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

2017 中期報告
INTERIM REPORT

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

Contents

Definitions

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

"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	our board of Directors
"BVI"	British Virgin Islands
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"Chelsea Grace"	Chelsea Grace Holdings Limited (翠慈控股有限公司), a company established in the BVI with limited liability on July 11, 2014, which is entirely owned by Dr. Mei
"China" or "PRC"	the People's Republic of China, which, for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Class III Hospital"	the largest and best regional hospitals in China designated as Class III hospitals by the National Health and Family Planning Commission of the PRC's hospital classification system, typically having more than 500 beds, providing high-quality professional healthcare services covering a wide geographic area and undertaking more sophisticated academic and scientific research initiatives
"Company", "our Company", "Group", "we", "our" or "us"	Rici Healthcare Holdings Limited (瑞慈醫療服務控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on July 11, 2014 and except where the context indicated otherwise, its subsidiaries
"Company Secretary"	the secretary of the Company
"Controlling Shareholder(s)"	Dr. Mei and Chelsea Grace
"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, our 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
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"IPO"	the initial public offering of the Company on October 6, 2016
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	October 6, 2016, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nantong Meidi"	Nantong Rich Meidi Nursing Home, Co., Ltd. (南通美邸護理院有限公司), a company established in the PRC with limited liability on August 19, 2014 and the subsidiary of the joint venture of the Group
"Nantong Rich Hospital"	Nantong Rich Hospital Co., Ltd. (南通瑞慈醫院有限公司), a company established in the PRC with limited liability on August 14, 2000, which is an indirectly wholly-owned subsidiary of our Company
"Nomination Committee"	the nomination committee of the Board
"Reporting Period"	the six months ended June 30, 2017

Definitions

"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
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Rich Medical"	Shanghai Rich Medical Investment Group Co., Ltd. (上海瑞慈醫療投資集團有限公司), a company established in the PRC with limited liability on August 25, 2014 and an indirectly wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) of US$0.0001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on September 19, 2016
"Sichuan Rich"	Sichuan Rich Medical Technology Co., Ltd. (四川瑞慈醫療科技有限公司), a company established in the PRC with limited liability on August 31, 2016 and an indirectly non-wholly-owned subsidiary of the Company
"South New City"	Nanjing South New City Health Industry Development Co. Ltd. (南京南部新城健康產業發展有限公司), a company established in the PRC with limited liability on October 21, 2016
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Dr. Fang Yixin *(Chairman)*
Dr. Mei Hong
Mr. Lu Zhenyu *(Chief Executive Officer)*
Dr. Wang Weiping

Non-executive Directors
Ms. Jiao Yan
Mr. Yao Qiyong

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

COMPANY SECRETARY

Ms. Chau Hing Ling *(LLM, FCIS, FCS)*

AUTHORISED REPRESENTATIVES

Dr. Fang Yixin
Ms. Chau Hing Ling *(LLM, FCIS, FCS)*

AUDIT COMMITTEE

Ms. Wong Sze Wing *(Chairlady)*
Ms. Jiao Yan
Dr. Wang Yong

REMUNERATION COMMITTEE

Mr. Jiang Peixing *(Chairman)*
Mr. Lu Zhenyu
Ms. Wong Sze Wing

NOMINATION COMMITTEE

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

AUDITOR

PricewaterhouseCoopers
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

19/F, Catic Mansion
No. 212 Jiangning Road
Jingan District
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay, 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

COMPLIANCE ADVISER

BOSC International Company Limited
34th Floor, Champion Tower
3 Garden Road, Central
Hong Kong

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 Centre
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

Management Discussion and Analysis

BUSINESS REVIEW

During the first half of 2017, the weak recovery of the global economy added uncertainties to the overall business environment. Nevertheless, China's economy remained stable and healthy. The Chinese government continued to support and prioritize the deepening of healthcare reform, which is favorable for the healthcare service industry.

Last year, the "Healthy China 2030 Planning Outline" was promulgated, which includes the principle "health as priority" and encourages health-oriented lifestyle to reduce the risk of illnesses and promote public health. The outline has established a healthcare concept with healthcare promotion as its core principle. It has proposed the integration of the concept of healthcare promotion into the implementation process of public policy and the incorporation of public health into the economic and social developments, which would be important to the change in economic and social development mode and lifestyle improvement. In addition, the aging population and increasing rate of chronic diseases in China would drive the population's demand for healthcare and nursery services in China.

The Group has actively developed its three major businesses: medical examination, general hospital and specialty hospital, aiming to provide high-end and quality services to Chinese citizens. The Group has worked with various professional healthcare teams and developed its healthcare businesses in the Yangtze River Delta region and other major cities which would help the Group reinforce its leading position in the healthcare industry in China.

Medical Examination Business

China's medical examination industry is affected by seasonal factors. Generally, the first half of a year is the industry's slow season for the following reasons. Firstly, according to Chinese traditions, citizens would avoid having medical services during the Lunar New Year period. Hence, the volume of medical examination services during the first quarter of each year is relatively low. In addition, corporate customers would offer medical examination for their employees as staff benefits, and the human resources department of companies would generally arrange for employees who have passed the probation period to have medical examinations in the second half of each year. Therefore, the second half of each year is the peak season for medical examination services of the Group.

Notwithstanding the above, during the Reporting Period, the performance of the Group's medical examination business was satisfactory, and the number of patient visits in clinics increased significantly as compared with the corresponding period last year. As at June 30, 2017, the Group had 32 medical examination centers across the country, of which 24 were already in operation. During the Reporting Period, the Group launched the establishment of a few new medical examination centers, and 8 of them are expected to start operation during the second half of 2017. In the first half of 2017, the medical examination centers of the Group served a total of 595,607 customers, representing a substantial increase by 17.3% as compared with the corresponding period last year. Corporate customers were the major group of customers for the Group's medical examination service. In the first half of 2017, the medical examination centers of the Group served 483,539 corporate customers and 112,068 individual customers, representing an increase by 16.7% and 19.8% as compared with the corresponding period last year, respectively.

During the Reporting Period, the Group's medical examination centers located in the Yangtze River Delta reported growth despite fierce market competition, and the Group maintained its market leading position in the medical examination market in China. The Group has allocated more resources to the medical examination centers in other regions and made extra efforts in expanding its sales network, and is expected to benefit from the improvement in its operational efficiency gradually.

During the Reporting Period, the Group was committed to expanding its medical examination services network and allocating resources to market exploration, including the expansion of the existing developed medical examination centers, market research in areas with potential for development, and optimization of the business layout of our medical examination business in the Yangtze River Delta region, to further enhance the market penetration and expansion of the Group. Furthermore, the Group strengthened its sales capability through its online and e-commerce platforms to attract more individual customers. During the Reporting Period, the Group sold individual medical examination packages through its official website and e-commerce platforms, and recorded significant increase in sales to individual customers as compared with the corresponding period last year. In addition, the Group optimized the structure of its sales teams, which became more focused and better targeted. With gradual implementation of the new marketing and sales structure and the sales mechanism for financial institution customers, corporate customers and individual customers, the sales teams were motivated to remodel its business and develop its market. As medical examination service is the Group's major business, the Group continued to improve its service quality and the service process of medical examination, such as implementing a service reservation system, under which we encourage customers to reserve medical examination services through mobile application or service hotlines to reduce waiting time, allow sufficient time for each examination session and deliver better customer experiences.

The Group seized the opportunities of multi-sited practice policy in China and established its first clinic in one of its medical examination centers in Shanghai in 2016 to provide specialty medical services. Customers would be able to select the specialty services they need through the Group's reservation platform and domestic registration platform, choose from more than 100 specialists from Class III Grade A hospitals in Shanghai, and visit the clinic for consultation at their convenience. As Chinese residents are generally inclined to visit Class III Grade A hospitals for both critical and minor illnesses consultations, the Group's clinics offer an alternative with better services for patients in Shanghai. Patients can have detailed examination and consultation services by specialists without waiting. The Group has also worked with commercial health insurance companies to explore opportunities in health insurance cooperation, hoping to become a leading healthcare service operator in China.

General Hospital Business

Nantong Rich Hospital is a Class III Grade B general hospital with 520 registered beds and a total floor area of approximately 72,084 square meters. As at June 30, 2017, Nantong Rich Hospital had a healthcare team comprising approximately 910 staff, including 246 doctors, 77 healthcare technical staff and 365 nurses. During the Reporting Period, Nantong Rich Hospital served a total of 154,380 out-patients (for the six months ended June 30, 2016: 139,187) and 9,808 in-patients (for the six months ended June 30, 2016: 9,046), representing an increase by 10.9% and 8.4% as compared with the corresponding period last year, respectively. Nantong Rich Hospital has a number of clinical departments, among which pediatric surgery is a national key department.

The Group focused on enhancing medical services quality. During the Reporting Period, the hospital building of pediatric department of Nantong Rich Hospital completed its renovation and started operation. The modern hospital building provides a spacious, comfortable and cozy environment for pediatric patients. The proper treatment and quality healing environment have not only maintained a high occupancy rate, but also laid a sound foundation for the future development of our pediatric hospital.

During the Reporting Period, the Group actively planned expansion projects for Nantong Rich Hospital's future development to meet the service demand. Upon completion of the expansion project, it is expected that Nantong Rich Hospital will apply for an upgrade to a Class III Grade A hospital, creating greater growth potential for the Group. Meanwhile, the Group actively recruited more outstanding physicians to strengthen its medical team, and the Group has acquired new healthcare equipment for Nantong Rich Hospital on an ongoing basis, which has effectively enhanced its accuracy and efficiency of examination.

