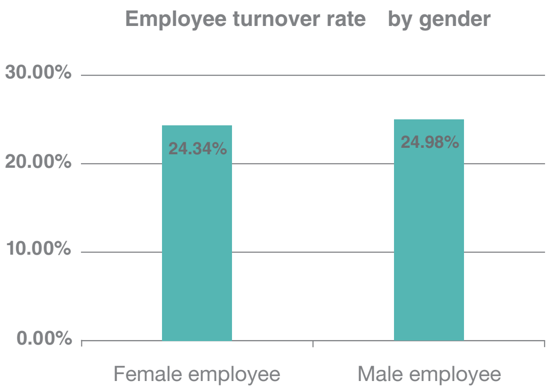
- The staff of the Group can be divided into full-time employees and part-time employees according to the employment type, with the number being 7,654 and 52 respectively.

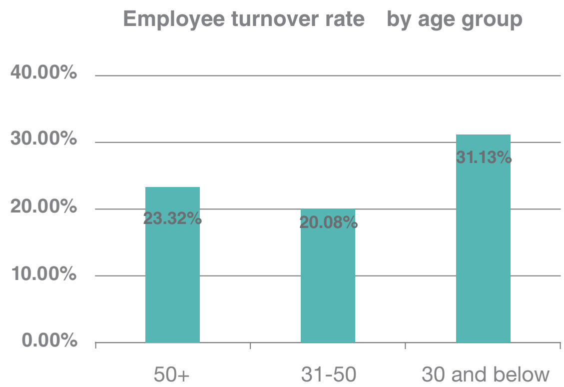
- The total employee turnover rate in 2021 was 24.47%.











Health and 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 system construction, formulation of technical standards, enhancement of employees' risk awareness and supervision and evaluation management, the Group has conducted prevention and control on the health and safety risks of the employees. Four employees in the Group's headquarters, medical examination segment, general hospital segment and specialty hospital segment were injured at work in 2021, leading to the loss of 239 days due to work-related injuries. There were no work-related deaths in 2019, 2020 and 2021.

1. System construction

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 professional protection standards, 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》)", and "Medical Staff Occupational Protection System (《醫務人員職業防護制度》)", 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 system and the clarification of responsibilities, the Group's work on infection management switched from passive to active and from post-handling to prevention. With systematic and complete safety management standards in place, the Group reduced the infection rate and the incidence of infections caused by inadequate surveillance and prevention, ensuring the safety of employees and patients.

2. Raising personnel's risk awareness

At the beginning of each year, the Group organizes infection management annual training programs for personnel at all levels, and in such training programs, conducts trainings and examinations for the employee on the knowledge and skills related to policies and regulations in respect infection, medical wastes disposal and occupational protection, assisting employees to become familiar with the rules and regulations and operation process on occupational health and safety, in order to enhance the ability to prevent infection incidents and control occupational hazards.

Development and Training

The Group actively supports employees' development of professional skills, and through the enhancement of employees' knowledge and skills, promotes the healthy development of the Group's business. Supported by its corporate culture, the Group has carried out four series of training courses: "New Staff Training", "Leadership Development Training", "Professional Development Training" and "General Working Skills Training".

- **New staff training**

  In order for new staff to quickly adapt to the new working environment and to integrate better into the team, the Group provides a variety of induction training activities for new staff. Medical examination segment provides new employees with induction training such as company introduction, employee instructions, sales and customer-related guidance to improve their theoretical level and professional quality, the business department of the affiliated company leads new employees on site visits to help them understand corporate culture and systems faster. At 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 master the responsibilities of the position and specific working procedures.

- **Leadership development training**

  In January each year, the Group conducts a series of seminars and conferences on leadership training for general managers, institution heads and department heads. Management staff with certain experience and seniority are provided with training projects targeting the enhancement of management ability and leadership.

- **Professional development training**

  Integrating specific needs of different professional lines, the Group has developed systematic and advanced professional courses for staff at key positions, in particular, doctors and nurses. In 2021, different professional lines actively carried out professionalised learning activities, and through exchanges and visits to and from domestic and foreign advanced enterprises, advanced skills were introduced and taken as reference.

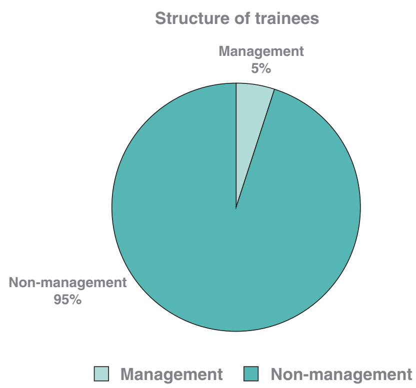
- **General working skills training**

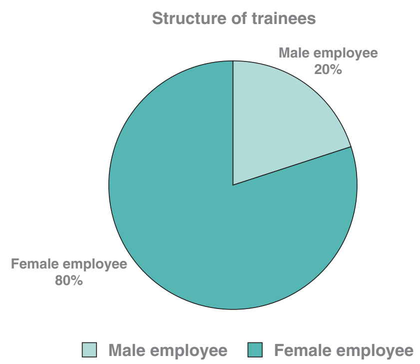
  The "Customer-oriented" services model is one of the core corporate cultures of the Group, hence the Group's human resources centre and corporate culture department regularly carry out "service etiquette" training. In 2021, through methods such as lectures and role simulation, the Group actively conveyed the common knowledge and skills of service etiquette to its employees.

- **Performance evaluation**

  The Group stresses "to assess the personnel through their performances", and adheres to the allocation principles of prioritising performance, working harder and earning more, allocating jobs according to workload and taking into account of fairness, 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 of employees' quality, ability, performance, and position requirements.

The Group (the headquarters, the general hospital segment, the specialty hospital segment and the medical examination segment) carried out appropriate job trainings for all employees (including middle and senior management) in 2021. Employees are classified as follows:

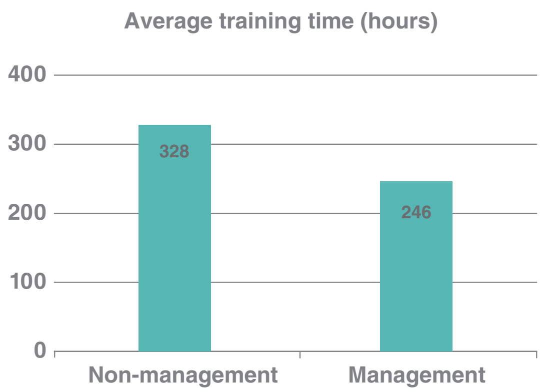




Employee Care

The Group always adheres to the principle of fairness, opposes discrimination, achieves equal pay for employees, abided by the same minimum wage standard and equal pay for equal work. In respect of employee composition of 2021, female employees accounted for 80%.

The Group has strictly complied with the labour laws and regulations of the places where it operates, and provides statutory benefits and paid leave for all full-time employees. It provides leave and benefits in line with national and local laws for all female employees during pregnancy, maternity and lactation, and male workers with pregnant spouse can also enjoy paternity leave.



As an advocate and practitioner of "in-depth medical examination", the Group always concerns about the health of its employees. The Group formulated the "Employee Care Program" (《員工關懷計劃》) to provide employees and their families with free medical examinations for RMB1,500 each year, or to provide discounted medical examination gift cards, in order to enhance employees' sense of identity and belonging to the Group, so that employees can grow up and develop together with the Group.

COMMUNITY INVESTMENT

On the pledge of the continuously performing corporate citizenship responsibility and the concept of sincerely serving the society, the Group actively participates in various community activities such as charity donation, voluntary medical services, continuously bringing positive changes to the society. In 2021, the Group held many social charity activities such as anti-pandemic activities, voluntary diagnosis and treatment services.

Anti-pandemic efforts

Expedition scene of Rici "Medical Warrior"

Since the beginning 2021, COVID-19 has been mutating continuously, the global pandemic has been highly prevalent, and the local pandemic has made a comeback. At the end of May 2021, COVID-19 pandemic hit Guangdong. Rici actively responded to the call of the state and higher authorities to help fight the pandemic. Under the unified command of the Group leaders, more than 60 healthcare staff in Guangzhou and Foshan from Rici Medical Examination actively participated in voluntary actions and became the first batch of anti-pandemic support teams. They quickly assembled and rushed to the front line of the community to for nucleic acids test against time to build a solid anti-pandemic barrier for citizens to prevent the spread of the virus.

Rici Medical Examination anti-pandemic team collected nucleic acid samples

In July 2021, the COVID-19 pandemic continued to rebound, with new local cases found in many places, the prevention and control situation was still very severe. More than 160 Rici anti-pandemic warriors from Wuhan, Nanjing, Nantong, Yangzhou and other places fought against the scorching sun for several days to support the community's pandemic prevention. They collected nucleic acid samples for tens of thousands of local residents, successfully completed the arduous task of supporting community nucleic acid testing and safeguarded the health of citizens.

Rici Medical Examination anti-pandemic team collected nucleic acid samples

Rici Medical Examination anti-pandemic team collected nucleic acid samples

Voluntary diagnosis and treatment services

Large voluntary diagnosis and treatment activity on Medical Workers' Day

In 2021, the customer service centre of Nantong Rich Hospital has held a total of 83 events, covering a total of 5,200 person-times throughout the year. Among them, there were 35 free clinics, 29 lectures, 3 conferences, and 10 vision screenings and 6 joint events of free clinics and lectures. 7 large-scale events at Cancer Association, covering 350 people.

A total of 3 large-scale free clinics of "Thousands of Doctors Going to the Countryside for Ten Thousands of Villages" ("千醫下鄉走萬村") were held. Large-scale free clinic events were held in Haimen, Development Zone, and Tongzhou respectively. A total of 6 departments participated, and the number of free clinics covered more than 500 people.

ANTI-CORRUPTION

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 value in the daily operation.

On the basis of strict adherence to the laws and regulations such as the Criminal Law of the PRC (《中華人民共和國刑法》) and the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), and in accordance with the internal management needs of the Company, the Group has formulated the Regulations on Fraud and Violation of the Group (《集團舞弊及違規行為條例》) and Rici Internal Audit Management System (《瑞慈醫療集團內部審計管理制度》), which has defined the fraud and violation monitoring mechanism.

