2018

中期報告

INTERIM REPORT

RICI HEALTHCARE
HOLDINGS LIMITED

瑞慈醫療服務控股有限公司

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, (i) our subsidiaries and (ii) with respect to the period before our Company became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Company Secretary"	the secretary of the Company
"Controlling Shareholder(s)"	Dr. Mei and Chelsea Grace or any one of them
"Director(s)"	the director(s) of our Company or any one of them
"Dr. Fang"	Dr. Fang Yixin, our chairman, executive Director and the spouse of Dr. Mei
"Dr. Mei"	Dr. Mei Hong, our executive Director, our Controlling Shareholder and the spouse of Dr. Fang

"Everbright (Haimen)"	Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership) (海門光控健康養老產業投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 16, 2017
"Grade A, Grade B and Grade C"	hospitals in China can be categorized into Class I, II and III in terms of service quality, management level, medical equipment, hospital size and medical technology. Each class can be further divided into Grade A, Grade B and Grade C. Class III Grade A hospitals are the top level hospitals in China
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, each being the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IPO"	the initial public offering of the Company, having become unconditional in all aspects on October 6, 2016
"Listing Date"	October 6, 2016, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nantong Rich Hospital"	Nantong Rich Hospital Co., Ltd. (南通瑞慈醫院有限公司), a company established in the PRC with limited liability on August 14, 2000, which is an indirectly wholly-owned subsidiary of the Company before the completion of the investment contemplated under the investment agreement dated August 31, 2018 among Nantong Rich Medical, Dr. Mei, Dr. Fang, Nantong Rich Hospital and Everbright (Haimen)
"Nantong Rich Medical"	Nantong Rich Medical Management Group Co., Ltd. (南通瑞慈醫療管理集團有限公 司), a company established in the PRC with limited liability on July 14, 2014, which is an indirectly wholly-owned subsidiary of the Company

Definitions

"Nomination Committee"	the nomination committee of the Board
"Reporting Period"	the six months ended June 30, 2018
"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
"Share(s)"	ordinary share(s) of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on September 19, 2016
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Fang Yixin *(Chairman)*
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

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PRINCIPAL BANKERS

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Zhangjiang Hi-Tech Park Branch
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Shanghai
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China Merchants Bank
Jinshajiang Road Branch
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Board Lot: 1,000

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Management Discussion and Analysis

BUSINESS OVERVIEW AND STRATEGIC OUTLOOK

Industry Overview

Along with the deepening of China's medical and healthcare system reform, the rise of household consumption standard, the gradual effecting of "Two-Child" policy and the continuous improvement of medical technologies, the medical and healthcare service market in China expanded rapidly. According to the statistics published by National Health Commission (國家衛生健康委員會) in July 2018, as of April 2018, there were more than 31,000 hospitals in China, comprising over 12,000 public hospitals and over 19,000 private hospitals. As compared to the corresponding period in 2017, the number of public hospitals decreased by more than 400, and the number of private hospitals increased by more than 2,000. In addition, the number of other types of private healthcare institutions has grown to different extents. From January to April 2018, the number of patients treated in China's private hospitals was 160 million, representing a year-on-year increase of 17.6%, which was significantly higher than a year-on-year increase of 6.4% of the number of patients treated in all hospitals in China. The proportion of the number of patients treated in China's private hospitals to that in all hospitals in China increased from 13.2% for the six months ended June 30, 2017 to 14.6% for the Reporting Period. The market size of private hospitals kept growing with a room for further growth.

China's economic prosperity, the improvement of the people's living standard and the continuous raise of health awareness facilitated the sustainable development of the medical examination market in China. As reflected in the statistics from China Health Statistics Yearbook (中國衛生和計劃生育統計年鑒) and ASKCI Consulting (中商產業研究院), in 2017, the number of medical examination centers' visitors in China reached 501 million and accounted for 36.04% of the total Chinese population (2016: 452 million, 32.68%), representing a continuous growth trend and leaving a huge room for its further growth.

Under the influence of "Two-Child" policy, China may see a new baby boom as a result of the people born during the third baby boom from 1985 to 1997 after the founding of the PRC reaching childbearing ages. According to the statistics from Statistical Communique of the People's Republic of China on the 2017 National Economic and Social Development (2017年國民經濟和社會發展統計公報) published by National Bureau of Statistics of China (國家統計局), the population of the newborn in China for 2017 was 17.23 million with a birth rate of 12.43%. The birth rate in China generally remained relatively high in the past few years boosted the market demand for obstetrics, gynecology and pediatrics specialty hospitals.

Meanwhile, the aging population in China grows larger. According to the statistics from Statistical Communique of the People's Republic of China on the 2017 National Economic and Social Development published by National Bureau of Statistics, the number of the people aged 60 or above in China reached 241 million at the end of 2017, representing 17.3% of the total population in China (at the end of 2016: 231 million, 16.7%), including that 158 million people aged 65 or above accounted for 11.4% of the total population in China (at the end of 2016: 150 million, 10.8%). The large aging population drove the further increase of the market demand for the combination of medical treatment and elderly care services.

In the annual sessions of National People's Congress (全國人民代表大會) and Chinese People's Political Consultative Conference (中國人民政治協商會議) in 2018, the Chinese government continued to emphasize the implementation of the "Healthy China (健康中國)" strategy, promoting the introduction of private healthcare institutions and the development of the healthcare industry, and supporting social resources to provide multi-levels and diverse healthcare services. The development of the massive healthcare industry became a part of such national strategy. Internationalized, distinctive and high-standard private healthcare institutions have also received more recognition. The health authorities of the state and provinces, municipalities and autonomous regions have also promulgated new policies to encourage the development of private healthcare institutions. As a representative case, in July 2017, the government of Shanghai announced to cancel the restrictions on the planning and layout of high-end private healthcare institutions, further encourage the development of a number of featured specialties, including obstetrics and gynecology, loosen the medical insurance qualification requirements for high-end healthcare institutions, and allow the reimbursement of basic healthcare services fees. Such and the similar new policies will provide a larger room for the development of high-end private specialized hospitals and general healthcare institutions, creating new opportunities and development environment for the Group's businesses.

General Hospital Business

Nantong Rich Hospital (南通瑞慈醫院), which is also the Fourth Clinical College of Yangzhou University (揚州大學第四臨床醫學院), is a Class III Grade B private general hospital with 520 registered beds. It is also qualified for the public medical insurance scheme. In October 2017, Nantong Rich Hospital became one of the Second Batch of National Standardized Medical Residency Training Coordination Bases (第二批國家級住院醫師規範化培訓協同基地), which facilitated the guidance and training of our excellent medical personnel and strengthen the Group's ability to attract young medical talents and created an internal talent pool. Nantong Rich Hospital has strong medical capability. It has one National Key Clinical Discipline (國家級臨床重點專科), five Municipal Key Clinical Disciplines (市級臨床重點專科), one Municipal Key Clinical Discipline Under Construction (市級臨床重點建設專科), and one Municipal Key Discipline Under Construction (市級重點建設學科). As of June 30, 2018, Nantong Rich Hospital had 259 doctors, 87 healthcare technical staff and 367 nurses. In addition, the expansion project of Nantong Rich Hospital Phase II is progressing in an orderly manner. Upon completion, the number of registered beds in Nantong Rich Hospital will reach approximately 1,400.

During the Reporting Period, Nantong Rich Hospital served 169,125 out-patients (six months ended June 30, 2017: 154,380) and 11,533 inpatients (six months ended June 30, 2017: 9,808), representing an increase of 9.55% and 17.59% as compared with the corresponding period in 2017, respectively. Revenue from the general hospital business amounted to approximately RMB187.3 million (six months ended June 30, 2017: RMB153.5 million), representing an increase of 22.0% as compared with the corresponding period last year and 34.3% (six months ended June 30, 2017: 35.2%) of the total revenue for the Reporting Period.