Specialty Hospital Business

In response to the two-child policy implemented by the Chinese government, the Group proactively developed its obstetrics, gynecology and pediatric healthcare services and set it as the Group's mid-to-long term strategic development plan. The Group also intends to implement the development plan in the Yangtze River Delta region, striving to become a leading provider of obstetrics, gynecology and pediatric healthcare services in the region.

During the Reporting Period, the Group accelerated the development of obstetrics and gynecology and pediatric hospitals. The construction of the Group's high-end obstetrics and gynecology hospitals located in Shanghai and Changzhou were at full pace, and are expected to be completed in the third quarter of 2017 and to start operation in the fourth quarter of 2017. In order to meet the demand for high-end obstetrics and gynecology healthcare services, the Group has taken advantages of its outstanding service system to provide a comfortable maternity environment as well as friendly and attentive care services for pregnant women. In addition, through the cooperation with the Obstetrics and Gynecology Hospital of Fudan University, Shanghai, the Group has introduced a professional team of obstetrics and gynecology specialists to ensure the high standard of medical staff and professional obstetrics and gynecology physicians team. The Group expects that its obstetrics and gynecology hospitals in Shanghai and Changzhou hospitals would become role models for other specialty hospitals to be established in other regions in the future.

During the Reporting Period, the Group entered into a cooperation agreement with South New City under the State-owned Assets Supervision and Administration Commission of Nanjing City for the operation of a healthcare industry park in Nanjing, including the establishment and operation of a high-end obstetrics and gynecology hospital. Moreover, the Group also planned to build another obstetrics and gynecology hospital in Wuxi to provide quality obstetrics and gynecology services to local residents. Meanwhile, the Group has continued to explore opportunities to partner with Class III Grade A hospitals to strategically develop its high-end obstetrics, gynecology and pediatric specialty hospital business in the Yangtze River Delta region.

BUSINESS PROSPECTS

The Group has proactively implemented the national strategy of "Healthy China" and established a healthcare service system centered on the general public, committed to providing life-cycle comprehensive healthcare services. In order to meet the healthcare demand of the public, the Group will strive to apply high standard healthcare technology and provide quality healthcare service experience. Meanwhile, the Group will proactively expand its service scope, further facilitating the development of the healthcare industry in China.

In 2017, the Group started a new chapter of diversified healthcare services. The Group successfully extended from two major businesses to three major businesses. Through its medical examination business, general hospital business and specialty hospital business, the Group is able to satisfy customers' demand for various healthcare services. In the second half of 2017, the Group will continue to strengthen its existing businesses and actively enhance specialty healthcare services. The Group will keep up efforts in its network development, service quality, brand strategies, sales channels and digitalized management, which would help strengthen its competitiveness and brand value.

The Group will further implement a diversified health development strategy and actively develop the layout of healthcare industry chain. Leveraging on the edges of its professional services and effective management system as well as the resources in the Yangtze River Delta region, the Group plans to cooperate with potential enterprise partners for better development of its medical examination business, general hospital business and specialty hospital business.

In respect of medical examination business, the Group will continue to develop its medical examination business by fully utilizing its professional advantages and maintaining the accuracy of medical examination, aiming to make a stronger Chinese brand. On top of continuously improving its service quality, the Group will also strive to promote its brand, explore customers' needs and upgrade its medical examination services, thereby guiding the new medical examination demands of customers. In addition, the Group will accelerate its development and expansion of national medical examination network and integrate customers, healthcare resources and management system to reinforce its leading position in healthcare industry in China and the Yangtze River Delta. In the second half of the year, the Group plans to establish 16 medical examination centers to expand the Group's coverage. The Group will develop national strategic layout, brand strategy planning and sales channels planning to bring more competitive advantages to the Group's medical examination business.

To satisfy the public demand for different healthcare services, the Group plans to establish a Chinese medicine clinic on the premise of its medical examination center in Beijing. The Group believes that the "medical examination plus clinic" model can enhance synergies among its businesses. Citizens can seek doctors' advice at clinics. In the future, the Group also plans to replicate the "medical examination plus clinic" model to its medical examination center in Guangzhou.

In respect of general hospital business, the Group will actively improve hospital services to increase the use of outpatient services and enhance operational capability. In addition, the Group will push forward the expansion projects of Nantong Rich Hospital, which is expected to be commenced in late 2017 and completed in 2019. Upon completion of the expansion projects, Nantong Rich Hospital will provide better high-level healthcare services and more comfortable medical environment for residents in Nantong.

In respect of specialty hospital business, the Group expects the high-end obstetrics and gynecology hospitals in Shanghai and Changzhou to commence operation in the fourth quarter of 2017, which would provide better maternity environments to local pregnant women. For specialty hospitals (high-end obstetrics and gynecology healthcare services), the Group plans to increase the exposure of its obstetrics and gynecology brand through the launch ceremony on maternal service channels and healthcare service channels. Meanwhile, the Group plans to organize a series of marketing campaigns for the two new specialty hospitals, including seminars, hospital visits and concession schemes to staff of existing corporate customers, to increase market penetration and awareness of its obstetrics and gynecology services.

In addition, as the demand for quality healthcare service rises with the increase of disposable income and standard of living, residents have stronger demand for quality pediatric healthcare services. Therefore, the Group is committed to developing reliable healthcare services for consumers. The Group will push forward the cooperation plan with South New City in an orderly manner and expand obstetrics and gynecology and pediatric healthcare business in Nanjing to meet local healthcare services demand.

During the first half of 2017, the Group has been included as a constituent stock of the MSCI China Small Cap Index, and it was grateful for the full recognition by the capital market. The Group will continue to take a pragmatic and flexible approach to enhance the Rici brand and create value for the Company and its shareholders by bolstering the performance of its general hospital, medical examination centers and specialty hospital, while actively identifying opportunities for structural improvements and resource optimization to increase synergies among different businesses.

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:

	Six months ended June 30,		
	2017 (RMB'000)	2016 (RMB'000)	**% of Change**
General hospital business	**167,099**	155,869	7.2%
Medical examination business	**282,405**(1)	245,771(1)	14.9%
Inter-segment	**(13,623)**	(11,590)	17.5%
Total	**435,881**	390,050	11.8%

Note:

(1) Included the revenue from our clinic business.

Management Discussion and Analysis

Our revenue increased by 11.8% from RMB390.1 million for the six months ended June 30, 2016 to RMB435.9 million for the Reporting Period, mainly as a result of an increase in revenue from our medical examination business.

Revenue from our general hospital business for the Reporting Period amounted to approximately RMB153.5 million, representing an increase of 6.2% from approximately RMB144.6 million for the same period in 2016, excluding inter-segment revenue of RMB13.6 million and RMB11.3 million for the six months ended June 30, 2017 and 2016, respectively. The increase was mainly attributable to the improvement of our operational efficiency and an increase in the number of visits of our patients. For the Reporting Period, revenue from outpatient and inpatient pharmaceuticals amounted to RMB81.5 million (for the six months ended June 30, 2016: RMB79.7 million), while revenue from outpatient and inpatient service amounted to RMB72.1 million (for the six months ended June 30, 2016: RMB64.9 million). The proportion of revenue from outpatient and inpatient pharmaceuticals in revenue from our general hospital business decreased from 55.1% for the six months ended June 30, 2016 to 53.1% for the Reporting Period, while the proportion of revenue from outpatient and inpatient service in revenue from our general hospital business increased from 44.9% for the six months ended June 30, 2016 to 46.9% for the Reporting Period, indicating our efforts for less dependence on pharmaceutical income to fulfill our commitment to premium service quality.

Revenue from our medical examination business for the Reporting Period amounted to approximately RMB282.4 million, representing an increase of 15.0% from approximately RMB245.5 million for the same period in 2016, excluding inter-segment revenue of RMB0.06 million and RMB0.3 million for the six months ended June 30, 2017 and 2016, respectively. The increase was mainly attributable to the branding effects brought by the listing of the Company and the commencement of operation of our new medical examination centers compared to the corresponding period, which caused an increase of the number of visits for the medical examination service. Our medical examination centers served a total of 595,607 and 507,897 customers for the six months ended June 30, 2017 and 2016, respectively, representing an increase of 17.3%. The average spending per individual in our medical examination business was RMB466.4 and RMB477.0 for the six months ended June 30, 2017 and 2016, respectively, which remained relatively stable.

The medical examination business includes a portion of clinic business. Revenue from our clinic business for the Reporting Period amounted to approximately RMB2.9 million (for the six months ended June 30, 2016: RMB0.9 million), mainly from diagnostic income. As the clinic business sites have officially expanded and been in operation since July 2016, the number of visits of patients has increased significantly during the Reporting Period as compared to the same period last year.

Cost of Sales

Cost of sales primarily consists of pharmaceuticals and medical consumables costs, staff costs, rental expenses and depreciation and amortization expenses. The following table sets forth a breakdown of our cost of sales by operating segment for the periods indicated:

	Six months ended June 30,		
	2017	2016	**% of Change**
	(RMB'000)	(RMB'000)	
General hospital business	**115,089**	110,023	4.6%
Medical examination business	**198,715**[1]	180,113[1]	10.3%
Inter-segment	**(13,568)**	(11,590)	17.1%
Total	**300,236**	278,546	7.8%

Note:

(1) Included the cost of sales of our clinic business.

Our cost of sales increased by 7.8% from RMB278.5 million for the six months ended June 30, 2016 to RMB300.2 million for the Reporting Period, mainly as a result of the increase in cost of sales of our medical examination business.