The Group has developed a formal staff handbook with clear guidelines on aspects such as conflicts of interest, privacy and confidentiality, prevention of bribery and corruption. All employees must comply with the relevant system and code of conduct issued by the Group. The staff handbook is also an important part of the new staff induction training, and all new employees must pass the code of conduct assessment before they can be officially posted.

In order to strengthen the ideological education of honesty and integrity in practice and improve the awareness of business ethics, in March 2021, the Group has conducted online and offline promotion and trainings related to anti-corruption for all directors and employees. On the Group's web portal, the legal department of the medical examination segment organised online training on anti-corruption. At the same time, in respect of offline exercise, our general and specialty hospital segment has extended the targets of anti-corruption training from medical staff to management staff, and through weekly meetings, carried out anti-corruption trainings and promotion on the theme of industry corruption warning education cases to medical and logistics staff.

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.

The Group has established and implemented a series of anti-corruption reporting and monitoring mechanisms. Employees can report directly through reporting mail and reporting line, 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.

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

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, 2021.

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, specialty hospital, medical examination centers and clinics in the PRC.

The activities and particulars of the Company's subsidiaries are shown under Note 41 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, 2021 are set out on pages 87 to 188 of this annual report.

The Board has resolved not to declare any final dividend for the year ended December 31, 2021.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from June 14, 2022 to June 17, 2022, 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 2022 AGM on June 17, 2022. In order to be eligible to attend and vote at the 2022 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on June 13, 2022.

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, 2021 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, 2021 are set out in Note 18 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, 2021 are set out in Note 20 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company's distributable reserves were RMB843.5 million.

BORROWINGS

As at December 31, 2021, the Group had outstanding borrowings of RMB1,248.9 million. Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 22 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, 2021.

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, 2021, 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, with the balance amounting to approximately RMB5.9 million. The remaining unutilised net proceeds from the IPO will be used in accordance with the Group's development strategies, market conditions and intended use of such proceeds, whose details are set out in the table below, and are expected to be fully utilised on or before December 31, 2022:

	Net amount available as at December 31, 2020 RMB'000	Actual amount utilised during the year ended December 31, 2021 RMB'000	Unutilised amount as at December 31, 2021 RMB'000
Nantong Rich Hospital Expansion Phase II Project	65,256	59,397	5,859
General Working Capital	60,000	60,000	—
Establishment of new medical examination centers and upgrading and renovation of existing medical examination centers	60,000	60,000	—
Total	185,256	179,397	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

Note: Ms. Jiao Yan (former non-executive Director) retired with effect from June 18, 2021

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 40 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, 2021 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, 2021 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 40 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, 2021.

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 32 to the consolidated financial statements of this annual report.

For the year ended December 31, 2021, 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, 2021.

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 19 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, 2021, by our Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2021, 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, 2021. The independent non-executive Directors have conducted such review for the year ended December 31, 2021 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, 2021.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2021.

LOAN AND GUARANTEE

During the year ended December 31, 2021, 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 currently available for issue under the Pre-IPO Share Option Scheme is 47,710,500 Shares, representing approximately 3.0% of the issued share capital of the Company as at the date of this 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, 2021 are set out below:

	Number of options					
Name of option holder	Outstanding as at January 1, 2021	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at December 31, 2021	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 19 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, 2021, 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, 2021 are as follows:

		Number of Options						
Name and Class of Grantees	Date of Grant	Outstanding as at January 1, 2021	Granted during the year ended December 31, 2021	Exercised during the year ended December 31, 2021	Cancelled during the year ended December 31, 2021	Lapsed during the year ended December 31, 2021	Outstanding as at December 31, 2021	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 19 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, 2021, 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, 2021. 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, 2021.

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, 2021, 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, 2021, 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, 2021, 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**")	Beneficial owner	268,286,800 (L)	16.87%
The Baring Asia Private Equity Fund V, L.P.(2)	Interest of a controlled corporation	268,286,800 (L)	16.87%
Baring Private Equity Asia GP V, L.P.(2)	Interest of a controlled corporation	268,286,800 (L)	16.87%
Baring Private Equity Asia GP V Limited(2)	Interest of a controlled corporation	268,286,800 (L)	16.87%
Jean Eric Salata(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 The Baring Asia Private Equity Fund V, L.P. Baring Private Equity Asia GP V, L.P. is the general partner of The Baring Asia Private Equity Fund V, L.P. Jean Eric Salata is the sole shareholder of Baring Private Equity Asia GP V Limited (the general partner of Baring Private Equity Asia GP V, L.P.). Jean Eric Salata disclaims beneficial ownership of such Shares, except to the extent of his economic interest in such entities. Each of The Baring Asia Private Equity Fund V, L.P., Baring Private Equity Asia GP V, L.P., Baring Private Equity Asia GP V Limited and Jean Eric Salata 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, 2021.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2021, 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 4.6% of the Group's total revenue. The Group's five largest customers accounted for 7.2% of the Group's total revenue.

In the year under review, the Group's largest suppliers accounted for 9.4% of the Group's total purchase. The Group's five largest suppliers accounted for 29.9% 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 7,706 employees as at December 31, 2021, as compared to 7,162 employees as at December 31, 2020. 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 32 to the consolidated financial statements in this annual report.

CONNECTED TRANSACTION

During the year ended December 31, 2021, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended December 31, 2021 are set out in Note 40 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.

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 set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices.

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

Please refer to details set out in "Corporate Governance Report — 2. The Board - (7) Chairman and Chief Executive Officer".

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

DONATIONS

During the year ended December 31, 2021, the Group did not make any charitable donations (2020: nil).

AUDITOR

The Shares were only listed on the Stock Exchange on October 6, 2016, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the year ended December 31, 2021 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended December 31, 2021, 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, 2022

Independent Auditor's Report

pwc

羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Rici Healthcare Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 93 to 188, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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 2021, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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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.

Key audit matters identified in our audit are summarised as follows:

- Recognition of deferred tax assets arising from tax losses
- Impairment assessment of property and equipment and right-of-use assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of deferred tax assets arising from tax losses	
Refer to Note 5(b) (Critical accounting estimates and judgements — Current and deferred income tax) and Note 12 (Deferred income tax) to the consolidated financial statements. As at 31 December 2021, the Group had deferred tax assets amounting to RMB138.6 million in respect of recoverable tax losses, representing 3.1% of the Group total assets. Meanwhile, the Group did not recognise deferred tax assets of RMB98.7 million in relation to tax losses of RMB394.8 million incurred by certain subsidiaries within the Group. In assessing the amounts of deferred tax assets arising from tax losses that should be recognised, management exercised significant judgement to assess the probability that future taxable profit would be available against which the tax losses could be utilised. These included judgement on the amount and timing of future taxable profits to be generated by those subsidiaries that are currently recording tax losses. We focused on this area due to the significance of the amount and the subjectivity of significant assumptions used and judgement involved, especially in assessing the reasonableness of the profit forecasts for the relevant subsidiaries, which form the bases to assess whether future taxable profit would be available and eligible to utilise against these tax losses.	We obtained an understanding of the management's internal control and assessment process of recognition of deferred tax assets arising from tax losses. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including the complexity, subjectivity and changes of assumptions adopted. We tested the deferred tax assets calculation schedule for mathematical accuracy, and agreed the future taxable profit projection and available tax loss information to underlying supporting evidence. In regard of the availability and eligibility of tax losses already incurred, we tested on a sample basis the tax loss information (including the respective expiry periods) to accounting records and supporting evidence including the tax filings and correspondence with the tax authorities. In regard of the taxable profit to be generated in the future periods, we obtained the profit forecasts of the relevant subsidiaries prepared by management and checked the mathematical accuracy. We tested on a sample basis management's reconciliation of the profit forecasts to taxable profit calculations. With regards to the above profit forecasts: • We assessed the reasonableness of the key input data and the underlying assumptions adopted in the profit forecasts, especially the long-term revenue growth rates (which are the most significant assumption in the forecasts), by comparing them with management's approved budgets, recent actual performances and future business plans; • We challenged management on the adequacy of their sensitivity calculations as these calculations were most sensitive to assumptions of the revenue growth rates. We calculated the degree to which these assumptions would need to move in order to result in future taxable profits being insufficient to utilise the current tax losses, and assessed management's assertions that such a movement is unlikely. We found that the Group's key estimates and judgements used in recognising deferred tax assets arising from tax losses were supported by the evidence we gathered.

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Key Audit Matter	How our audit addressed the Key Audit Matter

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

Refer to Note 5(e) (Critical accounting estimates and judgements — Impairment of property and equipment and right-of-use assets), Note 7 (Property and equipment) and Note 8 (Right-of-use assets) to the consolidated financial statements.

As at 31 December 2021, the carrying amount of property and equipment and right-of-use assets of the Group was RMB1,499.0 million and RMB1,275.3 million respectively. The amount of RMB2,774.3 million in total represented 61.2% of the Group's total assets.

Management is required to perform 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 2021 but incurred operating losses in recent years, and those related to specialty hospitals which started operation recently, but which incurred operation loss larger than budgeted loss.

For the purpose of performing the recoverability assessment on the property and equipment and right-of-use assets for these medical examination centres and specialty hospitals, as these assets do not generate cash flow independently, management identified each of medical examination centre and specialty hospital as a Cash Generating Unit ("**CGU**"). The recoverable amount of the underlying CGU was determined based on the value-in-use calculations. No provision for impairment was made based on management's assessment.

We focused on this area as these assets are significant to the consolidated financial statements of the Group and the inherent risk in relation to management's assessment is considered significant due to the subjectivity of assumptions used and judgements involved in selecting data including revenue growth rate and discount rate.

We obtained an understanding of the management's internal control and assessment process of impairment assessment of property and equipment and right-of-use assets. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including complexity, subjectivity and changes of assumptions adopted.

We obtained an understanding of and evaluated the management's procedures in identifying the CGUs having impairment indicators.

With regard to calculation of the recoverable amounts obtained from management:

- we worked with our in-house valuation specialist to assess the appropriateness of the valuation methodology adopted by management. We also evaluated 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.

- we corroborated 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.

- we tested the mathematical accuracy of the underlying value-in-use calculations.