The Group endeavored to build an elderly-care brand with "a combination of medical treatment and elderly care" through the joint operation of Nantong Rich Meidi Elderly Care Center (南通瑞慈美邸護理院) with Medical Care Service Company Inc. (日本美邸養老服務有限公司) leveraging on the medical resources of Nantong Rich Hospital and focusing on the elderly with severe illness. Currently, Nantong Rich Meidi Elderly Care Center is an appointed medical institution for public medical insurance reimbursement and public basic care insurance reimbursement in Nantong. As of June 30, 2018, such elderly care center served 103 elderly with full occupancy. In the Reporting Period, Nantong Rich Meidi Elderly Care Center comprehensively adjusted its pricing system and admission evaluation standard, which effectively increased the admission proportion of the people without self-care ability and the economic benefits per bed. Moreover, Nantong Rich Meidi Elderly Care Center established a long-term and stable relationship in relation to the volunteer services with social welfare organizations and enterprises. It also established a nursing service group for dementia to develop and implement a nursing service program with a focus on dementia as its specialty. Nantong Rich Meidi Elderly Care Center has maintained a smooth communication with other elderly care and nursing institutions in Nantong. In the Reporting Period, the elderly-care institutions alliance was initially established in Nantong to promote the positive development of the elderly-care industry in Nantong. In addition, leveraging on its extensive operational experience, Nantong Rich Meidi Elderly Care Center was actively engaged in medical project planning and consultation business, and entered into contracts or negotiated with several enterprises during the Reporting Period.

Medical Examination Business

With the strengthening of people's health awareness and the pursuit of high-quality healthcare services, the Company's mid-end to high-end and high-quality medical examination services were getting popular. During the Reporting Period, the performance of the Group's medical examination business was in line with expectation, reinforcing its leading position as one of the top three healthcare companies in China in terms of market share. In addition, the Company strictly focused on the three core qualities, namely medical quality, service quality and operational quality. Facing fierce market competition, the Group achieved orderly progress in its medical examination layout and the medical examination centers under the preparation for the establishment in 2017 commenced operation as planned.

As of June 30, 2018, the Group had 48 medical examination centers (as of June 30, 2017: 32) across the country, representing a year-on-year increase of 50%, among which, 38 medical examination centers were under the operation (as of June 30, 2017: 24), representing a year-on-year increase of 58.3%, covering 24 cities including seven cities the Group expanded to during the Reporting Period. Revenue from medical examination business for the Reporting Period amounted to approximately RMB356.5 million, representing a year-on-year increase of 26.3% from approximately RMB282.4 million for the corresponding period in 2017. The medical examination centers under the Group served 699,547 customers in the Reporting Period (corresponding period in 2017: 595,607), representing a year-on-year increase of 17.5% and the corporate customers were the principal customer base of the medical examination services of the Group. During the Reporting Period, the Group served 554,647 corporate customers (corresponding period in 2017: 483,539) and 144,900 individual customers (corresponding period in 2017: 112,068), representing a year-on-year increase of 14.71% and 29.30%, respectively. The average per capita spending of customers of the medical examination centers under the Group increased to RMB505.5 for the Reporting Period, while the average spending per individual from corporate customers and individual customers increased to RMB501 and RMB522 respectively (corresponding period in 2017: RMB458 and RMB504, respectively), representing a year-on-year increase of 9.48% and 3.67% respectively. Moreover, in the course of active expansion, the Group strengthened its internal control and kept improving its operation efficiency and the quality of medical services. Although the newly operated medical examination centers incurred losses to certain extent, the profitability of the maturely-operated institutions under the Group has maintained stable improvement.

Upon the implementation of the one-stop health management solution of "Medical Examination Center + Clinic" since 2015 and to respond to the State's call for the promotion of the medical referral system, the Company adopted the full tracking diagnosis and treatment model of "disease prevention – screening – treatment – follow-up visit" and adopted the embedded clinic model, connecting Class III Grade A hospitals with common people and creating an open practice platform of clinics for medical experts in Shanghai. Besides, such platform expanded the service to other cities in China through our proprietry self-developed remote diagnosis and treatment system (patent number: 201610143085.8). In addition, our Chinese medicine clinic under the strategic cooperation between the Group and Guang'anmen Hospital of China Academy of Chinese Medical

Sciences (中國中醫科學院廣安門中醫院) commenced operation successfully in Beijing in January 2018. During the Reporting Period, revenue from clinic business amounted to approximately RMB2.9 million (for the six months ended June 30, 2017: RMB2.9 million), mainly from diagnostic income.

Specialty Hospital Business

In order to capture the growing opportunities in the obstetrics, gynecology and pediatrics specialty market, the Group endeavored to build a brand of "Rici Obstetrics Gynecology and Pediatrics" to pursue the combination of professional medical standard and high-quality service. The Group actively expanded obstetrics, gynecologic and pediatric business, and focused on the layout of high-end obstetrics, gynecology and pediatrics specialty hospital market in the Yangtze River Delta region to take the social responsibilities of protecting the health of families and satisfy the people's demand for high-end obstetrics, gynecology and pediatrics services. Such business became one of the important segments which the Group prioritized.

During the Reporting Period, the Group established a long-term strategic cooperation with several Class III Grade A hospitals, such as Obstetrics and Gynecology Hospital of Fudan University (復旦大學附屬婦產科醫院), Children's Hospital of Fudan University (復旦大學附屬兒科醫院) and Shanghai First Maternity and Infant Hospital (上海市第一婦嬰保健院). Combining the "3H Concept" of "Professional Hospital", "Cozy Home" and "Comfortable Hotel", the Group has established three high-end obstetrics, gynecology and pediatrics specialty hospitals in the Yangtze River Delta region, with Professor Feng Youji (豐有吉), the former president of Obstetrics and Gynecology Hospital of Fudan University, a well-known expert in obstetrics and gynecology, appointed as their president. Moreover, each of such three high-end obstetrics, gynecology and pediatrics specialty hospitals had a postpartum care center, which fully coordinated with the hospitals to provide a true medical-grade one-stop pregnancy and postpartum care services.

Among such obstetrics, gynecology and pediatrics specialty hospitals, Changzhou Rich Obstetrics & Gynecology Hospital (常州瑞慈婦產醫院), a high-end obstetrics, gynecology and pediatrics hospital established in Changzhou City, Jiangsu Province, commenced operation in January 2018 with a floor area of 31,000 square meters and 268 beds. To supplement the VIP medical services of the public hospitals in Changzhou, Changzhou Rich Obstetrics & Gynecology Hospital entered into a cooperation agreement with The First People's Hospital of Changzhou (常州市第一人民醫院), Changzhou Maternity and Infant Health Care Hospital (常州婦幼保健院) and Changzhou Children's Hospital (常州市兒童醫院), cooperating with such three major public hospitals in Changzhou for coordinated development. Shanghai Shuixian Obstetrics & Gynecology Hospital (上海瑞慈水仙婦產醫院), which was established in Shanghai inner ring central area, commenced operation in June 2018. It is located in a century-old historic building, the original site of Henry Lester Institute for Medical Research, and is close to Children's Hospital of Shanghai (上海市兒童醫院). Shanghai Shuixian Obstetrics & Gynecology Hospital has 96 beds and a high-end postpartum care center. The construction of the second phase of such high-end postpartum care center will be completed by the end of 2018. In the Reporting Period, Shanghai Shuixian Obstetrics & Gynecology Hospital combined the popular strategic marketing in the market and the synergy effect of Class III Grade A specialty hospitals in Shanghai, which brought the brand awareness and effect for Shanghai Shuixian Obstetrics & Gynecology Hospital. Meanwhile, Shanghai Cherry Pediatric Clinic Co., Ltd. (上海睿醫小櫻桃門診部有限公司) under Shanghai Shuixian Obstetrics & Gynecology Hospital fully utilized the Group's advantages in pediatric and became a high-quality, warm and fun pediatric general clinic for the residents in Shanghai. In addition, a specialty hospital in Wuxi is expected to complete its construction in the fourth quarter of 2018.