Cost of sales of our general hospital business for the Reporting Period amounted to approximately RMB115.1 million, representing an increase of 4.6% from approximately RMB110.0 million for the same period in 2016. The increase of the cost of sales is in line with the growth of revenue.

Cost of sales of our medical examination business for the Reporting Period amounted to approximately RMB198.7 million, representing an increase of 10.3% from approximately RMB180.1 million for the same period in 2016. The increase is mainly attributable to the adjustment of remuneration system of medical staff by the Group during the Reporting Period, causing an increase of the remuneration expenses of medical staff. In addition, the operation of new medical examination centers incurred more rental expenses and due to the increase of revenue from medical examination business, the variable cost of our medical examination centers including medical consumable costs and outsourcing testing expenses increased accordingly.

Gross Profit

Our gross profit increased by 21.7% from approximately RMB111.5 million for the six months ended June 30, 2016 to approximately RMB135.6 million for the Reporting Period. The gross profit margin increased from 28.6% for the six months ended June 30, 2016 to 31.1% in the Reporting Period, which is primarily attributable to the increase of gross profit margin of our medical examination business. The gross profit margin of our general hospital business for the Reporting Period slightly increased to 31.1% from 29.4% in the same period in 2016. The gross profit margin of our medical examination business for the Reporting Period increased to 29.6% from 26.7% for the same period in 2016.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses increased by 131.5% from approximately RMB30.3 million for the six months ended June 30, 2016 to approximately RMB70.1 million for the Reporting Period. The increase was mainly attributable to the increase in staff costs and promotion cost, given that the Group increased the basic salary of sales staff, established a better rewarding scheme for the sales staff and strengthened promotion through the internet and other channels, for boosting the sales performance of the medical examination business.

Administrative Expenses

Our administrative expenses increased by 37.2% from approximately RMB76.9 million for the six months ended June 30, 2016 to approximately RMB105.6 million for the Reporting Period. The increase was mainly due to (i) the increase of pre-opening expenses, such as the rental expenses, for the pre-operation of new medical examination centers and obstetrics and gynecology specialty hospitals; and (ii) the improvement of salary and welfare and increase in the number of employees due to the development of medical examination centers.

Other Income

Our other income increased from approximately RMB4.1 million for the six months ended June 30, 2016 to approximately RMB8.9 million for the Reporting Period. Other income mainly represented government subsidies.

Other Losses

Our other losses for the Reporting Period were approximately RMB1.3 million, as compared to the loss of approximately RMB0.3 million for the corresponding period in 2016. Other losses mainly consisted of the losses on disposal of equipment.

Financial Expenses — net

The Group had net financial expenses of RMB23.0 million during the Reporting Period, as compared to net finance expenses of RMB9.5 million in the same period in 2016, mainly due to the exchange loss of RMB14.7 million for the Reporting Period arising from the bank deposits denominated in Hong Kong dollars and US dollars.

Share of Results of a Joint Venture

For the Reporting Period, the Group recognized a share of profit of RMB0.05 million (for the six months ended June 30, 2016: loss of approximately RMB0.8 million) in its consolidated results, mainly due to the operating profit/loss of Nantong Meidi. The business of the joint venture has been stable since the establishment in the second half of 2014, resulting in small earnings in the first half of 2017.

Income Tax (Credit)/Expense

For the Reporting Period, the Group recorded an income tax credit of approximately RMB4.1 million (for the six months ended June 30, 2016: income tax expenses of approximately RMB9.9 million), which was mainly because the new medical examination centers and obstetrics and gynecology specialty hospitals have incurred more loss. The loss recognized the deferred income tax assets, and therefore decreased the income tax expenses.

Loss for the Reporting Period

For the foregoing reasons, our net loss was RMB51.2 million for the Reporting Period (for the six months ended June 30, 2016: RMB12.2 million), mainly attributable to the pre-opening expenses of the new medical examination centers and obstetrics and gynecology specialty hospitals, the increase of staff costs due to the change of remuneration system and the exchange loss due to the fluctuations of foreign exchange.

Adjusted EBITDA

To supplement our interim condensed consolidated financial statements which are presented in accordance with HKFRS, we also use adjusted EBITDA as an additional financial measure. We define adjusted EBITDA as loss for the period before certain expenses and depreciation and amortization as set out in the table below. Adjusted EBITDA is not an alternative to (i) loss before income tax or loss for the period (as determined in accordance with HKFRS) 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 periods under HKFRS to our definition of adjusted EBITDA for the periods indicated.

	Six months ended June 30,	
	2017	2016
	(RMB'000)	(RMB'000)
Adjusted EBITDA calculation		
Loss for the period	**(51,248)**	(12,159)
Adjusted for:		
Income tax (credit)/expense	**(4,093)**	9,897
Finance expense — net	**22,954**	9,537
Depreciation and amortization	**40,572**	40,598
Pre-opening expenses and EBITDA loss of soft-opening[1]	**37,471**	16,861
Listing expenses[2]	**—**	16,042
Share option expenses	**5,310**	—
Adjusted EBITDA	**50,966**	80,776
Adjusted EBITDA margin[3]	**11.7%**	21.0%

Notes:

(1) Primarily represents (a) pre-opening expenses, such as staff costs and rental expenses, incurred in the applicable period in connection with new medical examination centers and specialty hospitals to commence operation in the subsequent years, and (b) EBITDA loss/(gain) of new medical examination centers incurred during the period that they commenced operation.

(2) A total of RMB16.0 million listing expense was incurred for the six months ended June 30, 2016.

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

We recorded an adjusted EBITDA of RMB51.0 million for the Reporting Period, representing a decrease of 36.9% from approximately RMB80.8 million in the same period in 2016, mainly due to the increase of staff costs with the change of remuneration system.

FINANCIAL POSITION

Property and Equipment

Property and equipment primarily consist of buildings, medical equipment, general equipment, leasehold improvement and construction in progress. As at June 30, 2017, the property and equipment of the Group amounted to approximately RMB481.4 million, representing an increase by approximately RMB88.2 million as compared to approximately RMB393.2 million as at December 31, 2016. The increase was primarily due to acquisition of equipment as well as renovation for the new medical examination centers and obstetrics and gynecology specialty hospitals.

Inventories

Inventories increased from approximately RMB19.1 million as at December 31, 2016 to approximately RMB21.8 million as at June 30, 2017.

Trade Receivables

As at June 30, 2017, the trade receivables of the Group were approximately RMB177.3 million, representing an increase by approximately RMB46.3 million as compared to approximately RMB131.0 million as at December 31, 2016, mainly because (1) the Group paid more attention to the collection of long-aging receivables during the Reporting Period; and (2) the medical examination period of some of the Company's customers spans over the first and second half of the year, hence the Company could not collect the receivables in the middle of the year as the conditions of collection were not met.

Net Current Assets

As at June 30, 2017, the Group's net current assets were RMB360.3 million, representing a decrease by RMB113.7 million as compared with net current assets of RMB474.0 million as at December 31, 2016. The decrease in net current assets was mainly due to the Group's spending of current assets on the construction costs of new medical examination centers and obstetrics and gynecology specialty hospitals.

Liquidity and Financial Resources

The Group had cash and cash equivalents of RMB623.0 million as at June 30, 2017. As at June 30, 2017, the Group had outstanding bank borrowings amounting to RMB427.9 million. The Board is of the opinion that the financial position of the Group is robust and the Group has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Set forth below is the information extracted from our Group's interim condensed consolidated cash flow statement during the periods indicated:

	Six months ended June 30,	
	2017	2016
	(RMB'000)	(RMB'000)
Net cash (used in)/generated from operating activities	**(64,975)**	17,212
Net cash used in investing activities	**(343,558)**	(43,859)
Net cash generated from financing activities	**165,168**	47,679
Net (decrease)/increase in cash and cash equivalents	**(243,365)**	21,032

Significant Investments, Material Acquisitions and Disposals

During the Reporting Period, the Group did not have any significant investments, and material acquisitions or disposals, except for (i) the investment in a company, which became an indirectly non-wholly-owned subsidiary of the Company, through a capital contribution of RMB65.0 million pursuant to the cooperation agreement dated March 28, 2017 between Shanghai Rich Medical and South New City; and (ii) the investment in Sichuan Rich which became an indirectly non-wholly-owned subsidiary of the Company, by Shanghai Rich Medical through its acquisition of 55% equity interests of Sichuan Rich from Ms. Zhou He pursuant to the equity transfer agreement dated June 16, 2017. Please refer to the Company's announcements dated March 28, 2017 and June 16, 2017, respectively, for details of such investments.

Use of Proceeds from IPO

The Company's shares were listed on the Main Board of the Stock Exchange on the Listing Date. After the partial exercise of the Over-allotment Option as defined in the Prospectus and after deducting underwriting commissions and all related expenses, the net proceeds from issuance of ordinary shares of the Company in connection with the IPO amounted to RMB682.7 million. As at the date of this interim report, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

The Board closely monitored the use of proceeds from the IPO with reference to the use of proceeds disclosed in the Prospectus and confirmed that there was no change in the proposed use of proceeds as previously disclosed in the Prospectus.

Since the Listing Date and up to June 30, 2017, the Group used the net proceeds for the following purpose:

- RMB89.1 million being used for the establishment of medical examination centers and RMB97.4 million being used for the establishment of specialty hospitals.
- RMB76.0 million being used for the partial repayment of our bank and other borrowings.
- RMB8.7 million being used for payment of listing-related expenses.