- we also evaluated management's sensitivity analysis around the key assumptions adopted to ascertain the extent of changes in these assumptions required to trigger an impairment of the relevant assets, and considered the likelihood of such changes in those key assumptions.

Based on our work performed, we considered the valuation methodology used by the management was appropriate and the key assumptions applied in the value-in-use calculations were supported by the evidence we gathered.

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Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Rici Healthcare Holdings Limited 2021 Annual Report (the "**annual report**") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including Management Discussion and Analysis and Financial Highlights prior to the date of this auditor's report. The remaining other information, including the Definitions, Corporate Profile, Milestones, Financial Summary, Chairman's Statement, Profiles of Directors and Senior Management, Corporate Governance Report, Environmental, Social and Governance Report, Directors' Report and the other sections to be included in the annual report, is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs 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 Audit Committee are responsible for overseeing the Group's financial reporting process.

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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. We report our opinion solely to you, as a body, 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.

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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 Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2022

Consolidated Balance Sheet

As at December 31, 2021

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property and equipment	7	**1,498,990**	1,242,707
Right-of-use assets	8	**1,275,275**	1,357,374
Intangible assets	9	**10,871**	11,078
Investments accounted for using equity method	10	**8,703**	7,900
Financial assets at fair value through profit or loss		**1,500**	4,500
Deposits for long-term leases	11	**44,324**	39,589
Deferred tax assets	12	**213,488**	235,022
Prepayments	17	**41,310**	105,270
		3,094,461	3,003,440
Current assets			
Inventories	13	**50,994**	43,712
Trade receivables	14	**346,319**	282,653
Other receivables	15	**48,876**	33,159
Prepayments	17	**37,525**	28,152
Amounts due from related parties	40	**5,909**	5,872
Cash and cash equivalents	16	**771,264**	561,819
Restricted cash	16	**180,851**	252,187
		1,441,738	1,207,554
Total assets		**4,536,199**	4,210,994
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	**1,065**	1,065
Reserves	20	**676,435**	504,744
		677,500	505,809
Non-controlling interests	21	**(90,074)**	(173,369)
Total equity		**587,426**	332,440

Consolidated Balance Sheet

As at December 31, 2021

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**474,721**	546,279
Lease liabilities	24	**1,204,422**	1,257,170
Other financial liabilities	23	**145,464**	129,879
Deferred income	27	**94,076**	—
		1,918,683	1,933,328
Current liabilities			
Borrowings	22	**774,202**	738,913
Lease liabilities	24	**289,952**	266,784
Contract liabilities	25	**405,294**	292,690
Trade and other payables	26	**500,729**	599,848
Amounts due to related parties	40	**134**	134
Income tax payables		**54,174**	23,237
Deferred income	27	**5,605**	23,620
		2,030,090	1,945,226
Total liabilities		**3,948,773**	3,878,554
Total equity and liabilities		**4,536,199**	4,210,994

The notes on pages 99 to 188 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 93 to 188 were approved by the Board of Directors on 31 March 2022 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, 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	28	**2,506,522**	1,925,190
Cost of sales	31, 32	**(1,607,397)**	(1,344,526)
Gross profit		**899,125**	580,664
Distribution costs and selling expenses	31, 32	**(281,342)**	(226,319)
Administrative expenses	31, 32	**(248,437)**	(294,154)
Net impairment (losses)/reversals on financial assets	31	**(1,801)**	1,340
Other income	29	**21,870**	23,325
Other losses	30	**(6,035)**	(9,076)
Operating profit		**383,380**	75,780
Finance costs	33	**(163,685)**	(193,842)
Finance income	33	**6,979**	8,464
Finance costs – net	33	**(156,706)**	(185,378)
Share of results of investments accounted for using equity method	10	**803**	775
Profit/(loss) before income tax		**227,477**	(108,823)
Income tax (expense)/credit	34	**(101,372)**	16,326
Profit/(loss) for the year		**126,105**	(92,497)
Profit/(loss) attributable to:			
Owners of the Company		**181,553**	(7,876)
Non-controlling interests		**(55,448)**	(84,621)
		126,105	(92,497)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company			
– Basic and diluted	35	**RMB0.11**	RMB(0.00)

The notes on pages 99 to 188 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2021

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit/(loss) for the year	**126,105**	(92,497)
Other comprehensive income, or loss	**—**	—
Total comprehensive income/(loss) for the year	**126,105**	(92,497)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**181,553**	(7,876)
Non-controlling interests	**(55,448)**	(84,621)
	126,105	(92,497)

The notes on pages 99 to 188 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Note	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 18)	(Note 20)			
Balance at 1 January 2020		**1,065**	**643,170**	**644,235**	**(81,299)**	**562,936**
Total comprehensive loss						
Loss for the year		—	(7,876)	(7,876)	(84,621)	(92,497)
Total comprehensive loss		**—**	**(7,876)**	**(7,876)**	**(84,621)**	**(92,497)**
Changes in ownership interests in subsidiaries without change of control		—	(141,664)	(141,664)	(13,336)	(155,000)
Other transactions with non-controlling interests		—	(6,237)	(6,237)	6,237	—
Share option scheme	32	—	17,351	17,351	—	17,351
Capital withdraw by non-controlling interests of subsidiaries		—	—	—	(350)	(350)
Total transaction with owners in their capacity as owners		**—**	**(130,550)**	**(130,550)**	**(7,449)**	**(137,999)**
Balance at 31 December 2020		**1,065**	**504,744**	**505,809**	**(173,369)**	**332,440**
Balance at 1 January 2021		**1,065**	**504,744**	**505,809**	**(173,369)**	**332,440**
Total comprehensive income/(loss)						
Income/(loss) for the year		**—**	**181,553**	**181,553**	**(55,448)**	**126,105**
Total comprehensive income/(loss)		**—**	**181,553**	**181,553**	**(55,448)**	**126,105**
Changes in ownership interests in subsidiaries without change of control	39	**—**	**(26,723)**	**(26,723)**	**18,825**	**(7,898)**
Share option scheme	32	**—**	**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**

The notes on pages 99 to 188 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flow from operating activities			
Cash generated from operations	36(a)	**871,418**	627,979
Interest paid		**(141,443)**	(147,710)
Income tax paid		**(48,901)**	(35,636)
Net cash generated from operating activities		**681,074**	444,633
Cash flow from investing activities			
Purchases of property and equipment		**(324,666)**	(366,921)
Purchases of intangible assets		**(6,257)**	(91)
Proceeds from disposal of property and equipment	36(b)	**—**	3
Payment of temporary funding provided to non-controlling interests of a subsidiary		**(131,596)**	—
Repayments received from non-controlling interest		**116,000**	—
Interest received		**6,050**	11,565
Net cash used in investing activities		**(340,469)**	(355,444)
Cash flows from financing activities			
Loans from non-controlling interests of subsidiaries		**26,528**	95,600
Repayment of loan to non-controlling interests of a subsidiary		**—**	(70,000)
Capital contribution from non-controlling interests of subsidiaries		**300**	—
Capital withdraw from non-controlling interests of a subsidiary		**—**	(350)
Payment for equity transaction with non-controlling interests of subsidiaries		**—**	(163,833)
Proceeds from other borrowings		**70,000**	79,894
Repayments of other borrowings		**(63,159)**	(36,014)
Proceeds from bank borrowings		**761,500**	1,035,550
Repayments of bank borrowings		**(804,610)**	(717,000)
Principal elements of lease payments		**(184,550)**	(140,687)
Restricted bank deposits		**71,336**	86,159
Net cash (used in)/generated from financing activities		**(122,655)**	169,319
Net increase in cash and cash equivalents		**217,950**	258,508
Cash and cash equivalents at beginning of the year		**561,819**	329,551
Exchange losses on cash and cash equivalents		**(8,505)**	(26,240)
Cash and cash equivalents at end of the year		**771,264**	561,819

The notes on pages 99 to 188 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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, specialty hospital services and medical examination services in the People's Republic of China ("**PRC**").

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

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

For a detailed discussion about the Group's performance and financial position please refer to our operating and financial review on pages 17 to 27.

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

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which are measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Going concern

As at 31 December 2021, the Group's current liabilities exceeded its current assets by RMB588,352,000. Contract liabilities and deferred income included in current liabilities of the Group as at 31 December 2021 amounting to RMB410,899,000 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 uncommitted credit facilities provided by banks in PRC. Based on the Group's past experience and good credit standing, the directors are confident on future operating cash flows and that the Group's bank financing could be renewed and/or extended for at least another twelve months upon maturity, if necessary. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

(b) New and amended standards adopted by the Group

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 — Regarding interest rate benchmark reform — Phase 2

- 2021 Amendments to HKFRS16 — Regarding COVID-19 Related Rent Concessions beyond 30 June 2021

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)

(c) New standards and interpretations not yet adopted

Certain new accounting standards and amendments of HKFRSs have been published but are not mandatory for 31 December 2021 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	Regarding disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Regarding definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Regarding deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HK Interpretation 5 (2020)	Regarding presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause	Applied when an entity applies "Classification of Liabilities as Current or Non-current — Amendments to HKAS 1"
Amendments to HKAS 1	Regarding classification of liabilities as current or non-current	1 January 2023 (deferred from 1 January 2022)
Amendments to HKAS 16	Regarding property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37	Regarding onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022
Amendments to HKFRS 3	Regarding reference to the conceptual framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023 (deferred from 1 January 2021)
Amendments to HKFRS 10 and HKAS 28	Regarding sale or contribution of assets between an investor and its associate or joint venture	To be determined
Revised Accounting Guideline 5	Regarding merger accounting for common control combinations (AG 5)	1 January 2022

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 Summary of significant accounting policies (continued)

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.

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

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

2.2.2 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 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

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.

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 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

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.

2.3 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.

2 Summary of significant accounting policies (continued)

2.3 Business combinations (continued)

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.

2.4 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 Summary of significant accounting policies (continued)

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 that make strategic decisions.

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 gains/(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 Summary of significant accounting policies (continued)

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.

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	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 Summary of significant accounting policies (continued)

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.

(b) Goodwill

Goodwill is measured as described in Note 2.4. 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 Summary of significant accounting policies (continued)

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.