In the Reporting Period, being in the early phase of its development, the specialty hospital business of the Group kept cultivating its prestige and improving its management. The revenue of the speciality hospital business amounted to approximately RMB2.4 million for the Reporting Period, representing approximately 0.4% of the total revenue. The number of the patient visits reached 2,179 during the Reporting Period.

PROSPECTS

Medical and healthcare system reform policies have created new opportunities and development environment for the Group's businesses. Leveraging on its advantages on resources as a result of exploring in the healthcare industry for many years and with smooth management and operation, high-quality customer services and exceptional reputation, the Group has expanded its various business sectors from general hospital and medical examination to clinic, elderly care and high-end obstetrics, gynecology and pediatrics specialty hospital gradually. Within 18 years since its establishment, the Group has built a close loop of healthcare industry covering the full life cycle of human beings, and has become a well-known listed company with diversified healthcare services in the Yangtze River Delta region.

For the general hospital business, after 16 years' endeavor, Nantong Rich Hospital has become one of the leading medical and healthcare institutions in Jiangsu, in terms of brand influence and reputation on medical services. In the second half of 2018, Nantong Rich Hospital will start to use large-scale equipment which is the most sophisticated in Nantong region, including PET-CT, LINAC and Gamma Knife. In the future, Nantong Rich Hospital will keep responding actively to the nation's current call for medical and healthcare system reform, through its cooperation with five community health centers in Nantong Economic Development Zone in 2018 as its initial step and the implementation of the medical referral system with Nantong Rich Hospital as its core, the medical alliance development planning will be gradually implemented. In addition, Nantong Rich Hospital will reconstruct and add a new ward in the second half of 2018 to satisfy the growing healthcare demand.

As a model of success, Nantong Rich Meidi Elderly Care Center located in Nantong Rich Hospital has accumulated valuable operational experience for the Group and laid a foundation for rapid duplication of the Group's elderly care business in the future. In the second half of 2018, Nantong Rich Meidi Elderly Care Center will implement a new pricing system, improve the elderly-care evaluation standard and optimize the customer structure. At the same time, under the premise of ensuring the high-quality and safety of its services, Nantong Rich Meidi Elderly Care Center will further optimize the allocation of human resources and improve the employee incentive system to effectively reduce labor costs and improve its operation efficiency. In addition, Nantong Rich Meidi Elderly Care Center will continue to expand new businesses including but not limited to training and project consultation.

For the medical examination business, the Group will endeavour to speed up to improve the layout of the national medical examination service network in the Yangtze River Delta region as its core while covering developed key cities. Abiding strictly by the three core qualities, namely medical quality, service quality and operational quality, the Group will further expand smoothly. In the second half of 2018, to expand the medical examination business map, the Group is expected to commence the preparation work for the establishment of eight medical examination centers, upon completion of which, the Group is expected to cover 30 cities in respect of its medical examination business. According to Notice on Improving Approval

Process of Medical Institutions and Physicians (《關於進一步完善醫療機構、醫師審批工作的通知》) published by National Health Commission in June 2018, in the future, the establishment procedure for Class II or below medical institutions will be further simplified and shortened. As the medical examination centers under the Group to be established fall into the category of "Class II or below medical institutions", it is expected that the establishment costs will decrease to some extent in the future.

For the obstetrics, gynecology and pediatrics specialty hospital business, in the second half of 2018, the internal control of medical service quality and the professional training of medical staff will remain the cores of the long-term operation of the Group's obstetrics, gynecology and pediatrics specialty hospitals. We will gradually provide the Rici specialized outpatient services, leveraging on the advantages such as absolute privacy protection, comfortable and warm environment, unique expert resources and high-quality N to 1 service of the Group's obstetrics, gynecology and pediatrics specialty hospitals to provide premium services, including quality gynecology screening, children healthcare, infertility clinic and painless childbirth, in order to increase the brand recognition, identification and reputation of "Rici Obstetrics, Gynecology and Pediatrics". Our obstetrics, gynecology and pediatrics specialty hospitals will also adjust themselves to follow the deepening of the medical and healthcare system reform and the preferential policy for local healthcare institutions, initiate the medical insurance application process and strive to qualify for the public medical insurance scheme as soon as the end of 2018. Besides, we will actively engage in commercial medical insurance schemes to expand the customer base and diversify our payment methods. In addition, the specialty hospitals will continue to tap the massive market as a result of the positive dislocation competition with the public hospitals, utilize the support of the sophisticated equipment of our specialty hospitals, and focus on developing innovative, noninvasive, safe and effective technology and business. Meanwhile, our obstetrics, gynecology and pediatrics specialty hospitals will continue to promote and adjust themselves by way of combining the consumption habits of the customers in local markets and marketing and product structure, further strengthening brand recognition and market influence and enhancing customer loyalty through high-quality services and technology constantly. With the opportunities arising from the deepening of medical and healthcare system reform and the increase of expenditure on mothers and babies, the Company believes that the brand of "Rici Obstetrics Gynecology and Pediatrics" will become the new driving force for the Group's profit growth.

As a pioneer of China's medical and healthcare system reform, the Group will continue to focus on the quality of medical and other services. While focusing on medical examination and hospital businesses, the Group will integrate its business segments including general hospitals, specialty hospitals, elderly care, medical examination and chain clinics to provide high-quality-guaranteed healthcare services to the residents of the Yangtze River Delta region and further to the whole country.

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,		
	2018 (RMB'000)	2017 (RMB'000)	**% of Change**
General hospital business	**193,231**	167,099	15.6%
Medical examination business	**356,544**[1]	282,405[1]	26.3%
Specialty hospital business	**2,448**[2]	—	—
Inter-segment	**(5,973)**[3]	(13,623)	(56.2%)
Total	**546,250**	435,881	25.3%

Notes:

(1) Included revenue from business of embedded clinics in medical examination institutions.

(2) Included revenue from clinic business under specialty hospitals.

(3) Inter-segment revenue for the Reporting Period was mainly the outsourcing testing revenue from medical examination business in general hospitals, which amounted to RMB6.0 million.

Our revenue increased by 25.3% from RMB435.9 million for the six months ended June 30, 2017 to RMB546.3 million for the Reporting Period, mainly due to an increase in revenue from both the general hospital business and the medical examination business.

Revenue from the general hospital business for the Reporting Period amounted to approximately RMB187.3 million, representing an increase of 22.0% from approximately RMB153.5 million for the corresponding period in 2017, excluding inter-segment revenue of RMB6.0 million and RMB13.6 million for the six months ended June 30, 2018 and 2017, respectively. The increase was mainly attributable to a decrease in the average days for inpatients spent in our hospitals and an increase of 1,725 in the number of individuals served as we actively improved our operational efficiency, which led to the increase of the revenue from inpatient by RMB29.3 million. In addition, the number of outpatient visits for the Reporting Period increased by 14,745, and consequently, the revenue from outpatient increased by RMB4.5 million.

Revenue from the medical examination business for the Reporting Period amounted to approximately RMB356.5 million, representing an increase of 26.3% from approximately RMB282.4 million for the corresponding period in 2017, excluding the inter-segment revenue of RMB0.06 million for the six months ended June 30, 2017. The increase in revenue from our medical examination business was mainly attributable to the operation of fourteen new medical examination centers in the second half of 2017 and the Reporting Period, and the medical examination revenue from such new medical examination centers amounted to RMB53.7 million. Besides, the improvement of our service quality and the growing emphasis on high-end medical examination items brought an increase in the spending per customer. The average spending per individual in the medical examination business was RMB505.5 for the Reporting Period, representing an increase of 8.4% from approximately RMB466.4 for the corresponding period in 2017.

Moreover, the medical examination business includes business of our embedded clinics in medical examination institutions. Revenue from our clinic embedded medical examination business for the Reporting Period amounted to approximately RMB2.9 million (for the six months ended June 30, 2017: RMB2.9 million), mainly from diagnostic income.

Revenue from the specialty hospital business for the Reporting Period amounted to approximately RMB2.4 million, among which, the revenue from clinic business under our specialty hospitals amounted to approximately RMB0.3 million.