Capital Expenditure and Commitments

For the Reporting Period, the Group incurred capital expenditures of RMB138.6 million (as at December 31, 2016: RMB95.9 million), primarily due to purchases of medical equipment for our new medical examination centers and obstetrics and gynecology specialty hospitals.

As at June 30, 2017, the Group had a total capital commitment of RMB89.2 million (as at December 31, 2016: RMB26.4 million), mainly comprising the related contracts of capital expenditure in newly built medical examination centers and hospitals.

Borrowings

As at June 30, 2017, the Group had total bank and other borrowings of RMB427.9 million (as at December 31, 2016: RMB314.6 million). Please refer to Note 20 to the condensed consolidated interim financial information for more details.

Contingent Liabilities

The Group had no material contingent liability as at June 30, 2017 (as at December 31, 2016: Nil).

Financial instruments

The Group did not have any financial instruments as at June 30, 2017 (as at December 31, 2016: Nil).

Gearing Ratio

As at June 30, 2017, on the basis of net debt divided by total capital, the Group's gearing ratio was (73.8%) (as at December 31, 2016: (147.4%)). The increase of gearing ratio was mainly due to the spending of internal funding and the increase of bank borrowings for the construction of new medical centers and obstetrics and gynecology specialty hospitals.

Cash Flow and Fair Value Interest Rate Risk

Our exposure to changes in interest rates is mainly attributable to our borrowings from banks.

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 30 June 2017, borrowings of RMB391,900,000 were with floating interest rate. We do not hedge our cash flow and fair value interest rate risk during the Reporting Period.

Foreign Exchange Risk

For the Reporting Period, the Group is not exposed to significant foreign currency risk, except for the bank deposits from the IPO, which are denominated in Hong Kong dollars, and the bank deposits denominated in US dollars. 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 currency exposure should the need arise.

Credit Risk

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

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

We established policies in place to ensure that we assess the creditworthiness and financial strength of our customers as well as considering prior dealing history with the customers and volume of sales. Our management team makes periodic collective assessment as well as individual 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.

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 and other receivables by corporate customers.

Liquidity Risk

Our finance department monitors rolling forecasts of our liquidity requirements to ensure we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn committed 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 injection from Shareholders, as necessary. Based on contractual undiscounted payments, our financial liabilities were RMB643.4 million as at June 30, 2017 (as at December 31, 2016: RMB495.2 million).

Pledge of Assets

As at June 30, 2017, the Group had property assets with a total carrying amount of RMB42,241,000 (as at December 31, 2016: property assets of RMB43,103,000 and land use rights of RMB3,498,000) and restricted deposits with an amount of USD32,000,000 (as at December 31, 2016: Nil) pledged for bank borrowings.

HUMAN RESOURCES

The Group had 4,372 employees as of June 30, 2017, as compared to 3,630 employees as of June 30, 2016. 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 and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel, including a management trainee program.

Supplementary Information

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

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

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The audit committee of the Company, comprising Ms. Wong Sze Wing, Ms. Jiao Yan, and Dr. Wang Yong, has discussed with the management and reviewed the unaudited interim financial information of the Group for the Reporting Period.

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

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

Changes in information on Directors since the date of the Annual Report 2016 of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

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, and an independent director of Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002236) in May 2017.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CHANGES OF MEMBERS OF THE BOARD

The changes of the members of the Board during the Reporting Period and up to the date of the interim report are as follows:

Dr. Wang Weiping was re-designated from an independent non-executive Director to an executive Director, and ceased to be a member and the chairman of the Remuneration Committee and a member of the Nomination Committee, with effect from June 6, 2017.

Mr. Yao Qiyong was appointed as a non-executive Director, with effect from June 6, 2017.

Mr. Jiang Peixing was appointed as an independent non-executive Director, with effect from June 6, 2017.

Mr. Jiang Peixing was appointed as a member and the chairman of the Remuneration Committee and a member of the Nomination Committee, in replacement of Dr. Wang Weiping, with effect from June 6, 2017.

Save as disclosed above, there is no other change of the members of the Board during the Reporting Period and up to the date of this interim report.

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.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at June 30, 2017, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (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 position in ordinary Shares

Name of Director	Capacity	Number of ordinary shares interested[(1)]	Approximate percentage[+] of the Company's issued share capital
Dr. Mei[(2)]	Interest in controlled corporation	872,550,000	54.81%
Dr. Fang[(3)]	Interest of spouse	872,550,000	54.81%

(B) Long position in underlying Shares — physically settled unlisted equity derivatives

Name of Director	Capacity	Number of underlying shares in respect of the share options granted[(1)]	Approximate percentage[+] of the Company's issued share capital
Dr. Mei[(2)]	Beneficial owner	15,903,500	1.00%
Dr. Fang[(3)]	Beneficial owner	15,903,500	1.00%

Notes:

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

(2) Chelsea Grace was beneficially interested in the 872,550,000 Shares as at June 30, 2017. 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. 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, under the SFO, Dr. Fang is deemed to be interested in Dr. Mei's interests in our Company. Dr. Fang is granted an option to subscribe for 15,903,500 Shares under the Pre-IPO Share Option Scheme.

\+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at June 30, 2017.

(C) Interest in associated corporation

Name of Directors	Associated Corporation	Capacity/nature of interest	Number of Shares[1]	Percentage of shareholding interest
Dr. Mei[1]	Chelsea Grace[2]	Beneficial owner	1	100%
Dr. Fang[1]	Chelsea Grace[2]	Interest of spouse	1	100%

Notes:

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

(2) Under the SFO, a holding company of the listed corporation is regarded as an "associated corporation." As at June 30, 2017, Chelsea Grace held 54.81% of our issued share capital and thus was our associated corporation.

Save as disclosed above and in the section headed "Pre-IPO Share Option Scheme" below and to the best knowledge of the Directors, as at June 30, 2017, 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 he/she was 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

As at June 30, 2017, the following corporations/persons (other than the Directors or chief executives 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:

Name	Capacity	Number of ordinary shares interested	Approximate percentage+ of the Company's issued share capital
Chelsea Grace(1)	Beneficial owner	872,550,000	54.81%
Renaissance Healthcare Holdings Limited ("**Baring Investor**")	Beneficial owner	268,286,800	16.85%
The Baring Asia Private Equity Fund V, L.P.(2)	Interest of a controlled corporation	268,286,800	16.85%
Baring Private Equity Asia GP V, L.P.(2)	Interest of a controlled corporation	268,286,800	16.85%
Baring Private Equity Asia GP V Limited(2)	Interest of a controlled corporation	268,286,800	16.85%
Jean Eric Salata(2)	Interest of a controlled corporation	268,286,800	16.85%

Notes:

(1) Pursuant to Part XV of the SFO, if certain conditions are met, the Shareholders are required to submit a disclosure of interest notice. In the event of changes in the shareholding of the shareholders in the Company, the shareholders will not be required to notify the Company and the Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the shareholders in the Company may be different from the shareholding submitted to the Stock Exchange.

(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 June 30, 2017.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2017, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

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 of the Group, and to allow such employees and Directors to participate in the growth and profitability of the Group.

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

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

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

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

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

	Number of options					
Name of option holders	Outstanding as at January 1, 2017	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at June 30, 2017	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
Other employees of the Group						
Cao Ying	15,903,500	–	–	–	15,903,500	HK$1.60
Total	47,710,500	–	–	–	47,710,500	

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

The Pre-IPO Share Option Scheme does not fall within the ambit of, and are not subject to, the regulations under Chapter 17 of the Listing Rules.

SHARE OPTION SCHEME

On September 19, 2016, the Company conditionally approved and 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 (the **"Scheme Mandate Limit"**) and as at the date of this interim report). Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating this Scheme Mandate Limit.

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

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

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

No share options have been granted or agreed to be granted under the Share Option Scheme during the Reporting Period and up to the date of this interim report.

Report on Review of Condensed Consolidated Interim Financial Information

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

Introduction

We have reviewed the interim financial information set out on pages 28 to 68, which comprises the interim condensed consolidated balance sheet of Rici Healthcare Holdings Limited (the "Company") and its subsidiaries (the "Group") as at June 30, 2017 and the related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 25, 2017

Interim Condensed Consolidated Balance Sheet

As at June 30, 2017

	Note	Unaudited June 30, 2017 RMB'000	Audited December 31, 2016 RMB'000
ASSETS			
Non-current assets			
Property and equipment	7	**481,375**	393,223
Land use rights	8	**3,448**	3,498
Intangible assets	9	**17,619**	8,388
Investment in a joint venture	10	**4,004**	3,959
Deposits for long-term leases	11	**22,466**	18,955
Deferred income tax assets	12	**65,260**	47,077
Prepayments	16	**66,666**	52,500
		660,838	527,600
Current assets			
Inventories		**21,780**	19,131
Trade receivables	13	**177,262**	130,956
Other receivables	14	**30,607**	11,111
Prepayments		**18,825**	8,966
Amounts due from related parties	33	**2,525**	1,000
Cash and cash equivalents	15	**622,972**	881,028
Restricted cash	15	**216,781**	—
		1,090,752	1,052,192
Total assets		**1,751,590**	1,579,792
Equity attributable to owners of the Company			
Share capital	17	**1,066**	1,066
Reserves	18	**917,282**	946,235
		918,348	947,301
Non-controlling interests	19	**51,843**	3,454
Total equity		**970,191**	950,755

Interim Condensed Consolidated Balance Sheet

As at June 30, 2017

	Note	Unaudited June 30, 2017 RMB'000	Audited December 31, 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	—	4,633
Other long-term liabilities	22	50,905	46,195
		50,905	50,828
Current liabilities			
Borrowings	20	427,900	309,932
Trade and other payables	23	235,415	208,809
Amounts due to related parties	33	300	—
Income tax payables		7,643	16,904
Deferred income	21	57,272	40,693
Current portion of other long-term liabilities	22	1,964	1,871
		730,494	578,209
Total liabilities		781,399	629,037
Total equity and liabilities		1,751,590	1,579,792

The notes on pages 34 to 68 are an integral part of these interim consolidated financial information.