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 2021, all the Group's financial assets except "financial assets at fair value through profit or loss", which include "trade receivables", "other receivables", "amounts due from related parties" and "cash and bank balances" in the consolidated balance sheet (Note 14, Note 15, Note 40 and Note 16) are those to be measured at amortised cost. Financial assets at fair value through profit or loss 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 Summary of significant accounting policies (continued)

2.10 Investment and other financial assets (continued)

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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Debt instruments

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

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

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

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

2 Summary of significant accounting policies (continued)

2.10 Investment and other financial assets (continued)

2.10.3 Measurement (continued)

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 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.

2.10.4 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 14 for further details.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the 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 applicable variable selling expenses.

2 Summary of significant accounting policies (continued)

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 2.11 for further information about the Group's accounting for trade receivables and other receivables and a description of the Group's impairment policies.

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 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 Summary of significant accounting policies (continued)

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 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.

2.18 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 Summary of significant accounting policies (continued)

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.

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

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.

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

(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.

2.21 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 balance sheet.

2 Summary of significant accounting policies (continued)

2.21 Employee benefits (continued)

(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 19.

(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 and medical equipment. 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 Summary of significant accounting policies (continued)

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.

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

There has been no substantial change to the revenue recognition policies of the Group other than the changes from "risks and rewards" approach to "control" approach.

(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 often provided with sales of pharmaceuticals. Revenue from sales of pharmaceutical is recognised when the pharmaceutical are delivered.

(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 when the examination reports are issued and passed to the local couriers if hard copy reports are required by its customers, or when 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.

2 Summary of significant accounting policies (continued)

2.26 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.

2.27 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).

2.28 Government grants

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

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

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

2 Summary of significant accounting policies (continued)

2.29 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.

2.30 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

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

(b) Diluted earnings per share

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

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

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

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, specialty hospital services and medical examination services in PRC with almost all transactions denominated in RMB. In addition, the majority of the Group's assets and liabilities are denominated in RMB. Accordingly, the Group is not exposed to significant foreign currency risk, except for the bank deposits from the Company's initial public offering, which are denominated in Hong Kong Dollar ("**HKD**"), and the bank deposits denominated in USD and EURO.

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 2021, 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 RMB109,000 (2020: RMB128,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

At 31 December 2021, if RMB had weakened/strengthened by 5% against USD with all other variables held constant, post-tax profit for the year would have been RMB7,773,000 (2020: RMB14,295,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 22.

As at 31 December 2020 and 2021 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	
	2021	2020
	RMB'000	RMB'000
Net results (decrease)/increase		
– risen 50 basis points	**(3,586)**	(2,752)
– fallen 50 basis points	**3,586**	2,752

(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 were deposited in the major financial institutions, which the directors believe are of high credit quality.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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.

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
- Deposit for long-term lease

While cash and cash equivalents 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 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 2021 and 31 December 2020 was determined as follows for trade receivables:

As at 31 December 2021		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	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)

As at 31 December 2020		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	208,129	10,189	7,231	1,191	3,018	
	Expected loss rate	2.7%	11.4%	31.2%	67.5%	100.0%	
	Provision for impairment of trade receivables	(5,620)	(1,162)	(2,256)	(803)	(3,018)	(12,859)
General hospital & Specialty hospitals – medical insurance	Trade receivables carrying amount	52,283	–	–	–	–	
	Expected loss rate	1.7%	–	–	–	–	
	Provision for impairment of trade receivables	(893)	–	–	–	–	(893)
General hospital & Specialty hospitals – non-medical insurance	Trade receivables carrying amount	14,328	161	472	–	12	
	Expected loss rate	0.8%	6.0%	100.0%	–	100.0%	
	Provision for impairment of trade receivables	(115)	(10)	(472)	–	(12)	(609)
Total provision for impairment of trade receivables							(14,361)

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 2021 and 31 December 2020 reconcile to the opening loss allowances as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Opening loss allowance as at 1 January	**14,361**	18,150
Increase/(decrease) in trade receivable loss allowance recognised in profit or loss during the year	**162**	(1,340)
Receivables written off during the year as uncollectible	**(1,226)**	(2,449)
Closing loss allowance at 31 December	**13,297**	14,361

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.

(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.

The identified impairment loss of other financial assets at amortised cost were immaterial.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(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	
	2021	2020
	RMB'000	RMB'000
Impairment losses/(reversals)		
– Movement in loss allowance for trade receivables	**162**	(1,340)
Impairment losses on other receiviables	**1,639**	—
Impairment losses/(reversals) on financial assets	**1,801**	(1,340)

(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(2020: RMB4,500,000).

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 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 2021					
Borrowings, including interest	**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**
As at 31 December 2020					
Borrowings, including interest	787,414	133,030	363,532	132,170	1,416,146
Lease liabilities	282,361	258,407	669,131	815,774	2,025,673
Amounts due to related parties	134	—	—	—	134
Other financial liabilities	—	—	182,470	—	182,470
Trade and other payables	599,848	—	—	—	599,848
	1,669,757	391,437	1,215,133	947,944	4,224,271

The interest on borrowings is calculated based on borrowings held as at 31 December 2020 and 2021, respectively. Floating-rate interests are estimated using the current interest rate as at 31 December 2020 and 2021, respectively. Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

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 2021 and 2020 are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Total borrowings and lease liabilities (Note 22,24)	**2,743,297**	2,809,146
Less: Cash and cash equivalents (Note 16)	**(771,264)**	(561,819)
Net liability	**1,972,033**	2,247,327
Total equity	**587,426**	332,440
Total capital	**2,559,459**	2,579,767
Gearing ratio (%)	**77.05%**	87.11%

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 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 2021 and 31 December 2020 on a recurring basis:

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

Recurring fair value measurements At 31 December 2020	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	—	—	4,500	4,500

As at 31 December 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 following table presents the changes in level 3 items for the year ended 31 December 2021:

	Unlisted equity securities RMB'000
Opening balance as at 31 December 2020	4,500
Disposal of unlisted equity securities	(3,000)
Closing balance as at 31 December 2021	**1,500**

4.2 Fair values of other financial instruments (unrecognised)

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

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 assesses and analyzes whether property and equipment and right-of-use assets would impair on each balance sheet date. 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. The net amount of fair value less cost of disposal is determined by reference to the agreed sales price or the observable market price of similar assets in arm's length transactions, less incremental costs that are directly attributable to the disposal of the asset. 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 discount rate to determine the present value of the future cash flow.

For the year ended 31 December 2021, the Group recognised impairment loss of RMB18,076,000 related to property and equipment(31 December 2020: RMB18,076,000).

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, other finance expense and income tax expense.

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

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

(a) General hospital

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

(c) Specialty hospitals

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

The following table presents revenue and profit information regarding the Group's operation segments for the year ended 31 December 2021 and 2020, and the segment assets and liabilities at the respective balance sheet dates.

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

6 Segment information (continued)

	General hospital RMB'000	Medical examination centres RMB'000	Specialty hospitals RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2021						
Revenue	704,209	1,696,363	129,315	–	(23,365)	2,506,522
Timing of revenue recognition						
At a point in time	704,209	1,696,363	84,356	–	(23,365)	2,461,563
Over time	–	–	44,959	–	–	44,959
	704,209	1,696,363	129,315	–	(23,365)	2,506,522
Segment profit/(loss)	174,974	558,739	(115,916)	(14)	–	617,783
Administrative expenses						(248,437)
Net impairment losses on financial assets						(1,801)
Interest income						6,979
Interest expenses						(155,180)
Net exchange losses						(8,505)
Profit before income tax						227,477
Income tax expense						(101,372)
Profit for the year						126,105

	General hospital RMB'000	Medical examination centres 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	838,013	839,222	(1,862,583)	4,536,199
Segment liabilities	992,851	2,770,110	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	14,832	–	–	592,659
Depreciation and amortisation	28,203	279,450	76,858	–	–	384,511

6 Segment information (continued)

	General hospital RMB'000	Medical examination centres RMB'000	Specialty hospitals RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2020						
Revenue	579,927	1,278,598	94,959	—	(28,294)	1,925,190
Timing of revenue recognition						
At a point in time	579,927	1,278,598	56,733	—	(28,294)	1,886,964
Over time	—	—	38,226	—	—	38,226
	579,927	1,278,598	94,959	—	(28,294)	1,925,190
Segment profit/(loss)	155,681	310,391	(111,627)	(100)	—	354,345
Administrative expenses						(294,154)
Net impairment reversals on financial assets						1,340
Interest income						8,464
Interest expenses						(167,602)
Net exchange losses						(26,240)
Loss before income tax						(108,823)
Income tax credit						16,326
Loss for the year						(92,497)

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

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 31 December 2019							
Cost	255,415	532,180	85,532	744,628	11,710	197,080	1,826,545
Accumulated depreciation	(66,852)	(264,890)	(51,078)	(276,830)	(6,427)	–	(666,077)
Net book amount	188,563	267,290	34,454	467,798	5,283	197,080	1,160,468
Year ended 31 December 2020							
Opening net book amount	188,563	267,290	34,454	467,798	5,283	197,080	1,160,468
Additions	–	–	8,349	–	–	256,980	265,329
Transfers	23,313	51,698	–	69,067	–	(146,171)	(2,093)
Disposals(Note 36(b))	–	(1,015)	(228)	–	(126)	(3,161)	(4,530)
Impairment(c)	–	–	–	(18,076)	–	–	(18,076)
Depreciation(Note 31)	(6,693)	(64,234)	(11,940)	(74,710)	(814)	–	(158,391)
Closing net book amount	205,183	253,739	30,635	444,079	4,343	304,728	1,242,707
At 31 December 2020							
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 36(b))	–	(583)	(8)	(3,727)	–	–	(4,318)
Depreciation(Note 31)	(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							
Cost	278,981	664,585	95,796	853,773	11,446	584,897	2,489,478
Accumulated depreciation	(81,867)	(387,825)	(72,513)	(422,910)	(7,297)	–	(972,412)
Impairment	–	–	–	(18,076)	–	–	(18,076)
Net book amount	197,114	276,760	23,283	412,787	4,149	584,897	1,498,990

7 Property and equipment (continued)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of sales	**154,128**	141,760
Administrative expenses	**18,256**	16,631
	172,384	158,391

(b) As at 31 December 2021, buildings with a total carrying amount of RMB154,442,000 (31 December 2020: RMB71,804,000) were pledged for the Group's borrowings (Note 22).