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 the cost of sales by operating segments for the periods indicated:

	Six months ended June 30,		
	2018	2017	**% of Change**
	(RMB'000)	(RMB'000)	
General hospital business	**147,193**	115,089	27.9%
Medical examination business	**251,069**(1)	198,715(1)	26.3%
Specialty hospital business	**50,953**(2)	—	—
Inter-segment	**(5,973)**	(13,568)	(56.0%)
Total	**443,242**	300,236	47.6%

Notes:

(1) Included the cost of sales of business of our embedded clinics in medical examination institutions.

(2) Included the cost of sales of clinic business under our specialty hospitals.

Our cost of sales increased by 47.6% from approximately RMB300.2 million for the six months ended June 30, 2017 to approximately RMB443.2 million for the Reporting Period, mainly due to the operation of fourteen new medical examination centers and two new specialty hospitals, and the expansion of the scale of our general hospital business.

Cost of sales of our general hospital business for the Reporting Period amounted to approximately RMB147.2 million, representing an increase of 27.9% from approximately RMB115.1 million for the corresponding period in 2017. The increase was mainly attributable to the increase in medical costs and the improvement of medical staff's operation performance as a result of the expansion of revenue scale for the Reporting Period.

Cost of sales of our medical examination business for the Reporting Period amounted to approximately RMB251.1 million, representing an increase of 26.3% from approximately RMB198.7 million for the corresponding period in 2017. The increase was mainly attributable to the operation of new medical examination centers, causing some fixed costs, such as rental expenses and depreciation and amortization expenses, to increase by RMB28.2 million. The variable costs of our medical examination centers included medical consumable costs and outsourcing testing expenses. The increase in the cost of sales of our medical examination business was generally in line with the revenue growth of our medical examination business.

Cost of sales of the specialty hospital business for the Reporting Period amounted to approximately RMB51.0 million, which were mainly remuneration expenses of medical staff, rental expenses, depreciation and amortization expenses, medical consumable costs and outsourcing testing expenses.

Gross Profit

Our gross profit decreased by 24.1% from approximately RMB135.6 million for the six months ended June 30, 2017 to approximately RMB103.0 million for the Reporting Period. Gross profit margin decreased from 31.1% for the six months ended June 30, 2017 to 18.9% for the Reporting Period, which was primarily because the fourteen recently operated medical examination centers and the two new specialty hospitals were under the early phase of development. In addition, gross profit margin of our general hospital business for the Reporting Period amounted to 23.8%, representing a decrease by 7.3% from 31.1% in the corresponding period in 2017 as a result of the changes in remuneration and performance system. Gross profit margin of the medical examination business remained stable at 29.6% with the corresponding period in 2017.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses increased by 27% from approximately RMB70.1 million for the six months ended June 30, 2017 to approximately RMB89.0 million for the Reporting Period. The growth was mainly related to our medical examination business, which was in line with the revenue growth of the medical examination business.

Administrative Expenses

Our administrative expenses increased by 38.0% from approximately RMB105.6 million for the six months ended June 30, 2017 to approximately RMB145.7 million for the Reporting Period. The increase was mainly due to (i) the increase of RMB15.5 million in pre-opening expenses, such as the rental expenses, for the pre-operation of new medical examination centers; (ii) the increase of RMB7.5 million in share option expenses; and (iii) the increase of remuneration expenses and the increase in office expenses due to the increase in the number of management employees as a result of the development of the Group's business.

Other Income

Our other income for the Reporting Period amounted to approximately RMB3.9 million (for the six months ended June 30, 2017: approximately RMB8.9 million). Other income mainly represented government subsidies.

Other Losses

Our other losses for the Reporting Period amounted to approximately RMB0.4 million, as compared to the loss of approximately RMB1.3 million for the corresponding period in 2017.

Financial Expenses — net

The Group had net finance expenses of approximately RMB8.7 million for the Reporting Period, as compared to net finance expenses of approximately RMB23.0 million in the corresponding period in 2017, mainly comprised the incurring of net interest expenses of approximately RMB11.4 million and of exchange gain of RMB2.7 million for the Reporting Period.

Share of Results

For the Reporting Period, the Group recognized a share of profit of RMB0.02 million (for the six months ended June 30, 2017: profit of approximately RMB0.05 million) in its consolidated results, mainly due to the operating profit/loss of Nantong Rich Meidi Elderly Care Center, a joint venture of the Group and a company primarily engaged in providing elderly care services. The business of such joint venture has been stable since its establishment in the second half of 2014.

Income Tax Credit

For the Reporting Period, income tax credit amounted to approximately RMB29.3 million (for the six months ended June 30, 2017: income tax credit of approximately RMB4.1 million), mainly because the new medical examination centers and obstetrics and gynecology specialty hospitals incurred more loss, which was recognized as the deferred income tax assets, and therefore decreased the income tax expenses.

Loss for the Period

For the foregoing reasons, for the period under review, we recorded net loss of RMB113.0 million (for the six months ended June 30, 2017: net loss of RMB51.2 million), mainly attributable to the pre-opening expenses of the new medical examination centers and specialty hospitals, the increase in the number of employees and the improvement of remuneration benefits for the Group's business expansion.

Adjusted EBITDA

To supplement our consolidated financial statements which are presented in accordance with HKFRS we uses adjusted EBITDA as an additional financial measure. We define adjusted EBITDA as (loss)/profit 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)/profit before income tax or (loss)/profit 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,	
	2018	2017
	(RMB'000)	(RMB'000)
Adjusted EBITDA calculation		
Loss for the period	**(112,962)**	(51,248)
Adjusted for:		
Income tax credit	**(29,291)**	(4,093)
Finance expenses — net	**8,671**	22,954
Depreciation and amortization	**63,313**	40,572
Pre-opening expenses and EBITDA loss of soft-opening(1)	**102,498**	37,471
Share option expenses	**12,803**	5,310
Adjusted EBITDA	**45,032**	50,966
Adjusted EBITDA margin(2)	**8.2%**	11.7%

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 of new medical examination centers and specialty hospitals incurred during the period from which they commence operation.

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

We recorded an adjusted EBITDA of RMB45.0 million for the Reporting Period, representing a decrease of 11.6% from approximately RMB51.0 million in the corresponding period in 2017, mainly due to the increase in the number of employees and the improvement of remuneration benefits for the Group's business expansion.

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, 2018, the property and equipment of the Group amounted to approximately RMB941.7 million, representing an increase of approximately RMB163.4 million as compared to approximately RMB778.3 million as at December 31, 2017. The increase of property and equipment was primarily due to acquisition of equipment as well as renovation for the new medical examination centers and specialty hospitals.

Inventories

Inventories slightly decreased from approximately RMB24.0 million as at December 31, 2017 to approximately RMB23.9 million as at June 30, 2018.

Trade Receivables

As at June 30, 2018, the trade receivables of the Group were approximately RMB250.6 million, representing an increase of approximately RMB55.1 million as compared to approximately RMB195.5 million as at December 31, 2017, mainly because (i) the revenue from the medical examination segment of the Group for the Reporting Period increased, and 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; and (ii) larger receivable from social insurance bureau due to the scale expansion of our general hospital business but not yet settled in time.

Net Current Assets and Liabilities

As at June 30, 2018, the Group's current liabilities exceeded its current assets by approximately RMB108.6 million, as compared with net current assets of approximately RMB44.7 million as at December 31, 2017. The change of the position was mainly due to the Group's consumption of current assets and increase of current liabilities for the construction of new medical examination centers and specialty hospitals.

Liquidity and Capital Resources

As at June 30, 2018, the Group had cash and bank balance of approximately RMB669.7 million, with available unused bank facilities of approximately RMB300.6 million. As at June 30, 2018, the Group had outstanding bank and other borrowings amounting to approximately RMB727.7 million, including non-current portion of long-term borrowings of approximately RMB134.8 million. Based on the Group's past experience and good credit standing, the directors are confident that these bank facilities could be renewed and/or extended for at least another twelve months upon renewal. For the currency in which cash and bank balance are denominated, please refer to Note 15 to the interim condensed consolidated financial information.