The interim consolidated financial statements on pages 28 to 33 were approved by the Board of Directors on August 25, 2017 and were signed on its behalf by:

Fang Yixin
Director

Lu Zhenyu
Director

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2017

	Note	Unaudited	Audited
		Six months ended June 30,	
		2017	2016
		RMB'000	RMB'000
Revenue	24	**435,881**	390,050
Cost of sales	26	**(300,236)**	(278,546)
Gross profit		**135,645**	111,504
Distribution costs and selling expenses	26	**(70,068)**	(30,272)
Administrative expenses	26	**(105,589)**	(76,944)
Other income	25	**8,909**	4,095
Other losses		**(1,329)**	(272)
Operating (loss)/profit		**(32,432)**	8,111
Finance expenses	27	**(26,415)**	(10,157)
Finance income	27	**3,461**	620
Finance expenses — net		**(22,954)**	(9,537)
Share of results of a joint venture	10	**45**	(836)
Loss before income tax		**(55,341)**	(2,262)
Income tax credit/(expense)	28	**4,093**	(9,897)
Loss for the period		**(51,248)**	(12,159)
Loss attributable to:			
Owners of the Company		**(39,440)**	(10,802)
Non-controlling interests		**(11,808)**	(1,357)
Loss for the period		**(51,248)**	(12,159)
Losses per share for loss attributable to owners of the Company			
— Basic	29	**RMB(0.02)**	RMB(10.2)
— Diluted	29	**RMB(0.02)**	RMB(10.2)

The notes on pages 34 to 68 are an integral part of these interim consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2017

	Unaudited	Audited
	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Loss for the period	**(51,248)**	(12,159)
Other comprehensive income, net of tax	**—**	—
Total comprehensive loss for the period	**(51,248)**	(12,159)
Attributable to:		
Owners of the Company	**(39,440)**	(10,802)
Non-controlling interests	**(11,808)**	(1,357)
Total comprehensive loss for the period	**(51,248)**	(12,159)

The notes on pages 34 to 68 are an integral part of these interim consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2017

		Attributable to Owners of the Company				
	Note	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)						
Balance at January 1, 2017		1,066	946,235	947,301	3,454	950,755
Comprehensive income						
Loss for the period		–	(39,440)	(39,440)	(11,808)	(51,248)
Total comprehensive loss		–	(39,440)	(39,440)	(11,808)	(51,248)
Share-based payment scheme		–	5,310	5,310	–	5,310
Acquisition of a subsidiary		–	–	–	574	574
Capital contributions by non-controlling interests of subsidiaries	19	–	–	–	52,150	52,150
Changes in ownership interests in subsidiaries without change of control	32	–	5,177	5,177	7,473	12,650
Total transaction with owners, recognized directly in equity		–	10,487	10,487	60,197	70,684
Balance at June 30, 2017		1,066	917,282	918,348	51,843	970,191
(Audited)						
Balance at January 1, 2016		–	207,160	207,160	689	207,849
Comprehensive income						
Loss for the period		–	(10,802)	(10,802)	(1,357)	(12,159)
Total comprehensive loss		–	(10,802)	(10,802)	(1,357)	(12,159)
Capital contribution by non-controlling interests of subsidiaries		–	–	–	2,400	2,400
Total transaction with owners, recognized directly in equity		–	–	–	2,400	2,400
Balance at June 30, 2016		–	196,358	196,358	1,732	198,090

The notes on pages 34 to 68 are an integral part of these interim consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2017

	Note	Unaudited	Audited
		Six months ended June 30,	
		2017	2016
		RMB'000	RMB'000
Cash flow from operating activities			
Cash (used in)/generated from operations		(29,915)	54,466
Interest paid		(11,709)	(10,199)
Income tax paid		(23,351)	(27,055)
Net cash (used in)/generated from operating activities		(64,975)	17,212
Cash flow from investing activities			
Purchases of property and equipment		(118,581)	(40,771)
Purchases of intangible assets		(10,614)	(272)
Proceeds from disposal of property and equipment		303	15
Temporary funding provided to related parties	33(b)	(1,000)	(14)
Restricted bank deposits	15(b)	(216,781)	—
Interest received		3,115	183
Investment in a joint venture		—	(3,000)
Net cash used in investing activities		(343,558)	(43,859)
Cash flows from financing activities			
Capital contribution from non-controlling interests of subsidiaries	19	52,150	2,700
Capital contribution from owners of the Company		—	35,608
Proceeds from bank borrowings	20	407,400	331,000
Repayments of bank borrowings	20	(294,065)	(189,029)
Temporary funding from related parties	33(b)	4,000	—
Repayments to related parties		(4,000)	(8,680)
Payments for initial public offering fees		(317)	—
Dividends		—	(123,920)
Net cash generated from financing activities		165,168	47,679
Net (decrease)/increase in cash and cash equivalents		(243,365)	21,032
Cash and cash equivalents at beginning of the period		881,028	233,658
Exchange loss on cash and cash equivalents		(14,691)	—
Cash and cash equivalents at end of the period		622,972	254,690

The notes on pages 34 to 68 are an integral part of these interim consolidated financial information.

1 General Information

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

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

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and were approved and authorised for issue by the board of directors of the Company on August 25, 2017.

2 Basis of Preparation

This condensed consolidated interim financial information for the six months ended June 30, 2017 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with HKFRSs.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending December 31, 2017.

(a) Amendments to HKFRSs effective for the financial year ending December 31, 2017 do not have a material impact on the Group

(b) Impact of standards issued but not yet applied by the Group

(i) HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on January 1, 2018.

3 Accounting policies (continued)

(b) Impact of standards issued but not yet applied by the Group (continued)

(i) HKFRS 9 Financial instruments (continued)

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) HKFRS 15 Revenue from contracts with customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after January 1, 2018. The Group will adopt the new standard from January 1, 2018.

(iii) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB1,546,514,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after January 1, 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 Accounting policies (continued)

(b) Impact of standards issued but not yet applied by the Group (continued)

(iii) HKFRS 16 Leases (continued)

The Group is in the process of making an assessment on the impact of these new standards.

4 Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2016.

5 Financial risk management and financial instruments

5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2016.

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

5.2 Foreign exchange risk

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

5 Financial risk management and financial instruments (continued)

5.2 Foreign exchange risk (continued)

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 June 30, 2017, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, post-tax profit for the period would have been RMB3,091,000 (December 31, 2016: RMB17,199,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

At June 30, 2017, if RMB had weakened/strengthened by 5% against USD with all other variables held constant, post-tax profit for the period would have been RMB26,125,000 (December 31, 2016: RMB12,883,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

5.3 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.

5 Financial risk management and financial instruments (continued)

5.3 Liquidity risk (continued)

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet 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 June 30, 2017					
Borrowings, including interest	**439,217**	**—**	**—**	**—**	**439,217**
Other long-term liabilities	**1,964**	**2,633**	**15,338**	**32,934**	**52,869**
Trade and other payables	**151,313**	**—**	**—**	**—**	**151,313**
	592,494	**2,633**	**15,338**	**32,934**	**643,399**
As at December 31, 2016					
Borrowings, including interest	316,398	2,737	2,167	—	321,302
Other long-term liabilities	1,871	1,351	20,427	24,417	48,066
Trade and other payables	125,817	—	—	—	125,817
	444,086	4,088	22,594	24,417	495,185

The interest on borrowings is calculated based on borrowings held as at June 30, 2017 and December 31, 2016, respectively. Floating-rate interests are estimated using the current interest rate as at June 30, 2017 and December 31, 2016, respectively.

5.4 Fair value estimation

Financial assets and liabilities measured at amortised cost. Fair value of trade receivables, other receivables, trade and other payables and borrowings approximates their carrying amount.

6 Segment information

Management has determined the operating segments based on the information reviewed by the CODM for the purpose of 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 operations of segment. The Group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the treasury function.

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:

(i) 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").

(ii) Specialty hospital

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

(iii) Medical examination centers

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

The following table presents revenue and profit information regarding the Group's operation segments for the six months ended June 30, 2017 and 2016 respectively.