(c) 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 and specialty hospitals, as these assets do not generate cash flow independently, management identified each of medical examination centre and specialty hospital 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 a post-tax discount rate of 15% as at 31 December 2021 (31 December 2020: 15%). 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 2021, there was no impairment loss recognised(For the year ended 31 December 2020: RMB18,076,000).

(d) As at 31 December 2021, the cumulative capitalised borrowing costs in construction in progress were RMB49,276,000 (31 December 2020: RMB 22,741,000).

8 Right-of-use assets

	As at 31 December 2021 RMB'000	2020 RMB'000
Properties	**1,251,864**	1,291,328
Equipment	**20,413**	62,948
Land use rights	**2,998**	3,098
	1,275,275	1,357,374

	Properties RMB'000	Equipment RMB'000	Land use rights RMB'000	Total RMB'000
At 31 December 2020				
Cost	1,654,809	78,624	4,698	1,738,131
Accumulated depreciation	(363,481)	(15,676)	(1,600)	(380,757)
Net book amount	1,291,328	62,948	3,098	1,357,374
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	—	(35,726)	—	(35,726)
Revaluation	(15,256)	—	—	(15,256)
Disposal	(14,597)	—	—	(14,597)
Depreciation(Note 31)	(198,754)	(6,809)	(100)	(205,663)
Closing net book amount	1,251,864	20,413	2,998	1,275,275
At 31 December 2021				
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

(a) As at 31 December 2021, land with a total carrying amount of RMB2,998,000 (31 December 2020: Nil) were pledged for the Group's borrowings (Note 22).

9 Intangible assets

	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
At 1 January 2020			
Cost	30,176	7,447	37,623
Accumulated amortisation	(16,157)	—	(16,157)
Impairment	—	(7,447)	(7,447)
Net book amount	14,019	—	14,019
Year ended 31 December 2020			
Opening net book amount	14,019	—	14,019
Transfer from construction in progress	2,093	—	2,093
Additions	91	—	91
Amortisation (Note 31)	(5,125)	—	(5,125)
Closing net book amount	11,078	—	11,078
At 31 December 2020			
Cost	32,360	7,447	39,807
Accumulated amortisation	(21,282)	—	(21,282)
Impairment	—	(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 (Note 31)	(6,464)	—	(6,464)
Closing net book amount	10,871	—	10,871
At 31 December 2021			
Cost	38,617	7,447	46,064
Accumulated amortisation	(27,746)	—	(27,746)
Impairment	—	(7,447)	(7,447)
Net book amount	10,871	—	10,871

10 Investments accounted for using equity method

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Opening balance	**7,900**	7,125
Share of results	**803**	775
Ending balance	**8,703**	7,900

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	Paid-in capital	Equity interests held As at 31 December 2021	2020	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

(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.

(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 2021, there are no material commitments and contingent liabilities in respect of associate and joint venture.

11 Deposits for long-term leases

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

12 Deferred tax assets

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
Tax losses	**138,572**	167,553
Right-of-use assets and lease liabilities	**41,592**	36,188
	180,164	203,741
Others		
Share option scheme	**24,834**	20,684
Loss allowances for financial assets	**3,059**	3,323
Deferred income	**1,401**	3,950
Impairment of property and equipment	**1,597**	548
Others	**2,433**	2,776
	33,324	31,281
Total deferred tax assets	**213,488**	235,022

12 Deferred tax assets (continued)

Movement in deferred tax assets for both years ended 31 December 2021 and 2020, 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	Share option scheme RMB'000	Deferred income RMB'000	Assets impairment RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	133,265	23,079	16,424	1,401	2,819	2,776	179,764
Credited to the consolidated statement of profit or loss	34,288	13,109	4,260	2,549	1,052	–	55,258
At 31 December 2020	167,553	36,188	20,684	3,950	3,871	2,776	235,022
At 1 January 2021	**167,553**	**36,188**	**20,684**	**3,950**	**3,871**	**2,776**	**235,022**
(Charged)/credited to the consolidated statement of profit or loss	**(28,981)**	**5,404**	**4,150**	**(2,549)**	**785**	**(343)**	**(21,534)**
At 31 December 2021	**138,572**	**41,592**	**24,834**	**1,401**	**4,656**	**2,433**	**213,488**

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 RMB98,710,000 (2020: RMB82,411,000) in respect of tax losses amounting to RMB394,840,000 (2020: RMB329,646,000) as at 31 December 2021. All these tax losses will expire within five years.

13 Inventories

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Pharmaceuticals	**35,299**	30,794
Medical and other consumables	**15,695**	12,918
	50,994	43,712
Less: Write-down to net realisable value	**—**	—
	50,994	43,712

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB374,841,000 for the year ended 31 December 2021 (2020: RMB296,344,000).

14 Trade receivables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables	**359,616**	297,014
Less: Loss allowance	**(13,297)**	(14,361)
	346,319	282,653

As at 31 December 2021 and 2020, the fair value of trade receivables of the Group approximated to their carrying amounts.

14 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	
	2021	2020
	RMB'000	RMB'000
Trade receivables		
– Up to 6 months	**340,296**	274,740
– 6 months to 1 year	**11,258**	10,350
– 1 to 2 years	**4,423**	7,703
– 2 to 3 years	**977**	1,191
– Over 3 years	**2,662**	3,030
	359,616	297,014

Movements of loss allowance for trade receivables are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**14,361**	18,150
Increase/(decrease) in loss allowance	**162**	(1,340)
Receivables written off as uncollectible	**(1,226)**	(2,449)
At the end of the year	**13,297**	14,361

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

15 Other receivables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Loans to non-controlling interests of subsidiaries	**16,000**	—
Deposits	**13,095**	13,041
Advances to staff	**6,049**	5,990
Prepaid value-added tax recoverable and refundable	**4,667**	6,242
Interest receivables	**1,772**	843
Note receivable	**400**	—
Others	**8,649**	7,160
	50,632	33,276
Less: Loss allowance	**(1,756)**	(117)
	48,876	33,159

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

As at 31 December 2021 and 2020, the fair value of other receivables of the Group approximated to their carrying amounts.

16 Cash and bank balances

(a) Cash and cash equivalents

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash at bank and on hand		
– Denominated in RMB	**626,408**	429,393
– Denominated in USD	**141,940**	129,021
– Denominated in HKD	**2,916**	3,405
	771,264	561,819

(b) Restricted cash

As at 31 December 2021, fixed deposits of USD10,250,000 (equivalent to RMB65,351,000) and RMB115,500,000 (31 December 2020: USD38,650,000, equivalent to RMB252,187,000) were pledged at banks for the Group's borrowings of RMB170,000,000 (31 December 2020: RMB220,000,000) (Note 22).

17 Prepayments

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current:		
Prepayment for property and equipment	**41,310**	105,270
Current:		
Prepayment for consumables	**10,662**	7,424
Prepayment for equity transaction with non-controlling interests of subsidiaries	**–**	8,833
Others	**26,863**	11,895
	37,525	28,152
Total prepayments	**78,835**	133,422

18 Share capital

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital
		RMB'000
As at 31 December 2021 and 2020	1,590,324,000	1,065

19 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 2021, 47,710,500 outstanding options were not exercisable, among which 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 determined using the binomial tree model for option value 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 2021, 64,360,000 outstanding options were not exercisable, among which 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 determined using Black-Scholes model for option value 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.

All available stock prices since Listing were considered to calculate volatility which is one of significant input to the valuation model. See Note 32 for the total expense recognised in the consolidated statement of profit or loss for share options granted to the selected directors and employees.

20 Reserves

	Share premium RMB'000	Merger and capital reserves RMB'000	Statutory reserves and other reserves (a) RMB'000	Share option scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	715,292	(131,508)	190,207	65,512	(196,333)	643,170
Loss for the year	–	–	–	–	(7,876)	(7,876)
Appropriation to statutory reserves (b)	–	–	5,625	–	(5,625)	–
Change in ownership interest in subsidiaries without loss of control	–	(141,664)	–	–	–	(141,664)
Other transactions with non-controlling interests	–	(6,237)	–	–	–	(6,237)
Share option scheme (Note 19)	–	–	–	17,351	–	17,351
At 31 December 2020	715,292	(279,409)	195,832	82,863	(209,834)	504,744
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 (Note 39)	**–**	**(26,723)**	**–**	**–**	**–**	**(26,723)**
Share option scheme (Note 19)	**–**	**–**	**–**	**16,861**	**–**	**16,861**
At 31 December 2021	**715,292**	**(306,132)**	**209,219**	**99,724**	**(41,668)**	**676,435**

(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.

21 Non-controlling interests

	Non-controlling interests RMB'000
At 1 January 2021	(173,369)
Loss for the year	(55,448)
Capital contributions by non-controlling interests of a subsidiary	119,918
Changes in ownership interests in subsidiaries without change of control (Note 39)	18,825
At 31 December 2021	**(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	Shanghai Shuixian Obstetrics, Gynecology & Pediatric Hospital Co., Ltd. ("Rici Shuixian")		Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. ("Changzhou Hospital")	
	31 Dec 2021 RMB'000	31 Dec 2020 RMB'000	**31 Dec 2021 RMB'000**	31 Dec 2020 RMB'000
Current assets	**30,791**	26,025	**9,413**	5,450
Current liabilities	**(67,827)**	(50,518)	**(75,327)**	(223,395)
Net current liabilities	**(37,036)**	(24,493)	**(65,914)**	(217,945)
Non-current assets	**288,121**	299,091	**172,188**	215,658
Non-current liabilities	**(218,442)**	(229,327)	**(140,952)**	(161,565)
Net non-current assets	**69,679**	69,764	**31,236**	54,093
Net assets/(liabilities)	**32,643**	45,271	**(34,678)**	(163,852)
Accumulated non-controlling interests	**(31,344)**	(13,092)	**(13,351)**	(82,613)

21 Non-controlling interests (continued)

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

Summarised statement of comprehensive income	Rici Shuixian		Changzhou Hospital	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**61,081**	35,381	**15,844**	17,637
Loss for the year	**(45,629)**	(21,292)	**(75,806)**	(67,644)
Other comprehensive income	**—**	—	**—**	—
Total comprehensive loss	**(45,629)**	(21,292)	**(75,806)**	(67,644)
Loss allocated to non-controlling interests	**(18,252)**	(9,602)	**(37,145)**	(33,461)