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,	
	2018	2017
	(RMB'000)	(RMB'000)
Net cash used in operating activities	**(100,244)**	(64,975)
Net cash used in investing activities	**(164,122)**	(126,777)
Net cash generated from/(used in) financing activities	**103,242**	(51,613)
Net decrease in cash and cash equivalents	**(161,124)**	(243,365)

Net Cash Used in Operating Activities

For the Reporting Period, the net cash used in operating activities was RMB100.2 million, primarily attributable to (i) the cash used in operating activities of approximately RMB69.4 million for the six months ended June 30, 2018; (ii) the interest paid of approximately RMB18.4 million; and (iii) the income tax paid of RMB12.4 million.

Net Cash Used in Investing Activities

For the Reporting Period, the net cash used in investing activities was RMB164.1 million, primarily attributable to (i) the purchases of property and equipment and intangible assets of RMB155.7 million; (ii) the investment in an associate of RMB1.0 million; (iii) the acquisition of a subsidiary at a consideration of RMB6.8 million; and (iv) the acquisition of ownership interests in subsidiaries without change of control of RMB6.5 million, partially offset by the proceeds from disposal of equipment of RMB0.2 million and the interest received from bank deposits of RMB5.7 million.

Net Cash Generated from /(Used in) Financing Activities

For the six months ended June 30, 2018, the net cash generated from financing activities was RMB103.2 million, primarily attributable to (i) the capital contribution of RMB0.3 million from non-controlling interests of subsidiaries; (ii) the net proceeds from bank borrowings of RMB112.4 million; and (iii) the disposal of ownership interests in subsidiaries without change of control of RMB10.2 million, partially offset by temporary funding to non-controlling interests of RMB1.0 million, repayment of finance lease of RMB2.7 million and increase in restricted cash of RMB16.0 million.

Significant Investments, Material Acquisitions and Disposals

For the Reporting Period, save as disclosed in this report, the Group did not have any significant investments, and material acquisitions or disposals.

Use of Proceeds from IPO

The shares of the Company have been listed on the Main Board of the Stock Exchange since October 6, 2016. 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 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, 2018, the Group used the net proceeds for the following purpose:

- RMB109.3 million used for the establishment of medical examination centers and RMB174.8 million used for the establishment of specialty hospitals.

- RMB76.0 million used for the partial repayment of our bank and other borrowings.

- RMB47.6 million used for payment of listing-related expenses and other general business use.

Capital Expenditure and Commitments

For the Reporting Period, the Group incurred capital expenditures of RMB225.3 million (as at December 31, 2017: RMB479.8 million), primarily due to purchases of medical equipment for our new medical examination centers and specialty hospitals.

As at June 30, 2018, the Group had a total capital commitment of approximately RMB657.2 million (as at December 31, 2017: RMB702.8 million), mainly comprising the related contracts of capital expenditure in equity investment and newly built medical examination centers and specialty hospitals.

Borrowings

As at June 30, 2018, the Group had total bank and other borrowings of RMB727.7 million (as at December 31, 2017: RMB594.7 million). Please refer to Note 20 to the interim condensed consolidated financial information for more details.

Contingent Liabilities

The Group had no material contingent liability as at June 30, 2018 (as at December 31, 2017: Nil).

Financial instruments

The Group did not have any financial instruments as at June 30, 2018 (as at December 31, 2017: Nil).

Gearing Ratio

As at June 30, 2018, on the basis of net debt divided by total capital, the Group's gearing ratio was 26.0% (as at December 31, 2017: (0.2%)). The increase in gearing ratio mainly resulted from the Group's use of its internal funding and the increase of bank borrowings for the fund required for the construction of new medical centers and specialty hospitals.

Cash Flow and Fair Value Interest Rate Risk

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

Borrowings obtained at variable rates expose us to cash flow interest rate risk. Borrowings obtained at fixed rates expose us to fair value interest rate risk. As at June 30, 2018, borrowings of RMB585,107,000 were with floating interest rate. We did not hedge our cash flow and fair value interest rate risk during the Reporting Period.

Foreign Exchange Risk

For the six months ended June 30, 2018, the Group was not exposed to significant foreign currency risk, except for the bank deposits from the IPO, which were denominated in Hong Kong dollar, and the bank deposits denominated in US dollar. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Credit Risk

We have no significant concentration of credit risk. The carrying 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.

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

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

Liquidity Risk

Our finance department monitors rolling forecasts of our liquidity requirements to ensure we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn borrowing facilities at all times so that we do not breach borrowing limits or covenants (where applicable) on any of our borrowing facilities. We expect to fund the future cash flow needs through cash flows generated from operations, borrowings from financial institutions and issuing debt instruments or capital injection from Shareholders, as necessary. Based on contractual undiscounted payments, our financial liabilities were RMB1,151.0 million as at June 30, 2018 (as at December 31, 2017: RMB928.0 million).

Pledge of Assets

As at June 30, 2018, the Group had property assets with a total carrying amount of RMB79,420,000 (as at December 31, 2017: property assets of RMB80,944,000) and restricted deposits with an amount of USD35,000,000 (as at December 31, 2017: restricted deposits with an amount of USD33,000,000) pledged for bank borrowings.

HUMAN RESOURCES

The Group had 5,125 employees as of June 30, 2018, as compared to 4,372 employees as of June 30, 2017. 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 contained in Appendix 14 to the Listing Rules, as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the 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 six months ended June 30, 2018.

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

Changes in information on Directors since the date of the Annual Report 2017 of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Dr. Wang Weiping has been an independent non-executive director of Top Education Group Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1752), since April 2018.

Mr. Jiang Peixing has been the chairman of the board of directors and a director of Wonderland International Financial Holdings Limited (華德國際金融控股有限公司) since July 2018.

Save as disclosed in this report, there is no change in information on the Directors since the date of the Annual Report 2017 of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CHANGES OF MEMBERS OF THE BOARD

There is no change of the members of the Board during the Reporting Period and up to the date of this interim report.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

Save as disclosed in this interim report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

On January 26, 2018, Chelsea Grace, a Controlling Shareholder wholly-owned by Dr. Mei, pledged 88,200,000 ordinary shares in the issued share capital of the Company in favour of Shenzhen Ping An Health and Technology Equity Investment LLP (深圳市平安健康科技股權投資合夥企業 (有限合夥)), as security for the convertible bonds issued by a non-wholly-owned subsidiary with a principal amount of RMB75.0 million to Shenzhen Ping An Health and Technology Equity Investment LLP, pursuant to the investment agreement dated November 8, 2017. Details of the transaction are set out in the Company's announcements dated November 8, 2017 and January 26, 2018 and the circular dated December 8, 2017.

INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at June 30, 2018, 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/short position in ordinary shares of the Company

Name of Director	Long/short position	Capacity	Number of ordinary Shares interested[1]	Approximate percentage+ of the Company's issued share capital
Dr. Mei Hong[3]	Long position	Interest in controlled corporation	872,550,000 (L)	54.81%
	Short position	Interest in controlled corporation	252,200,000 (S)[5]	15.84%
Dr. Fang Yixin[4]	Long position	Interest of spouse	872,550,000 (L)	54.81%
	Short position	Interest of spouse	252,200,000 (S)[5]	15.84%

(B) Long position in underlying shares of the Company — physically settled unlisted equity derivatives

Name of Director	Capacity	Number of underlying shares in respect of the share options granted[1][2]	Approximate percentage+ of the Company's issued share capital
Dr. Mei Hong[3]	Beneficial owner; Interest of spouse	31,807,000 (L)	2.00%
Dr. Fang Yixin[4]	Beneficial owner; Interest of spouse	31,807,000 (L)	2.00%
Mr. Lu Zhenyu[6]	Beneficial owner	10,957,500 (L)	0.69%

Notes:

(1) The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.

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

(3) Chelsea Grace was beneficially interested in the 872,550,000 Shares as at June 30, 2018. 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.

(4) Dr. Fang is the husband of Dr. Mei. Therefore, 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.