6 Segment information (continued)

	General Hospital RMB'000	Specialty Hospital RMB'000	Medical Examination Centers RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
For the six months ended June 30, 2017						
Revenue	167,099	—	282,405	—	(13,623)	435,881
Segment profit	50,279	—	15,353	—	(55)	65,577
Administrative expenses						(105,589)
Interest income						3,115
Interest expenses						(11,724)
Exchange loss						(14,691)
Other finance income						346
Total loss before income tax credit						(55,341)
Income tax credit						4,093
Loss for the period						(51,248)

	General Hospital RMB'000	Specialty Hospital RMB'000	Medical Examination Centers RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at June 30, 2017						
Segment assets	418,106	214,536	1,319,089	747,258	(947,399)	1,751,590
Segment liabilities	106,740	37,975	855,343	61,306	(279,965)	781,399
Other information						
Addition to property and equipment, land use rights and intangible assets (Note 7, 8, 9)	5,350	46,622	86,617	—	—	138,589
Depreciation and amortization (Note 7, 8, 9)	7,846	—	32,726	—	—	40,572

6 Segment information (continued)

	General Hospital RMB'000	Specialty Hospital RMB'000	Medical Examination Centers RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
For the six months ended June 30, 2016						
Revenue	155,869	–	245,771	–	(11,590)	390,050
Segment profit	43,870	–	37,362	–	–	81,232
Administrative expenses						(76,944)
Interest income						183
Interest expenses						(10,157)
Exchange gain						–
Other finance income						437
Total loss before income tax expense						(2,262)
Income tax expense						(9,897)
Loss for the period						(12,159)

	General Hospital RMB'000	Specialty Hospital RMB'000	Medical Examination Centers RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at December 31, 2016						
Segment assets	472,340	112,720	1,055,937	754,479	(815,684)	1,579,792
Segment liabilities	188,572	17,247	679,780	62,069	(318,631)	629,037
Other information						
Addition to property and equipment, land use rights and intangible assets	36,575	1,245	58,124	–	–	95,944
Depreciation and amortization	14,585	–	67,032	–	–	81,617

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 January 1, 2017							
Cost	214,235	276,302	46,318	211,964	5,914	8,506	763,239
Accumulated depreciation	(47,969)	(164,797)	(27,436)	(124,750)	(5,064)	–	(370,016)
Net book amount	166,266	111,505	18,882	87,214	850	8,506	393,223
Six months ended June 30, 2017							
Opening net book amount	166,266	111,505	18,882	87,214	850	8,506	393,223
Additions	–	3,239	3,405	–	–	121,331	127,975
Transfer	–	9,982	1,002	6,040	394	(17,418)	–
Disposals	–	(207)	(72)	–	–	(405)	(684)
Depreciation (Note 26)	(2,654)	(16,127)	(3,290)	(16,813)	(255)	–	(39,139)
Closing net book amount	163,612	108,392	19,927	76,441	989	112,014	481,375
At June 30, 2017							
Cost	214,235	276,280	48,563	218,004	5,820	112,014	874,916
Accumulated depreciation	(50,623)	(167,888)	(28,636)	(141,563)	(4,831)	–	(393,541)
Net book amount	163,612	108,392	19,927	76,441	989	112,014	481,375
At January 1, 2016							
Cost	191,375	250,405	40,220	186,718	5,905	5,651	680,274
Accumulated depreciation	(43,021)	(136,583)	(24,033)	(87,600)	(4,551)	–	(295,788)
Net book amount	148,354	113,822	16,187	99,118	1,354	5,651	384,486
Six months ended June 30, 2016							
Opening net book amount	148,354	113,822	16,187	99,118	1,354	5,651	384,486
Additions	861	5,232	1,505	–	–	50,697	58,295
Transfer	–	13,080	–	8,974	–	(22,054)	–
Disposals	–	(53)	(125)	–	–	–	(178)
Depreciation (Note 26)	(2,325)	(16,208)	(2,149)	(18,975)	(266)	–	(39,923)
Closing net book amount	146,890	115,873	15,418	89,117	1,088	34,294	402,680
At June 30, 2016							
Cost	192,236	267,600	41,021	195,692	5,905	34,294	736,748
Accumulated depreciation	(45,346)	(151,727)	(25,603)	(106,575)	(4,817)	–	(334,068)
Net book amount	146,890	115,873	15,418	89,117	1,088	34,294	402,680

7 Property and equipment (continued)

As at June 30, 2017, buildings with a total carrying amount of RMB42,241,000 (December 31, 2016: RMB43,103,000) were pledged for the Group's borrowings (Note 20).

8 Land use rights

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Cost	**4,698**	4,698
Accumulated amortization	**(1,250)**	(1,200)
Net book amount	**3,448**	3,498

As at December 31, 2016, land use rights with a total carrying amount of RMB3,498,000 were pledged for the Group's borrowings.

9 Intangible assets

	Computer software RMB'000
At January 1, 2017	
Cost	**11,285**
Accumulated amortization	**(2,897)**
Net book amount	**8,388**
Six months ended June 30, 2017	
Opening net book amount	**8,388**
Additions	**10,614**
Amortization (Note 26)	**(1,383)**
Closing net book amount	**17,619**
At June 30, 2017	
Cost	**21,899**
Accumulated amortization	**(4,280)**
Net book amount	**17,619**
At January 1, 2016	
Cost	6,477
Accumulated amortization	(1,427)
Net book amount	5,050
Six months ended June 30, 2016	
Opening net book amount	5,050
Additions	272
Amortization (Note 26)	(625)
Closing net book amount	4,697
At June 30, 2016	
Cost	6,749
Accumulated amortization	(2,052)
Net book amount	4,697

10 Investment in a joint venture

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Opening balance	**3,959**	1,985
Investment in Shanghai Rich Meidi Management Consulting Co., Ltd. (上海瑞慈美邸管理諮詢有限公司) ("Shanghai Meidi")	**–**	3,000
Share of results	**45**	(836)
Ending balance	**4,004**	4,149

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

Company name	Country/date of incorporation	Paid-in capital	Equity interests held As at June 30, 2017	As at December 31, 2016	Principal activities
Shanghai Meidi	October 29, 2013, Shanghai, the PRC	RMB15,000,000	**60%**	60%	Investment holding

11 Deposits for long-term leases

The Group paid deposits for operating leases of certain medical examination centers, which are due over 1 year from balance sheet date and are recoverable at the end of the lease term. The fair values of deposits for long-term operating lease are approximately RMB15,692,000 and RMB13,270,000 as at June 30, 2017 and December 31, 2016 respectively, which are determined using the expected future refunds discounted at market interest rates at each year end.

12 Deferred income tax assets

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	**13,185**	9,773
— to be recovered after more than 12 months	**52,075**	37,304
	65,260	47,077

The gross movement on the deferred income tax account is as follows:

	Six months ended June 30, 2017 RMB'000	2016 RMB'000
At beginning of the period	**47,077**	35,293
Credited to the consolidated statement of profit or loss	**18,183**	8,625
At the end of the period	**65,260**	43,918

12 Deferred income tax assets (continued)

Movement in deferred income tax assets for both six months ended June 30, 2017 and 2016, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets	Tax losses carried forward RMB'000	Assets impairment RMB'000	Accruals and deferred income RMB'000	Share option scheme RMB'000	Other long-term liabilities RMB'000	Total RMB'000
At January 1, 2017	**29,060**	**3,790**	**4,167**	**760**	**9,300**	**47,077**
Credited/(charged) to consolidated statement of profit or loss	**16,404**	**(977)**	**272**	**1,283**	**1,201**	**18,183**
At June 30, 2017	**45,464**	**2,813**	**4,439**	**2,043**	**10,501**	**65,260**
At January 1, 2016	22,419	4,490	2,009	–	6,375	35,293
Credited/(charged) to consolidated statement of profit or loss	7,046	(1,249)	447	–	2,381	8,625
At June 30, 2016	29,465	3,241	2,456	–	8,756	43,918

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of RMB18,354,000 (December 31, 2016: RMB9,420,000) in respect of tax losses amounting to RMB73,415,000 (December 31, 2016: RMB37,681,000) as at June 30, 2017. All these tax losses will expire within five years.

13 Trade receivables

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Trade receivables	**188,515**	139,840
Less: Provision for impairment of trade receivables	**(11,253)**	(8,884)
	177,262	130,956

As at June 30, 2017 and December 31, 2016, the fair value of trade receivables of the Group approximated their carrying amounts.

The aging analysis of trade receivables are as follows:

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Trade receivables		
— Up to 3 months	**120,893**	79,652
— 3 to 6 months	**23,361**	33,975
— 6 months to 1 year	**37,602**	19,087
— 1 to 2 years	**5,597**	5,666
— 2 to 3 years	**468**	981
— 3 to 4 years	**384**	316
— 4 to 5 years	**83**	81
— Over 5 years	**127**	82
	188,515	139,840

13 Trade receivables (continued)

As at June 30, 2017, trade receivables of RMB18,526,000 (December 31, 2016: RMB16,797,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Trade receivables		
— 3 to 6 months	**8,580**	11,324
— 6 months to 1 year	**9,946**	5,473
	18,526	16,797

14 Other receivables

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Receivables from non-controlling interests (Note 32)	**12,650**	—
Deposits	**9,612**	5,495
Staff advance	**4,008**	3,204
Interest receivable	**1,713**	—
Others	**2,624**	2,412
	30,607	11,111

As at June 30, 2017 and December 31, 2016, other receivables of the Group are mainly denominated in RMB and their carrying amounts approximated their fair value.

15 Cash and bank balance

(a) Cash and cash equivalents

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Cash at bank and on hand		
— Denominated in RMB	**255,434**	279,384
— Denominated in USD	**305,717**	257,663
— Denominated in HKD	**61,821**	343,981
	622,972	881,028

(b) Restricted Cash

As at June 30, 2017, fixed deposits of USD32,000,000 (December 31, 2016:Nil) are pledged at bank for borrowings of RMB200,000,000.

16 Prepayments

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Prepayment for equipment	**51,966**	37,260
Prepayment for buildings	**12,000**	12,000
Prepayment for lease contract (a)	**2,700**	3,240
	66,666	52,500

(a) The balance represents the prepayment for lease contract relating to Guangzhou Rich Guojin Clinic Co., Ltd. acquired by the Group on the acquisition date in 2014. The costs incurred to acquire such prepayments are amortized over the estimated useful lives of 52 months. Amortization amounting to RMB540,000 for the six months ended June 30, 2017 (2016: RMB1,080,000) have been charged to cost of sales in the consolidated statement of profit or loss.