Summarised cash flows	Rici Shuixian		Changzhou Hospital	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash flows from operating activities	**(46,609)**	12,776	**(39,993)**	(14,823)
Cash flows from investing activities	**921**	(12,656)	**(1,594)**	(10,900)
Cash flows from financing activities	**41,462**	(1,512)	**43,648**	15,845
Net (decrease)/increase in cash and cash equivalents	**(4,226)**	(1,392)	**2,061**	(9,878)

22 Borrowings

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current:		
Bank borrowings — secured and/or guaranteed (a)	**501,497**	526,557
Other borrowings — secured and guaranteed (c)	**99,926**	93,085
Less: Current portion of non-current borrowings	**(126,702)**	(73,363)
	474,721	546,279
Current:		
Bank borrowings — secured and/or guaranteed (b)	**647,500**	665,550
Add: Current portion of non-current borrowings	**126,702**	73,363
	774,202	738,913
Total borrowings	**1,248,923**	1,285,192

The Group's borrowing were repayable as follows:

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
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
31 December 2020				
Bank borrowings	690,610	235,257	266,240	1,192,107
Other borrowings	48,303	36,009	8,773	93,085
	738,913	271,266	275,013	1,285,192

22 Borrowings (continued)

(a) As at 31 December 2021, non-current borrowings include:

(i) RMB3,667,000 borrowings secured by the Group's buildings with net book value of RMB34,275,000 (Note 7); and

(ii) RMB91,080,000 borrowings secured by revenue collection rights of Changzhou Hospital, a subsidiary of the Group, and guaranteed by related parties, Dr. Fang and Dr. Mei.

(b) As at 31 December 2021, short-term borrowings include:

(i) RMB170,000,000 borrowings secured by USD10,250,000 and RMB115,500,000 fixed deposits of the Group (Note 16(b));

(ii) RMB120,000,000 borrowings secured by the Group's buildings with net book value of RMB34,482,000 (Note 7);

(iii) RMB20,000,000 borrowings secured by the Group's buildings with net book value of RMB34,275,000 (Note 7); and

(iv) RMB113,000,000 borrowings secured by the Group's land with net book value of RMB2,998,000 (Note 8) and buildings with net book value of 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.

(c) Other borrowings are secured by the Group's equipment with net book value of 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 borrowings as at 31 December 2021 and 2020 were as follows:

	As at 31 December	
	2021	2020
Bank borrowings	**4.84%**	4.86%

23 Other financial liabilities

	As at 31 December 2021 RMB'000	2020 RMB'000
Redemption liability to non-controlling interests		
– Principal	**100,000**	100,000
– Interest	**45,464**	29,879
	145,464	129,879

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 Group. Everbright (Haimen) was also granted a put option which will expire on 31 December 2023. Upon completion of such investment, Everbright (Haimen) would have 4.41% equity interest of Nantong Rich Hospital.

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

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

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

24 Lease liabilities

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Present value of the minimum lease payments :		
Within 1 year	**289,952**	266,784
After 1 year but within 2 years	**242,742**	228,313
After 2 year but within 5 years	**534,478**	525,785
After 5 years	**427,202**	503,072
	1,494,374	1,523,954

25 Contract liabilities

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Sales of medical examination cards	**309,476**	191,742
Advances from medical examination customers	**91,248**	86,558
Advances from hospital patients	**4,570**	14,390
	405,294	292,690

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 2021 that was included in the contract liabilities as at 31 December 2020 was RMB129,903,000.

Contract liabilities as at 31 December 2021 are expected to be recognised as revenue in the following one to two years.

26 Trade and other payables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables due to third parties (b)	**189,173**	163,397
Staff salaries and welfare payables	**101,527**	131,634
Payables for purchase of property and equipment	**92,469**	83,834
Deposits payable	**22,833**	20,414
Accrued taxes other than income tax	**10,558**	10,943
Accrued professional service fees	**2,280**	2,430
Interest payables	**1,576**	2,256
Accrued advertising expenses	**1,116**	1,924
Loans from non-controlling interests of subsidiaries (a)	**—**	94,258
Others	**79,197**	88,758
	500,729	599,848

(a) Balance represents loans from the non-controlling interests of subsidiaries, which are unsecured. As at 2020, loans from non-controlling interests bore the interest rate at 8% per annum. In 2021, the minority shareholder of Changzhou Hospital and Wuxi Rich Obstetrics,Gynecology & Pediatric Hospital Co., Ltd. ("Wuxi Hospital") transferred the borrowings of RMB119,618,000 to capital contribution.

The carrying amounts of the Group's trade and other payables are denominated in RMB.

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
– Up to 3 months	**113,696**	114,533
– 3 to 6 months	**40,788**	25,678
– 6 months to 1 year	**13,614**	5,952
– 1 to 2 years	**8,019**	5,078
– 2 to 3 years	**1,289**	2,702
– Over 3 years	**11,767**	9,454
	189,173	163,397

The trade and other payables are usually paid within 60 days of recognition. As at 31 December 2021 and 2020, fair value of all trade and other payables of the Group approximated to their carrying amounts.

27 Deferred income

(a) Government grants

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**23,620**	13,423
Additions(i)	**78,581**	10,811
Transfer to statement of profit or loss	**(2,520)**	(614)
At the end of the year	**99,681**	23,620

(i) 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.

28 Revenue

Revenue of the Group consists of the following:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
General hospital		
Outpatient pharmaceutical revenue	**67,105**	49,817
Outpatient service revenue	**90,805**	64,139
Inpatient pharmaceutical revenue	**275,724**	239,170
Inpatient service revenue	**247,210**	198,507
Medical examination centres		
Examination service revenue	**1,694,789**	1,275,521
Management service revenue and others	**1,574**	3,077
Specialty hospitals		
Outpatient pharmaceutical revenue	**13,407**	3,918
Outpatient service revenue	**36,955**	25,089
Inpatient pharmaceutical revenue	**1,105**	989
Inpatient service revenue	**77,848**	64,963
	2,506,522	1,925,190

29 Other income

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Government grants (a)	**7,326**	11,722
Rental income	**1,240**	1,160
Net income from medical equipment sales	**—**	791
Others	**13,304**	9,652
	21,870	23,325

29 Other income (continued)

(a) Government grants mainly represent :

(i) subsidies from Nantong Economic and Technological Development Zone Management Committee of RMB1,699,000 (2020: RMB614,000) during the year ended 31 December 2021 for purchasing medical equipments;

(ii) subsidies from Shanghai Qingpu Development and Reform Commission of RMB2,621,000 (2020: Nil) during the year ended 31 December 2021 for construction of medical examination platform;

(iii) subsidies from Nantong Economic and Technological Development Zone Management Committee of RMB330,000 (2020: Nil) during the year ended 31 December 2021 for hospital development;

(iv) subsidies from Shanghai Qingpu Development and Reform Commission of RMB330,000 (2020: Nil) during the year ended 31 December 2021 as the special support; and

(v) the other government grants in total of RMB2,346,000 for the year ended 31 December 2021 (2020: RMB11,108,000) from local government.

30 Other losses

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Losses on disposal of property and equipment	**4,318**	1,369
Penalty relating to a lease contract	**—**	4,800
Others	**1,717**	2,907
	6,035	9,076

31 Expenses by nature

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Employee benefit expenses	**922,567**	794,480
Depreciation and amortisation	**384,511**	371,540
Pharmaceutical costs	**234,962**	177,116
Outsourced testing expenses	**163,776**	125,619
Medical consumables costs	**139,879**	119,228
Utility expenses	**75,042**	65,748
Advertising expenses	**71,810**	39,555
Office expenses	**31,775**	35,674
Professional service charges	**26,071**	64,381
Entertainment expenses	**16,907**	10,658
Maintenance expenses	**16,075**	12,879
Travel expenses	**9,018**	8,665
Labour union dues	**4,846**	3,232
Stamp duty and other taxes	**4,054**	3,245
Short-term or low-value operating lease rentals	**3,421**	5,706
Auditor's remuneration		
– Audit services	**2,280**	2,321
– Non-audit services	**317**	587
Laundry expenses	**2,154**	2,268
Net impairment losses/(reversals) on financial assets	**1,801**	(1,340)
Security costs	**1,471**	1,342
Revaluation of lease contract	**(2,642)**	—
Impairment losses on property and equipment (Note 7)	**—**	18,076
COVID-19-related rent concessions	**—**	(21,764)
Other expenses	**28,882**	24,443
	2,138,977	1,863,659

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, wages and bonuses	**748,016**	685,239
Other welfare benefit expenses	**97,299**	81,405
Share option expenses (Note 19)	**16,861**	17,351
Pension	**60,391**	10,485
	922,567	794,480

(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 2020:							
Dr. Fang(ii)	–	321	–	18	14	3,101	3,454
Dr. Mei(ii)	–	699	90	17	24	3,101	3,931
Mr. Fang Haoze(iv)	–	252	144	27	20	–	443
Ms. Lin Xiaoying(iv)	–	259	120	30	22	–	431
Dr. Wang Yong(i)	180	–	–	–	–	–	180
Ms. Wong Sze Wing(i)	180	–	–	–	–	–	180
Mr. Jiang Peixing(iii)	150	–	–	–	–	–	150
Ms. Jiao Yan(i)	–	–	–	–	–	–	–
	510	1,531	354	92	80	6,202	8,769

32 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 2021:							
Dr. Fang(ii)	–	311	–	58	14	2,604	2,987
Dr. Mei(ii)	–	744	90	15	24	2,604	3,477
Mr. Fang Haoze(iv)	–	348	390	82	21	–	841
Ms. Lin Xiaoying(iv)	–	313	240	96	25	–	674
Dr. Wang Yong(i)	180	–	–	–	–	–	180
Ms. Wong Sze Wing(i)	180	–	–	–	–	–	180
Mr. Jiang Peixing(iii)	150	–	–	–	–	–	150
Ms. Jiao Yan(i)	–	–	–	–	–	–	–
	510	1,716	720	251	84	5,208	8,489

(i) Dr. Wang Yong and Ms. Wong Sze Wing were appointed as independent non-executive directors of the Company in June 2016.