(5) Such number of Shares are subject to certain security arrangement.

(6) Mr. Lu Zhenyu was granted an option to subscribe for 10,957,000 Shares under the Share Option Scheme on November 24, 2017.

\+ 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, 2018.

(C) Interest in associated corporation

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

Notes:

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

(2) Under the SFO, a holding company of the listed corporation is regarded as an "associated corporation". As at June 30, 2018, Chelsea Grace held 54.81% of our issued share capital and thus was our associated corporation.

Save as disclosed in this interim report and to the best knowledge of the Directors, as at June 30, 2018, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at June 30, 2018, the following corporations/persons (other than the Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number of ordinary Shares interested[1]	Approximate percentage+ of the Company's issued share capital+
Chelsea Grace[2][3]	Beneficial owner	872,550,000 (L)	54.81%
	Beneficial owner	252,200,000 (S)	15.84%
Renaissance Healthcare Holdings Limited (**"Baring Investor"**)	Beneficial owner	268,286,800 (L)	16.85%
The Baring Asia Private Equity Fund V, L.P.[4]	Interest of a controlled corporation	268,286,800 (L)	16.85%
Baring Private Equity Asia GP V, L.P.[4]	Interest of a controlled corporation	268,286,800 (L)	16.85%
Baring Private Equity Asia GP V Limited[4]	Interest of a controlled corporation	268,286,800 (L)	16.85%
Jean Eric Salata[4]	Interest of a controlled corporation	268,286,800 (L)	16.85%
Haitong International Financial Solutions Limited[2]	Person having a security interest in shares	164,000,000 (L)	10.30%
Haitong International Holdings Limited[2]	Interest of a controlled corporation	164,000,000 (L)	10.30%
Haitong International Securities Group Limited[2]	Interest of a controlled corporation	164,000,000 (L)	10.30%
Haitong Securities Co., Ltd.[2]	Interest of a controlled corporation	164,000,000 (L)	10.30%
Ping An Insurance (Group) Company of China, Ltd.[3]	Interest of a controlled corporation	88,200,000 (L)	5.54%
Shenzhen Ping An Health and Technology Equity Investment LLP[3]	Person having a security interest in shares	88,200,000 (L)	5.54%

Notes:

(1) The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.

(2) On January 23, 2018, Chelsea Grace provided an interest in the Shares as security. Such security interest is held by Haitong International Financial Solutions Limited, a wholly-owned subsidiary of Haitong International Finance Company Limited, which is wholly-owned by Haitong International (BVI) Limited, a wholly-owned subsidiary of Haitong International Securities Group Limited. Haitong International Securities Group Limited is held as to 62.43% by Haitong International Holdings Limited, a wholly-owned subsidiary of Haitong Securities Co., Ltd.

(3) On January 26, 2018, Chelsea Grace pledged 88,200,000 ordinary shares in the issued share capital of the Company in favour of Shenzhen Ping An Health and Technology Equity Investment LLP as security for the convertible bonds issued by a joint venture with a principal amount of RMB75.0 million to Shenzhen Ping An Health and Technology Equity Investment LLP pursuant to the investment agreement dated November 8, 2017. Shenzhen Ping An Health and Technology Equity Investment LLP is indirectly wholly-owned by Ping An Insurance (Group) Company of China, Ltd. Therefore, Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in all the interests held by Shenzhen Ping An Health and Technology Equity Investment LLP. Please refer to the announcements of the Company dated January 26, 2018 and November 8, 2017 and the circular of the Company dated December 8, 2017 for details.

(4) 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, 2018.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2018, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

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

The purpose of the Pre-IPO Share Option Scheme is to attract, retain and motivate employees and Directors, and to provide a means of compensating them through the grant of options for their contribution to the growth 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 Options 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, 2018	Exercised During the Period	Cancelled During the Period	Lapsed During the Period	Outstanding as at June 30, 2018	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 is not subject to, the regulations under Chapter 17 of the Listing Rules.

Share Option Scheme

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

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

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

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

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

On November 24, 2017, the Company granted share options to a Director and certain employees of the Company and its subsidiaries to subscribe for a total of 79,517,500 ordinary shares in the share capital of the Company, at the price of HK$2.42 per Share. The closing price of the Shares before the date of grant of such options was HK$2.35 per Share. Among the options granted as described above, options in respect of a total of 11,657,500 Shares were granted to a Director and an associate (as defined under the Listing Rules) of another Director and acceptance letters have been signed. The list of the options granted to the Director and the associate of another Director is set out as follows:

Name of Director/ Director's Associate	Position	Number of options granted
Mr. Lu Zhenyu	Executive Director and the Chief Executive Officer of the Company	10,957,500
Mr. Mei Ye *(Note)*	General Manager of Chain Store Development Department	700,000
Total		**11,657,500**

Note:

Mr. Mei Ye is an associate of Dr. Mei.

Details of the options granted under the Share Option Scheme and those remained outstanding as at June 30, 2018 are as follows:

Name of Option Holders	Outstanding as at January 1, 2018	Number of Options Exercised During the Report Period	Cancelled During the Report Period	Lapsed During the Report Period	Outstanding as at June 30, 2018	Exercise Price
Directors						
Mr. Lu Zhenyu	10,957,500	–	–	–	10,957,500	HK$2.42
Associate of Director						
Mr. Mei Ye *(Note)*	700,000	–	–	–	700,000	HK$2.42
Other Employees	67,860,000	–	4,200,000	–	63,660,000	HK$2.42
Total	**79,517,560**	**–**	**4,200,000**	**–**	**75,317,500**	

Note:

Mr. Mei Ye is an associate of Dr. Mei.

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

Details of the impact of the options granted under the Share Option Scheme on the consolidated financial statements since the date of grant of such options and the subsequent financial periods are set out under Note 18 to the consolidated financial statements in this interim report.

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

EVENT AFTER THE REPORTING PERIOD

On August 31, 2018, Nantong Rich Hospital, Nantong Rich Medical, Dr. Fang, Dr. Mei and Everbright (Haimen) entered into an investment agreement in relation to the investment from Everbright (Haimen) in Nantong Rich Hospital for the purpose of its second-phase renovation and expansion. Pursuant to such investment agreement, the total investment of RMB100.0 million from Everbright (Haimen) will be contributed in cash, of which RMB3.0 million will be credited into registered capital, and RMB97.0 million will be credited into capital surplus. Upon completion of such investment, the registered capital of Nantong Rich Hospital will increase from RMB65.0 million to RMB68.0 million, which will be held by Everbright (Haimen) and Nantong Rich Medical as to 4.41% and 95.59%, respectively. Please refer to the announcement of the Company dated September 3, 2018 for details.

Report on Review of Interim Condensed Consolidated 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 32 to 82, which comprises the interim condensed consolidated balance sheet of Rici Healthcare Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") as at June 30, 2018 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" 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 of the Group 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 31, 2018

Interim Condensed Consolidated Balance Sheet

As at June 30, 2018

	Note	Unaudited June 30, 2018 RMB'000	Audited December 31, 2017 RMB'000
ASSETS			
Non-current assets			
Property and equipment	7	**941,740**	778,333
Land use rights	8	**3,348**	3,398
Intangible assets	9	**23,953**	17,528
Investments accounted for using equity method	10	**6,181**	5,166
Deposits for long-term leases	11	**28,562**	27,110
Deferred income tax assets	12	**124,472**	81,988
Prepayments	16	**31,411**	62,734
		1,159,667	976,257
Current assets			
Inventories		**23,876**	23,978
Trade receivables	13	**250,586**	195,462
Other receivables	14	**30,724**	26,625
Prepayments	16	**26,084**	27,225
Amounts due from related parties	35	**2,419**	1,627
Cash and cash equivalents	15	**438,118**	596,544
Restricted cash	15	**231,581**	215,629
		1,003,388	1,087,090
Total assets		**2,163,055**	2,063,347
Equity attributable to owners of the Company			
Share capital	17	**1,066**	1,066
Reserves	18	**838,163**	901,181
		839,229	902,247
Non-controlling interests	19	**(16,267)**	27,807
Total equity		**822,962**	930,054

	Note	Unaudited June 30, 2018 RMB'000	Audited December 31, 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	**134,791**	15,667
Other long-term liabilities	22	**93,276**	75,280
		228,067	90,947
Current liabilities			
Borrowings	20	**592,909**	579,000
Contract liabilities	23	**163,555**	—
Trade and other payables	24	**337,909**	377,146
Amounts due to related parties	35	**848**	898
Income tax payables		**9,495**	8,864
Deferred income	21	**5,634**	74,345
Current portion of other long-term liabilities	22	**1,676**	2,093
		1,112,026	1,042,346
Total liabilities		**1,340,093**	1,133,293
Total equity and liabilities		**2,163,055**	2,063,347

The notes on pages 38 to 82 are an integral part of these interim consolidated financial information.