17 Share capital

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital RMB'000
As at January 1, 2017 and June 30, 2017	**1,592,079,000**	**1,066**

18 Reserves

	Share premium RMB'000	Merger and capital reserves RMB'000	Statutory reserves and other reserves RMB'000 (a)	Share option scheme RMB'000 (b)	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At January 1, 2017	**717,007**	**46,554**	**169,055**	**3,144**	**10,475**	**946,235**
Loss for the period	**–**	**–**	**–**	**–**	**(39,440)**	**(39,440)**
Share option scheme	**–**	**–**	**–**	**5,310**	**–**	**5,310**
Change in ownership interest in subsidiaries without loss of control (Note 32)	**–**	**5,177**	**–**	**–**	**–**	**5,177**
At June 30, 2017	**717,007**	**51,731**	**169,055**	**8,454**	**(28,965)**	**917,282**
At January 1, 2016	40,000	46,554	161,319	–	(40,713)	207,160
Loss for the period	–	–	–	–	(10,802)	(10,802)
At June 30, 2016	40,000	46,554	161,319	–	(51,515)	196,358

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

18 Reserves (continued)

(b) Share option scheme

The Group approved and launched one share option scheme on September 19, 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 HK$1.60.

As at June 30, 2017, 47,710,500 outstanding options were not exercisable as they have not yet been vested (December 31, 2016:47,710,500). These options with an exercise price of HK$1.60 per share upon vesting will be expired on September 19, 2026.

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. No option has been granted under the share option scheme as at June 30, 2017.

19 Non-controlling interests

	Non-controlling interests RMB'000
As at December 31, 2016	3,454
Loss for the period	(11,808)
Capital contributions by non-controlling interests of subsidiaries (a)	52,150
Changes in ownership interests in subsidiaries without change of control (Note 32)	7,473
Acquisition of a subsidiary	574
As at June 30, 2017	51,843

19 Non-controlling interests (continued)

(a) Capital contributions by non-controlling interests of subsidiaries

	Six months ended 30 June 2017 RMB'000
Shanghai Shuixian Obstetrics & Gynecology Hospital Co., Ltd.	20,000
Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd.	19,600
Wuxi Rich Women and Children's Hospital Co., Ltd.	2,900
Nanjing Rich Ruixiang Clinic Co., Ltd. ("Nanjing Ruixiang")	2,450
Xuzhou Rich Ruixu Clinic Co., Ltd. ("Xuzhou Ruixu")	2,450
Yangzhou Rich Ruiyang Integrated Chinese and Western Medicines Clinic Co., Ltd. ("Yangzhou Ruiyang")	1,500
Wuxi Rich Ruixi Clinic Co., Ltd. ("Wuxi Ruixi")	1,500
Nantong Rich Ruifeng Clinic Co., Ltd. ("Nantong Ruifeng")	1,500
Sichuan Medical Technology Co., Ltd.	250
	52,150

20 Borrowings

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Non-current:		
Bank borrowings — secured and/or guaranteed	–	31,190
Other borrowings	–	1,875
Less: Current portion of non-current borrowings	–	(28,432)
	–	4,633
Current:		
Bank borrowings — secured and/or guaranteed (i)	**427,900**	281,500
Current portion of non-current borrowings	–	28,432
	427,900	309,932
Total borrowings	**427,900**	314,565

(i) As at June 30, 2017, the Group's bank borrowings of RMB100,000,000 are secured by property and equipment (Note 7). Borrowings of RMB200,000,000 are secured by USD32,000,000 fixed deposit (Note 15). Borrowings of RMB127,900,000 are guaranteed by subsidiaries of the Company for each other.

As at June 30, 2017, all the borrowing are denominated in RMB and their fair value approximates their carrying amount.

As at June 30, 2017, borrowings of RMB391,900,000 were with floating interest rates.

20 Borrowings (continued)

Movements in borrowings are analysed as follows:

	RMB'000
Six months ended June 30, 2017	
Opening amount as at January 1, 2017	**314,565**
Proceeds of new borrowings	**407,400**
Repayments of borrowings	**(294,065)**
Closing amount as at June 30, 2017	**427,900**
Six months ended June 30, 2016	
Opening amount as at January 1, 2016	284,122
Proceeds of new borrowings	331,000
Repayments of borrowings	(189,029)
Closing amount as at June 30, 2016	426,093

21 Deferred income

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Sales of medical examination cards (a)	**51,607**	34,849
Government grants	**5,665**	5,844
	57,272	40,693

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

22 Other long-term liabilities

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Accrued rental expenses	**52,869**	48,066
Less: Current portion	**(1,964)**	(1,871)
	50,905	46,195

The operating rental expenses of the Group are amortized on a straight-line basis over the entire lease period, including the grace period granted by the lessors, if any. Differences between the operating rental expenses and cash payments are included in other long-term liabilities.

23 Trade and other payables

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Trade payables	**96,404**	89,064
Payables for purchase of property and equipment	**34,491**	10,391
Advances from customers	**56,494**	58,832
Staff salaries and welfare payables	**24,581**	22,357
Accrued taxes other than income tax	**3,027**	1,803
Accrued professional service fees	**800**	3,500
Accrued initial public offering fees	**—**	317
Interest payables	**443**	428
Loan from non-controlling interests of a subsidiary (a)	**4,500**	4,500
Others	**14,675**	17,617
	235,415	208,809

(a) The balance represent a shareholder's loan due to the non-controlling interests of a subsidiary, which is unsecured and non-interest bearing.

23 Trade and other payables (continued)

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

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Trade payables		
— Up to 3 months	**78,584**	73,755
— 3 to 6 months	**5,185**	3,826
— 6 months to 1 year	**2,557**	1,664
— 1 to 2 years	**2,020**	4,638
— 2 to 3 years	**3,341**	759
— Over 3 years	**4,717**	4,422
	96,404	89,064

The normal credit term of the Group is 30 days to 90 days. As at June 30, 2017 and December 31, 2016, all trade and other payables of the Group were non-interest bearing, mainly denominated in RMB and their fair value approximated their carrying amounts due to their short maturities.

24 Revenue

Revenue of the Group consists of the following:

	Six months ended June 30,	
	2017 RMB'000	2016 RMB'000
General Hospital		
Outpatient pharmaceutical income	**18,666**	17,588
Outpatient service income	**21,462**	18,901
Inpatient pharmaceutical income	**62,798**	62,131
Inpatient service income	**50,605**	45,960
Medical Examination		
Examination service	**280,564**	242,915
Management service fee and others	**1,786**	2,555
	435,881	390,050

25 Other income

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Government grants	**7,866**	2,007
Rental income	**386**	373
Others	**657**	1,715
	8,909	4,095

26 Expenses by nature

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Employee benefits expense	**203,142**	135,890
Operating lease rental expenses	**65,882**	52,370
Pharmaceutical costs	**45,635**	46,902
Medical consumables costs	**33,331**	31,322
Outsourcing testing expenses	**17,493**	14,900
Depreciation and amortization	**40,572**	40,598
Provision/(reversal) for receivables impairment	**3,395**	(3,423)
Utility expenses	**17,502**	14,680
Office expenses	**11,055**	7,070
Advertising expenses	**10,624**	5,990
Entertainment expenses	**6,412**	5,408
Maintenance expenses	**4,116**	5,377
Professional service charge	**1,157**	164
Auditor's remuneration		
— Audit service	**866**	986
— Non-audit service	**64**	—
Travel expenses	**2,524**	1,963
Stamp duty and other taxes	**1,561**	1,576
Initial public offering expenditure	**—**	16,042
Others	**10,562**	7,947
	475,893	385,762

27 Finance expenses — net

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Interest on borrowings	**11,724**	10,157
Exchange loss	**14,691**	—
	26,415	10,157
Interest income	**(3,115)**	(183)
Others	**(346)**	(437)
	(3,461)	(620)
Finance expenses — net	**22,954**	9,537

28 Income tax (credit)/expense

The amounts of income tax (credit)/expense charged to the consolidated statement of profit or loss represent:

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Current income tax		
— Current period	**14,965**	16,249
— (Over)/under provision for prior years	**(875)**	2,273
Deferred income tax (Note 12)	**(18,183)**	(8,625)
Income tax (credit)/expense	**(4,093)**	9,897

28 Income tax (credit)/expense (continued)

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:

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Loss before income tax	**(55,341)**	(2,262)
Tax calculated at the applicable income tax rate (25%)	**(13,835)**	(566)
Tax effect of:		
Expenses not deductible for tax purpose	**1,471**	1,510
Utilization of prior year tax losses and temporary differences not recognized as deferred tax assets	**(252)**	—
Temporary differences not recognized as deferred tax assets	**—**	126
Tax losses not recognized as deferred tax assets	**9,398**	6,554
(Over)/under provision for prior years	**(875)**	2,273
Income tax (credit)/expense	**(4,093)**	9,897

The corporate income tax rate applicable to the Group's subsidiaries located in mainland China is 25%.

The Company is registered in the Cayman Islands, and hence is not subject to corporate income tax. Two subsidiaries in the Group registered in the British Virgin Islands are not subject to corporate income tax.

No provision for Hong Kong profits tax has been made as the Group does not have assessable profits subject to Hong Kong profits tax during the periods.

The 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 January 1, 2008 and undistributed earnings generated prior to January 1, 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The directors of the Company had confirmed that retained earnings of the Group's PRC subsidiaries as at June 30, 2017 will not be distributed in the foreseeable future.

29 Losses per share

(a) Basic

Basic losses per share is calculated by dividing the net loss attributable to the owners of Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2017 and 2016, respectively.