Ms. Jiao Yan joined the Group in February 2015 and was redesignated as a non-executive director of the Company in March 2016. Ms. Jiao Yan resigned as a non-executive director with effect from 18 June 2021.

(ii) Dr. Fang was appointed as the chairman and executive director of the Company in February 2016, and was appointed as chief executive officer with effect from 20 March 2019. Dr. Mei was redesignated as the executive director of the Company in March 2016.

(iii) Mr. Jiang Peixing was appointed as independent non-executive director of the Company in June 2017.

(iv) Mr. Fang Haoze and Ms. Lin Xiaoying were appointed as executive directors of the Company in June 2019.

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

(b) Five highest paid individuals

During the year ended 31 December 2021, the five individuals whose emoluments were the highest in the Group include two (2020: two) directors for the year ended 31 December 2021 whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2020: three) individuals are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,428**	1,647
Share option scheme	**1,161**	8,429
Pension	**238**	81
	3,827	10,157

The emoluments fell within the following bands:

	Year ended 31 December	
	2021	2020
Emoluments bands (in HKD)		
1,000,000 and below	**1**	—
1,000,001 to 2,000,000	**2**	—
2,000,000 to 5,000,000	**—**	2
Over 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 (2020: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.

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

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

Except the matter disclosed in Note 39, 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 (2020:Same).

33 Finance costs — net

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest on lease liabilities	**(93,840)**	(102,963)
Interest on borrowings	**(72,290)**	(72,549)
Interest on other financial liabilities (Note 23)	**(15,585)**	(13,952)
	(181,715)	(189,464)
Amount capitalised (i)	**26,535**	21,862
	(155,180)	(167,602)
Net exchange losses	**(8,505)**	(26,240)
Finance costs	**(163,685)**	(193,842)
Interest income	**6,979**	8,464
Finance income	**6,979**	8,464
Finance costs — net	**(156,706)**	(185,378)

(i) 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 6.63% (2020: 5.86%).

34 Income tax expense/(credit)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax		
– Current year	**80,046**	39,225
– Adjustments for current tax of prior periods	**(208)**	(293)
Deferred income tax (Note 12)	**21,534**	(55,258)
Income tax expense/(credit)	**101,372**	(16,326)

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit/(loss) before income tax	**227,477**	(108,823)
Tax calculated at the applicable income tax rate (25%)	**56,869**	(27,206)
Tax effect of:		
Different tax rates of a subsidiary	**(1,149)**	(995)
Expenses not deductible for tax purpose	**10,201**	13,539
Tax losses not recognised as deferred tax assets	**38,655**	29,444
Utilisation of prior year tax losses and temporary differences not recognised as deferred tax assets	**(4,051)**	(636)
Tax loss expired	**–**	574
The variance of the tax base and accounting base of long-term equity investment	**–**	(31,000)
Temporary differences not recognised as deferred tax assets	**1,171**	441
Income not subject to tax	**(116)**	(194)
Adjustment for current tax of prior year	**(208)**	(293)
Income tax expense/(credit)	**101,372**	(16,326)

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, the CIT rate applicable to some of the subsidiaries in mainland China is 15%.

34 Income tax expense/(credit) (continued)

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 2021 and 2020.

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 2021 will not be distributed in the foreseeable future.

35 Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing:

- the earnings/(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 19).

	Year ended 31 December	
	2021	2020
Net earnings/(loss) attributable to owners of the Company (RMB'000)	**181,553**	(7,876)
Weighted average number of ordinary shares in issue	**1,590,324,000**	1,590,324,000
Basic earnings/(loss) per share (RMB)	**0.11**	(0.00)

(b) Diluted

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted number of ordinary shares in issue for the potential dilutive effect caused by the share options granted under the share option scheme assuming they were exercised.

For the year ended 31 December 2021 and 2020, 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.

36 Notes to the consolidated statement of cash flows

(a) Net cash generated from operations:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit/(loss) for the year before income tax	**227,477**	(108,823)
Adjustments for:		
– Depreciation of right-of-use asset(Note 8)	**205,663**	208,024
– Depreciation of property and equipment (Note 7)	**172,384**	158,391
– Amortisation of intangible assets (Note 9)	**6,464**	5,125
– Net losses on disposal of property and equipment	**4,318**	1,366
– Net impairment losses/(reversals) on financial assets (Note 14 and Note 15)	**1,801**	(1,340)
– Share of results of associate and joint venture (Note 10)	**(803)**	(775)
– Interest income (Note 33)	**(6,979)**	(8,464)
– Interest expense (Note 33)	**155,180**	167,602
– Foreign exchange losses (Note 33)	**8,505**	26,240
– Share option scheme (Note 32)	**16,861**	17,351
– Impairment losses on property and equipment (Note 7)	**—**	18,076
– COVID-19-related rent concessions (Note 31)	**—**	(21,764)
– Revaluation of lease contract(Note 31)	**(2,642)**	—
– Net gain on cancelling a lease contract	**(1,676)**	(1,224)
Changes in working capital:		
– (Increase)/decrease in inventories (Note 13)	**(7,282)**	671
– (Increase)/decrease in trade receivables, other receivables and prepayments	**(78,930)**	2,587
– Increase in amounts due from related parties	**(37)**	(4,892)
– Increase in deferred income (Note 27)	**76,061**	10,197
– (Decrease)/increase in trade and other payables	**(12,816)**	95,127
– Increase in contract liabilities (Note 25)	**112,604**	63,533
– Decrease in amounts due to related parties	**—**	(1,366)
– (Increase)/decrease in deposits for long-term leases	**(4,735)**	2,337
Cash generated from operations	**871,418**	627,979

36 Notes to the consolidated statement of cash flows (continued)

(b) Proceeds from disposal of property and equipment:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net book amount of property and equipment (Note 7)	**4,318**	4,530
Deduction of payables to a supplier	**–**	(3,161)
Income from disposal of property and equipment	**–**	3
Losses on disposal of property and equipment (Note 30)	**(4,318)**	(1,369)
Proceeds from disposal of property and equipment	**–**	3

(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.

	2021	2020
	RMB'000	RMB'000
Cash and cash equivalents	**771,264**	561,819
Borrowings – repayable within one year (including overdraft)	**(774,202)**	(738,913)
Borrowings – repayable after one year	**(474,721)**	(546,279)
Other financial liabilities	**(100,000)**	(100,000)
Net debt	**(577,659)**	(823,373)
Cash and liquid investments	**771,264**	561,819
Gross debt – fixed interest rates	**(383,000)**	(350,500)
Gross debt – variable interest rates	**(865,923)**	(934,692)
Other financial liabilities-fixed interest rate	**(100,000)**	(100,000)
Net debt	**(577,659)**	(823,373)

36 Notes to the consolidated statement of cash flows (continued)

(c) Net debt cash reconciliation (continued)

	Other assets	Liabilities from financing activities			
		Borrowing due	Borrowing due	Other financial	
	Cash	within 1 year	after 1 year	liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 1 January 2020	329,551	(663,486)	(259,276)	(100,000)	(693,211)
Cash flows	258,508	(75,427)	(287,003)	–	(103,922)
Foreign exchange adjustments	(26,240)	–	–	–	(26,240)
Net debt as at 31 December 2020	561,819	(738,913)	(546,279)	(100,000)	(823,373)
Cash flows	217,950	(35,289)	71,558	–	254,219
Foreign exchange adjustments	(8,505)	–	–	–	(8,505)
Net debt as at 31 December 2021	771,264	(774,202)	(474,721)	(100,000)	(577,659)

37 Contingencies

Up to 31 December 2021, the Group had 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.

38 Commitments

(a) Capital commitments

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Authorized and contracted for:		
Nantong Rich Hospital Expansion II	**97,129**	63,802
System upgrade expenditure	**2,760**	7,881
Leasehold improvements	**1,383**	3,050
	101,272	74,733

39 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
Nanjing Rich Ruixiang Clinic Co., Ltd. ("**Nanjing Ruixiang**") (a)	(1,195)	802	(393)
Nantong Rich Ruifeng Clinic Co., Ltd. ("**Nantong Ruifeng**") (a)	(1,750)	1,090	(660)
Suzhou Rich Ruihe Clinic Co., Ltd. ("**Suzhou Ruihe**") (a)	(1,470)	947	(523)
Yangzhou Rich Ruiyang Integrated Chinese and Western Medicines Clinic Co., Ltd. ("**Yangzhou Ruiyang**") (a)	(980)	577	(403)
Xuzhou Rich Ruixu Clinic Co., Ltd. ("**Xuzhou Ruixu**") (a)	(1,320)	1,099	(221)
Wuxi Rich Ruixi Clinic Co., Ltd. ("**Wuxi Ruixi**") (a)	(133)	133	—
Guangzhou Rich Zhongxin Clinic Co., Ltd. ("**Guangzhou Zhongxin**") (a)	(1,050)	957	(93)
Huizhou Rich Healthcare Management Co., Ltd ("**Huizhou Rich**") (b)	—	(670)	(670)
Changzhou Hospital (c)	—	(19,030)	(19,030)
Wuxi Hospital" (c)	—	(4,730)	(4,730)
	(7,898)	(18,825)	(26,723)

(a) In April 2021, the Group acquired 7% equity interests in Nanjing Ruixiang, Nantong Ruifeng, Suzhou Ruihe, Yangzhou Ruiyang, Xuzhou Ruixu, Wuxi Ruixi and Guangzhou Zhongxin at a total consideration of RMB7,898,000.The Group recognised a decrease in non-controlling interests of RMB5,605,000 and a decrease in equity attributable to owners of the Company of RMB2,293,000.

(b) In October 2021, Huizhou Rich deregistered and the Group undertook all losses.The Group recognised a increase in non-controlling interests of RMB670,000 and a decrease in equity attributable to owners of the Company of RMB670,000.

(c) In December 2021, the Group and Jinxin Holding Group Co., Ltd disproportionately increased the registered capital of Changzhou Hospital and Wuxi Hospital. The Group recognised an increase in non-controlling interests of RMB23,760,000 and a decrease in equity attributable to owners of the Company of RMB23,760,000 based on the difference between the capital contribution of the minority shareholder and the increased non-controlling interests.