The interim consolidated financial statements on pages 32 to 82 were approved by the Board of Directors on August 31, 2018 and were signed on its behalf by:

Fang Yixin
Director

Mei Hong
Director

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2018

	Note	Unaudited Six months ended June 30, 2018 RMB'000	Unaudited 2017 RMB'000
Revenue	25	**546,250**	435,881
Cost of sales	27	**(443,242)**	(300,236)
Gross profit		**103,008**	135,645
Distribution costs and selling expenses	27	**(88,971)**	(70,068)
Administrative expenses	27	**(145,703)**	(105,589)
Net impairment losses on financial assets	27	**(5,444)**	—
Other income	26	**3,893**	8,909
Other losses		**(380)**	(1,329)
Operating loss		**(133,597)**	(32,432)
Finance expenses	28	**(18,589)**	(26,415)
Finance income	28	**9,918**	3,461
Finance expenses — net		**(8,671)**	(22,954)
Share of results of joint venture/associate	10	**15**	45
Loss before income tax		**(142,253)**	(55,341)
Income tax credit	29	**29,291**	4,093
Loss for the period		**(112,962)**	(51,248)
Loss attributable to:			
Owners of the Company		**(67,880)**	(39,440)
Non-controlling interests		**(45,082)**	(11,808)
Loss for the period		**(112,962)**	(51,248)
Losses per share for loss attributable to owners of the Company			
— Basic	30	**RMB(0.04)**	RMB(0.02)
— Diluted	30	**RMB(0.04)**	RMB(0.02)

The notes on pages 38 to 82 are an integral part of these interim consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2018

	Unaudited	Unaudited
	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Loss for the period	**(112,962)**	(51,248)
Other comprehensive income, net of tax	**—**	—
Total comprehensive loss for the period	**(112,962)**	(51,248)
Attributable to:		
Owners of the Company	**(67,880)**	(39,440)
Non-controlling interests	**(45,082)**	(11,808)
Total comprehensive loss for the period	**(112,962)**	(51,248)

The notes on pages 38 to 82 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, 2018

		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 December 31, 2017 as originally presented		1,066	901,181	902,247	27,807	930,054
Change in accounting policy	3(c)	–	(491)	(491)	–	(491)
Restated balance at January 1, 2018		**1,066**	**900,690**	**901,756**	**27,807**	**929,563**
Comprehensive income						
Loss for the period		**–**	**(67,880)**	**(67,880)**	**(45,082)**	**(112,962)**
Total comprehensive loss		**–**	**(67,880)**	**(67,880)**	**(45,082)**	**(112,962)**
Share-based payment scheme		**–**	**12,006**	**12,006**	**797**	**12,803**
Acquisition of a subsidiary		**–**	**–**	**–**	**(229)**	**(229)**
Capital contributions by non-controlling interests of subsidiaries		**–**	**–**	**–**	**290**	**290**
Changes in ownership interests in subsidiaries without change of control	33	**–**	**(6,653)**	**(6,653)**	**150**	**(6,503)**
Total transaction with owners, recognized directly in equity		**–**	**5,353**	**5,353**	**1,008**	**6,361**
Balance at June 30, 2018		**1,066**	**838,163**	**839,229**	**(16,267)**	**822,962**
(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		–	–	–	52,150	52,150
Changes in ownership interests in subsidiaries without change of control		–	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

The notes on pages 38 to 82 are an integral part of these interim consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2018

		Unaudited	Unaudited
		Six months ended June 30,	
		2018	2017
		RMB'000	RMB'000
Cash flow from operating activities			
Cash used in operations		**(69,377)**	(29,915)
Interest paid		**(18,468)**	(11,709)
Income tax paid		**(12,399)**	(23,351)
Net cash used in operating activities		**(100,244)**	(64,975)
Cash flow from investing activities			
Purchases of property and equipment		**(154,302)**	(118,581)
Purchases of intangible assets		**(1,437)**	(10,614)
Proceeds from disposal of property and equipment		**152**	303
Temporary funding provided to related parties	35(b)	**—**	(1,000)
Acquisition of ownership interests in subsidiaries without change of control		**(6,503)**	—
Interest received		**5,754**	3,115
Acquisition of a subsidiary		**(6,786)**	—
Investment in an associate		**(1,000)**	—
Net cash used in investing activities		**(164,122)**	(126,777)
Cash flows from financing activities			
Capital contribution from non-controlling interests of subsidiaries	19	**290**	52,150
Temporary funding provided to non-controlling interests		**(1,000)**	—
Disposal of ownership interests in subsidiaries without change of control		**10,200**	—
Proceeds from bank borrowings	20	**477,440**	407,400
Repayments of bank borrowings	20	**(365,000)**	(294,065)
Repayments of finance lease liabilities	20	**(2,736)**	—
Restricted bank deposits	15(b)	**(15,952)**	(216,781)
Temporary funding from related parties		**—**	4,000
Repayments to related parties		**—**	(4,000)
Payments for initial public offering fees		**—**	(317)
Net cash generated from/(used in) financing activities		**103,242**	(51,613)
Net decrease in cash and cash equivalents		**(161,124)**	(243,365)
Cash and cash equivalents at beginning of the period		**596,544**	881,028
Exchange gain/(loss) on cash and cash equivalents		**2,698**	(14,691)
Cash and cash equivalents at end of the period		**438,118**	622,972

The notes on pages 38 to 82 are an integral part of these interim consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2018

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

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

The interim condensed consolidated 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 31, 2018.

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended June 30, 2018 has been prepared in accordance with HKAS 34, 'Interim Financial Reporting', and does not include all the notes of the type normally included in an annual financial report. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with HKFRSs and any public announcements made by the Company.

(a) Going concern

As at June 30, 2018, the Group's current liabilities exceeded its current assets by approximately RMB108,638,000. For the six months period ended June 30, 2018, the Group's net cash outflow from operating activities amounted to RMB100,244,000. The Group meets its day-to-day working capital requirements dependent on its bank borrowings, facilities with banks in PRC, additional capital contributions from non-controlling interests, and cash flow generated from operating activities. Based on the Group's past experience and good credit standing, the directors are confident that these bank financing could be renewed and/or extended for at least another twelve months upon renewal. The Group's non-controlling interests have committed to fulfill capital contributions to the Group. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the interim condensed consolidated financial statements.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2017, 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 new and amended HKFRSs effective for the financial year ending December 31, 2018, as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments if necessary as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers.
- Classification and Measurement of Share-based Payment Transactions — Amendments to HKFRS 2
- Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts — Amendments to HKFRS 4
- Annual improvements 2014–2016 cycle
- Transfers of Investment Property — Amendments to HKAS 40, and
- HKFRIC 22 Foreign Currency Transactions and Advance Consideration.

The effects of the adoption of HKFRS 9 and HKFRS 15 are disclosed in Note 3(c). The other standards, amendments and interpretations described above are either currently not relevant to the Group or had no material impact on the Group's interim condensed consolidated financial statements.

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

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not mandatory for the financial year beginning January 1, 2018 and relevant to the Group and have not been early adopted by the Group.