	Six months ended June 30, 2017	2016
Net loss attributable to owners of the Company (RMB'000)	**(39,440)**	(10,802)
Weighted average number of ordinary shares in issue (i)	**1,592,079,000**	1,060,225
Basic losses per share (RMB)	**(0.02)**	(10.2)

(i) Pursuant to a shareholders' resolution dated 23 June 2016, the Company capitalized an amount of USD127,121 (approximately RMB852,000) on October 6, 2016, standing to the credit of its share premium account and to appropriate such amount as capital to pay up 1,271,209,775 shares in full at par to the then shareholders of the Company in proportion to their then respective shareholdings in the Company.

On 6 October 2016, the Company issued 318,080,000 new ordinary shares of USD0.0001 each at HKD2.56 per share in connection with its global offering and commencement of the listing of its shares on the Stock Exchange on the same date.

On 28 October 2016, the Company issued 1,729,000 new ordinary shares of USD0.0001 each at HKD2.56 per share in connection with the exercise of over-allotment option.

(b) Diluted

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

	Six months ended June 30, 2017	2016
Net loss attributable to owners of the Company (RMB'000)	**(39,440)**	(10,802)
Weighted average number of ordinary shares in issue	**1,592,079,000**	1,060,225
Adjustment for share options granted under the share option scheme	**47,710,500**	—
Weighted average number of ordinary shares for diluted losses per share	**1,639,789,500**	1,060,225
Diluted losses per share (RMB)	**(0.02)**	(10.2)

30 Contingencies

Up to June 30, 2017 the Group had seventeen ongoing medical disputes arising from the operation of Nantong Rich Hospital 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 our ongoing medical disputes shall not material and thus no additional provision was made in this respect.

31 Commitments

(a) Capital commitments

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

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Authorized and contracted for:		
Leasehold improvements and equipment	**89,155**	26,368

(b) Operating lease commitments

The Group leases various buildings under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at June 30, 2017 RMB'000	As at December 31, 2016 RMB'000
Minimum lease payments under operation leases		
Within 1 year	**155,148**	119,553
1 to 5 years	**546,367**	420,305
Over 5 years	**844,999**	582,334
	1,546,514	1,122,192

32 Changes in ownership interests in subsidiaries without change of control

Disposal of interests in subsidiaries without loss of control

Subsidiaries	Consideration from non-controlling interests	Carrying amount of non-controlling interests disposed of	Gain on disposal recognised within equity
Yangzhou Ruiyang (a)	950	(950)	—
Wuxi Ruixi (b)	950	(933)	17
Nantong Ruifeng (c)	950	(776)	174
Nanjing Ruixiang (d)	—	44	44
Suzhou Rich Ruihe Clinic Co., Ltd. ("Suzhou Ruihe")(e)	2,450	(1,545)	905
Guangzhou Rich Zhongxin Clinic Co., Ltd. ("Guangzhou Zhongxin")(f)	7,350	(3,313)	4,037
	12,650	(7,473)	5,177

(a) In April 2017, the Group disposed of 19% of interest in Yangzhou Ruiyang at a consideration of RMB950,000. The carrying amount of the non-controlling interests in Yangzhou Ruiyang on the date of disposal was RMB1,500,000. The Group recognised an increase in non-controlling interests of RMB950,000.

(b) In April 2017, the Group disposed of 19% of interest in Wuxi Ruixi at a consideration of RMB950,000. The carrying amount of the non-controlling interests in Wuxi Ruixi on the date of disposal was RMB1,472,000. The Group recognised an increase in non-controlling interests of RMB933,000 and an increase in equity attributable to owners of the Company of RMB17,000.

(c) In April 2017, the Group disposed of 19% of interest in Nantong Ruifeng at a consideration of RMB950,000. The carrying amount of the non-controlling interests in Nantong Ruifeng on the date of disposal was RMB1,225,000. The Group recognised an increase in non-controlling interests of RMB776,000 and an increase in equity attributable to owners of the Company of RMB174,000.

(d) In April 2017, the Group disposed of 49% of interest in Nanjing Ruixiang for zero consideration. The Group recognised an decrease in non-controlling interests of RMB44,000 and an increase in equity attributable to owners of the Company of RMB44,000.

(e) In April 2017, the Group disposed of 49% of interest in Suzhou Ruihe at a consideration of RMB2,450,000. The Group recognised an increase in non-controlling interests of RMB1,545,000 and an increase in equity attributable to owners of the Company of RMB905,000.

(f) In April 2017, the Group disposed of 49% of interest in Guangzhou Zhongxin at a consideration of RMB7,350,000. The Group recognised an increase in non-controlling interests of RMB3,313,000 and an increase in equity attributable to owners of the Company of RMB4,037,000.

33 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 six months ended June 30, 2017 and 2016 and balances arising from related party transactions as at June 30, 2017 and December 31, 2016.

(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
Chelsea Grace	Parent company
Shanghai Rich Healthcare Management Co., Ltd. (上海瑞慈健康體檢管理股份有限公司) ("Shanghai Rich Medical Exam")	Controlled by Dr. Fang
Nantong Rich Real Estate Development Co., Ltd. (南通瑞慈房地產開發有限公司)	Controlled by Dr. Fang
Jiangsu Tayoi Cosmetics Limited by Share Ltd. (江蘇東洋之花化妝品股份有限公司) (renamed as Jiangsu Tayoi Biological Technology Co., Ltd. (江蘇東洋之花生物科技股份有限公司) on March 26, 2013)	Controlled by Dr. Fang
Shanghai Rich Cosmetics Co., Ltd. (上海瑞慈化妝品有限公司) ("Rich Cosmetics")	Controlled by Dr. Fang
Shanghai Meidi	Joint venture
Nantong Rich Meidi Nursing Home, Co., Ltd. (南通瑞慈美邱護理院有限公司) ("Nantong Meidi")	Subsidiary of the joint venture
Nantong Kaide Trading Co.,Ltd. (南通凱德貿易有限公司)	Controlled by close family member of Dr. Fang and Dr. Mei
Nantong Beiting Medical Management Co., Ltd. (南通北婷醫療管理有限公司) ("Nantong Beiting")	Controlled by close family member of Dr. Fang and Dr. Mei

33 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 received from/repaid to a related party

During the six month period ended June 30, 2017, Shanghai Rich Medical Exam assisted the Group in setting up Hangzhou Rich Medical Clinic Co., Ltd. ("Hangzhou Rich") including, inter alia, completion of registration procedures with local authorities. In relation to these procedures, Shanghai Rich Medical Exam has provided temporary fund of RMB4,000,000 that was fully repaid by the Group upon the completion of the procedures and transfer of legal title of Hangzhou Rich to the Group.

(ii) Temporary funding provided to related parties

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Nantong Meidi	**1,000**	—
Mr. Fang Haoze	**—**	14
	1,000	14

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

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Shanghai Rich Medical Exam	**1,960**	944
Nantong Rich Real Estate development Co., Ltd.	**—**	405
	1,960	1,349

During the six month period ended June 30, 2017, Shanghai Rich Medical Exam assisted the Group in setting up the Xuzhou Ruixu including, inter alia, completion of registration procedures with local authorities. In relation to these procedures, Shanghai Rich Medical Exam has paid pre-operating expenses amounted to RMB300,000 on behalf of Xuzhou Ruixu upon the completion of the procedures and transfer of legal title of Xuzhou Ruixu to the Group. Shanghai Rich Medical Exam has also paid pre-operating expenses on behalf of Hangzhou Rich amounted to RMB1,660,000 which was fully repaid by the Group.

33 Related party transactions (continued)

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

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

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Nantong Meidi	**493**	160
Nantong Rich Real Estate Development Co., Ltd.	**36**	29
Shanghai Meidi	**—**	350
	529	539

(v) Purchase of goods

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Rich Cosmetics	**304**	455
Nantong Kaide Trading Co.,Ltd.	**—**	3
	304	458

33 Related party transactions (continued)

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

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

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Dr. Fang and Dr. Mei	–	200,000
Dr. Fang, Dr. Mei and Shanghai Rich Medical Exam	–	15,000
Dr. Fang, Dr. Mei, Nantong Beiting and Jiangsu Tayoi Biological Technology Co., Ltd.	–	31,000
Dr. Fang, Dr. Mei, Shanghai Rich Medical Exam and Nantong Rich Real Estate Development Co., Ltd.	–	8,125
Dr. Fang	–	16,000
	–	270,125

(vii) Services provided to related parties

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Rich Cosmetics	–	392

33 Related party transactions (continued)

(c) Key management compensation

Key management includes directors (executive and non-executive), chief financial officer and secretary of the board of directors. The compensation paid or payable to key management for employee services is shown below:

	Six months ended June 30,	
	2017	2016
	RMB'000	RMB'000
Share option scheme	**3,540**	—
Salaries and other short-term employee benefits	**1,194**	660
Pension	**125**	87
	4,859	747

(d) Balances with related parties

Amounts due from related parties

	As at June 30, 2017	As at December 31, 2016
	RMB'000	RMB'000
Nantong Meidi	**2,493**	1,000
Nantong Rich Real Estate Development Co., Ltd.	**32**	—
	2,525	1,000

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

Amounts due to related parties

	As at June 30, 2017	As at December 31, 2016
	RMB'000	RMB'000
Shanghai Rich Medical Exam (i)	**300**	—

(i) The amount due to Shanghai Rich Medical Exam was mainly temporary funding received from Shanghai Rich Medical Exam, which was unsecured and non-interest bearing.

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