40 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 2021 and 2020 and balances arising from related party transactions as at 31 December 2021 and 2020.

(a) Name and relationship with related parties

Name of related party	Relationship with the Group
Dr. Fang (方宜新)	Controlling shareholder
Dr. Mei (梅紅)	Controlling shareholder
Mr. Fang Haoze (方浩澤)	Close family member of Dr. Fang and Dr. Mei
Nantong Rich Real Estate Development Co., Ltd. (南通瑞慈房地產開發有限公司) ("**Nantong Rich Real Estate**")	Controlled by Dr. Fang
Jiangsu Tayoi biological technology co., Ltd. (江蘇東洋之花生物科技股份有限公司) ("**Jiangsu Tayoi**")	Controlled by Dr. Fang
Nantong Meidi	Subsidiary of a joint venture

40 Related party transactions (continued)

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

(i) Temporary funding provided to related party

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Nantong Meidi	**–**	4,892

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Nantong Meidi	**582**	523
Nantong Rich Real Estate	**37**	29
	619	552

(iii) Purchase of goods and services

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Mr. Fang Haoze	**300**	300
Jiangsu Tayoi	**130**	228
	430	528

40 Related party transactions (continued)

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

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Dr. Fang and Dr. Mei	**91,080**	107,640

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Dr. Fang and Dr. Mei	**145,464**	129,879

(vi) Services provided to related parties

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Nantong Meidi	**952**	952

(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	
	2021	2020
	RMB'000	RMB'000
Share option scheme	**5,208**	6,202
Salaries and other short-term employee benefits	**3,030**	2,475
Pension	**251**	92
	8,489	8,769

40 Related party transactions (continued)

(d) Balances with related parties

Amounts due from related parties

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Nantong Meidi	**5,722**	5,722
Mr. Fang Haoze	**150**	150
Nantong Rich Real Estate	**37**	—
	5,909	5,872
Less: Loss allowance of amounts due from related parties	**—**	—
	5,909	5,872

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 in 2021.

Amounts due to related parties

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Jiangsu Tayoi	**134**	134

The amounts due to related parties are for purchase of goods and services from related parties.

41 Subsidiaries

Particulars of the subsidiaries of the Group as at 31 December 2021 and 2020 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 2021	2020	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 2021	2020	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

41 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 2021	2020	Principal activities
Nantong Rich Hospital Co.,Ltd. (南通瑞慈醫院有限公司)	August 14 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

41 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 2021	2020	Principal activities
Shenzhen Rich Clinic Co.,Ltd. (深圳瑞慈門診部有限責任公司)	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
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) (Note 39)	27 January 2015	15,000	**88%**	81%	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

41 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 2021	2020	Principal activities
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
Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. (常州瑞慈婦產醫院有限公司) (Note 39)	12 July 2016	370,000	**57.92%**	51%	Specialty hospital service
Suzhou Rich Ruihe Clinic Co., Ltd. (蘇州瑞慈瑞禾門診部有限公司) (Note 39)	25 August 2016	10,000	**88%**	81%	Examination service
Yangzhou Rich Ruiyang Integrated Chinese and Western Medicines Clinic Co., Ltd. (揚州瑞慈瑞揚中西醫結合門診部有限公司) (Note 39)	9 October 2016	5,000	**88%**	81%	Examination service
Shanghai Shuixian Obstetrics, Gynecology & Pediatric Hospital Co., Ltd. (上海瑞慈水仙婦兒醫院有限公司)	17 October 2016	170,000	**60%**	60%	Specialty hospital service
Hangzhou Rich Medical Clinic Co., Ltd. (杭州瑞慈醫療門診部有限公司)	1 December 2016	5,000	**100%**	100%	Examination service
Nanjing Rich Ruixiang Clinic Co., Ltd. (南京瑞慈瑞祥門診部有限公司) (Note 39)	7 December 2016	5,000	**88%**	81%	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

41 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 2021	2020	Principal activities
Xuzhou Rich Ruixu Clinic Co.,Ltd. (徐州瑞慈瑞徐體檢門診部有限公司) (Note 39)	20 December 2016	5,000	**88%**	81%	Examination service
Wuxi Rich Ruixi Clinic Co., Ltd. (無錫瑞慈瑞錫門診部有限公司) (Note 39)	21 December 2016	5,000	**88%**	81%	Examination service
Wuxi Rich Obstetrics, Gynecology & Pediatric Hospital Co., Ltd. (無錫瑞慈婦兒醫院有限公司) (Note 39)	28 December 2016	210,000	**74.43%**	71%	Specialty hospital service
Nantong Rich Ruifeng Clinic Co.,Ltd. (南通瑞慈瑞峰健康體檢中心有限公司) (Note 39)	10 January 2017	5,000	**88%**	81%	Examination service
Changzhou Yuexin Maternal and Child Nursing Service Co. Ltd. (常州瑞慈悦馨母嬰護理服務有限公司)	26 April 2017	5,000	**57.92%**	51%	Nursing 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
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

41 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 2021	2020	Principal activities
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
Shanghai Rich Yuexin Healthcare Management Co., Ltd (上海瑞慈悦馨健康管理有限公司)	27 October 2017	5,000	**60%**	60%	Nursing service
Yantai Rich Ruigao Clinic Co.,Ltd. (煙臺瑞慈瑞高門診部有限公司)	3 November 2017	5,000	**51%**	51%	Examination service
Qingdao Rich Ruicheng Healthcare Management Co., Ltd (青島瑞慈瑞城健康管理有限公司)	9 November 2017	5,000	**100%**	100%	Examination service
Nantong Rich Ruixing 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

41 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 2021	2020	Principal activities
Shanghai Hongdun Enterprise Management Co., Ltd. (上海虹敦企業管理有限公司)	19 June 2018	10,000	**51%**	51%	Investment holding
Nanjing Advanced Integrative Clinic Co., Ltd. (南京幸元會綜合門診部有限公司)	5 July 2018	30,000	**70%**	70%	Examination service
Jinan Rich Ruiji Health Management Co., Ltd. (濟南瑞慈瑞濟健康管理有限公司)	11 July 2018	20,000	**100%**	100%	Health counselling
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
Wuxi Yuexin Maternal and Child Nursing Service Co., Ltd. (無錫瑞慈悅馨母嬰護理服務有限公司)	27 September 2018	5,000	**74.43%**	71%	Nursing service
Huaian Rich Ruimao Clinic Co., Ltd. (淮安瑞慈瑞茂門診部有限公司)	26 November 2018	5,000	**70%**	70%	Examination service
Shanghai Rich Ruiqiao Clinic Co., Ltd. (上海瑞慈瑞蕎門診部有限公司)	11 December 2018	20,000	**72%**	72%	Examination service
Shanghai Cherry Pediatric Clinic Co., Ltd. (上海睿醫小櫻桃門診部有限公司)	24 November 2016	5,000	**100%**	100%	Examination service
Shanghai Rich Ruiyuan Clinic Co., Ltd. (上海瑞慈瑞轅健康體檢中心有限公司)	30 January 2019	5,000	**70%**	70%	Examination service
Suqian Rich Ruiqian Clinic Co., Ltd. (宿遷瑞慈瑞謙門診部有限公司)	20 February 2019	5,000	**70%**	70%	Examination service
Shanghai 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

41 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 2021	2020	Principal activities
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	1,500	**70%**	70%	Examination service
Xuzhou Rich Ruipeng Clinic Co., Ltd. (徐州瑞慈瑞彭體檢中心有限公司)	22 June 2021	1,500	**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	2,000	**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	1,500	**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	1,500	**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	1,500	**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	1,500	**70%**	70%	Examination service

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available. The PRC companies listed above are all limited liability companies.

Changzhou Rich Medical Instrument Co., Ltd, Shanghai Fanjin Investment Management CO., Ltd. and Jiangsu Rich Medical Management Co., Ltd. ("Jiangsu Rich Management") are registered as wholly foreign owned enterprises under PRC law. All the other subsidiaries established in the PRC are held by Jiangsu Rich Management and registered as domestic companies under PRC law.

42 Balance sheet and reserve movement of the Company

Balance Sheet of the Company

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**257,372**	240,771
Current assets		
Cash and cash equivalents	**3,375**	3,136
Prepayments	**360**	360
Amounts due from related parties	**609,173**	610,957
	612,908	614,453
Total assets	**870,280**	855,224
Equity attributable to owners of the Company		
Share capital	**1,065**	1,065
Reserves (a)	**843,545**	826,961
	844,610	828,026
Total equity	**844,610**	828,026
LIABILITIES		
Current liabilities		
Trade and other payables	**321**	234
Amounts due to related parties	**25,349**	26,964
	25,670	27,198
Total liabilities	**25,670**	27,198
Total equity and liabilities	**870,280**	855,224

The balance sheet of the Company was approved by the Board of Directors on 31 March 2022 and was signed on its behalf by:

Fang Yixin	**Mei Hong**
Director	Director

42 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 2020	93,464	715,292	66,851	(63,018)	812,589
Loss for the year	—	—	—	(2,979)	(2,979)
Share option scheme (Note 19)	—	—	17,351	—	17,351
At 31 December 2020	93,464	715,292	84,202	(65,997)	826,961
At 1 January 2021	**93,464**	**715,292**	**84,202**	**(65,997)**	**826,961**
Loss for the year	**—**	**—**	**—**	**(277)**	**(277)**
Share option scheme (Note 19)	**—**	**—**	**16,861**	**—**	**16,861**
At 31 December 2021	**93,464**	**715,292**	**101,063**	**(66,274)**	**843,545**

43 Dividend

No dividend had been declared or paid during the year (2020:Nil) and the Board has resolved not to propose any final dividend for the year ended 31 December 2021 (2020: Nil).

44 Subsequent event

In March 2022, due to the spread of Coronavirus Disease (the "COVID") in Shanghai and other cities, the examination centers in Shanghai have been temporarily closed down. The pandemic situation has certain impact on the Group's operation, the extent of which will depend on the duration of the epidemic and the implementation of containment measures. The Company will continuously pay close attention to the development of the COVID spread and evaluate its impacts on the Group's financial position and operating results, and cash flows.

45 Authorization for issue of the financial statements

The consolidated financial statements were approved and authorized for issue by the board of directors of the Company on 31 March 2022.

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