3 Accounting policies (continued)

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

		Effective for annual periods beginning on or after
HKFRS 16 (i)	Leases	January 1, 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	January 1, 2019
Amendment to HKFRS 9	Prepayment features with negative compensation	January 1, 2019
HKFRS 17	Insurance Contracts	January 1, 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 28	Long-term interests in associates and joint ventures	January 1, 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	January 1, 2019
Amendments improvement to HKFRSs	Annual improvements to HKFRS standards 2015–2017 cycle	January 1, 2019

(i) HKFRS 16 Leases

HKFRS 16 was issued in May 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 RMB1,963,581,000. 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.

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

3 Accounting policies (continued)

(c) Changes in accounting policies

Below explains the impact of the adoption of HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” on the Group’s financial statements and also disclose the new accounting policies that have been applied from January 1, 2018, where they are different to those applied in prior periods.

As explained below, the adoption of HKFRS 9 “Financial Instruments” from January 1, 2018 has resulted in changes in the Group’s accounting policies. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at December 31, 2017 but in the opening balance sheet as at January 1, 2018.

As explained below, the Group has adopted HKFRS 15 “Revenue from Contracts with Customers” from January 1, 2018 which resulted in changes in accounting policies, and is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group has elected to use the modified retrospective approach which would recognise the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at January 1, 2018.

The following table shows the adjustments recognised for each individual line. Line items that were not affected by the changes have not been included. The adjustments are explained in more details by standards below.

	As at January 1, 2018			
Consolidated balance sheet (extract)	As originally presented RMB’000	HKFRS 9 RMB’000	HKFRS 15 RMB’000	Restated RMB’000
Trade receivables	195,462	(654)	—	194,808
Deferred income tax assets	81,988	163	—	82,151
Contract liabilities	—	—	143,358	143,358
Deferred income	74,345	—	(68,711)	5,634
Trade and other payable	377,146	—	(74,647)	302,499
Accumulated losses	(63,026)	(491)	—	(63,517)

(i) Adoption of HKFRS 9 Financial instruments

- *HKFRS 9 Financial instruments — Impact of adoption*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

3 Accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) Adoption of HKFRS 9 Financial instruments (continued)

- *HKFRS 9 Financial instruments — Impact of adoption (continued)*

The new accounting policies are set out in section of "HKFRS 9 Financial instruments-Accounting policies applied from January 1, 2018".

The total impact on the Group's accumulated losses as at January 1, 2018 is as follows:

	RMB'000
Closed accumulated losses at December 31, 2017 – HKAS 39	**(63,026)**
Adjustment to accumulated losses from adoption of HKFRS 9 on January 1, 2018	**(491)**
Opening accumulated losses at January 1, 2018 – HKFRS 9	**(63,517)**

Classification and measurement

On January 1, 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 measurement categories. The majority of the Group's financial assets currently measured at amortised cost would meet the conditions for classification at amortised cost under HKFRS 9. There is no significant impact resulting from this change of classification and measurement.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

Impairment of financial assets

The Group's major financial assets that are subject to HKFRS 9's new expected credit loss model includes trade receivables, other receivables, amounts due from related parties and cash and bank balances.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. While cash and bank balances, other receivables and amounts due from related parties are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For other receivables and amounts due from related parties, the Group applies the general model for expected credit loss prescribed by HKFRS 9, since credit risk has not significantly increased after initial recognition, the loss allowance recognised was therefore limited to 12 months expected losses.

3 Accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) Adoption of HKFRS 9 Financial instruments (continued)

- *HKFRS 9 Financial instruments — Impact of adoption (continued)*

Impairment of financial assets (continued)

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the invoice date. The expected loss rate was determined as follows for trade receivables:

As at June 30, 2018		Aging Up to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Medical examination	Trade receivables carrying amount	166,013	47,415	10,104	2,389	608	
	Expected loss rate	2.8%	10.6%	41.7%	77.5%	100%	
	Provision for impairment of trade receivables	(4,648)	(5,026)	(4,213)	(1,852)	(608)	(16,347)
General hospital — social insurance	Trade receivables carrying amount	37,290	–	–	–	–	
	Expected loss rate	1.5%	1.5%	–	–	–	
	Provision for impairment of trade receivables	(577)	–	–	–	–	(577)
General hospital & Specialty Hospital — non-social insurance	Trade receivables carrying amount	3,751	–	98	3	346	
	Expected loss rate	1.6%	5.5%	100%	100%	100%	
	Provision for impairment of trade receivables	(60)	–	(98)	(3)	(346)	(507)
Total provision for impairment of trade receivables							(17,431)

3 Accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) Adoption of HKFRS 9 Financial instruments (continued)

- *HKFRS 9 Financial instruments — Impact of adoption (continued)*

Impairment of financial assets (continued)

As at January 1, 2018		Aging: Up to 6 months	Aging: 6 months to 1 year	Aging: 1 to 2 years	Aging: 2 to 3 years	Aging: Over 3 years	Total
Medical examination	Trade receivables carrying amount	143,678	20,890	5,792	2,130	599	
	Expected loss rate	2.8%	10.6%	41.7%	77.5%	100%	
	Provision for impairment of trade receivables	(4,023)	(2,214)	(2,415)	(1,651)	(599)	(10,902)
General hospital — social insurance	Trade receivables carrying amount	29,646	–	–	–	–	
	Expected loss rate	1.9%	1.9%	–	–	–	
	Provision for impairment of trade receivables	(557)	–	–	–	–	(557)
General hospital & Specialty Hospital — non-social insurance	Trade receivables carrying amount	3,589	–	411	158	418	
	Expected loss rate	1.6%	5.5%	100%	100%	100%	
	Provision for impairment of trade receivables	(57)	–	(411)	(158)	(418)	(1,044)
Total provision for impairment of trade receivables							**(12,503)**

3 Accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) Adoption of HKFRS 9 Financial instruments (continued)

- *HKFRS 9 Financial instruments — Impact of adoption (continued)*

Impairment of financial assets (continued)

The closing loss allowance for trade receivables as at December 31, 2017 reconcile to the opening loss allowance on January 1, 2018 as follows:

	Trade receivables RMB'000
Closing loss allowance as at December 31, 2017 – calculated under HKAS 39	**11,849**
Amounts restated through opening accumulated losses	**654**
Opening loss allowance as at January 1, 2018 – calculated under HKFRS 9	**12,503**

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

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

- *HKFRS 9 Financial instruments — Accounting policies applied from January 1, 2018*

Classification and measurement

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

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

3 Accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) Adoption of HKFRS 9 Financial instruments (continued)

- *HKFRS 9 Financial instruments — Accounting policies applied from January 1, 2018 (continued)*

Classification and measurement (continued)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. As at June 30, 2018, all the Group's financial assets which include "trade receivables", "other receivables", "amounts due from related parties" and "cash and bank balances" in the consolidated balance sheet (Note 13, Note 14, Note 35 and Note 15) are those to be measured at amortised cost.

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

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Impairment of financial assets

From January 1, 2018, the Group assesses, on a forward looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3 Accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) Adoption of HKFRS 15 Revenue from contract with customers

- *HKFRS 15 Revenue from contracts with customers — Impact of adoption*

HKFRS 15 replaces the provisions of HKAS 18 "Revenue" ("HKAS 18") and HKAS 11"Construction Contracts" ("HKAS 11") that relate to the recognition, classification and measurement of revenue and costs. The Group has adopted HKFRS 15 since January 1, 2018 and has elected to use the modified retrospective approach, which would recognise the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at January 1, 2018.

The Group's major revenue from the medical examination, outpatient and inpatient hospital services to customers, and sales of pharmaceuticals are within the scope of the standard. The adoption of HKFRS 15 in the current period does not result in any material impact on the Group's financial position and result of operations and no adjustments have been made to the opening balance of retained earnings as at January 1, 2018.

Contract liabilities amounted to RMB143,358,000 in relation to medical examination contracts and sales of medical examination cards were previously as advances from customers included in trade and other payables and deferred income respectively and were reclassified to contract liabilities under HKFRS 15 as at January 1, 2018.

- *HKFRS 15 Revenue from contracts with customers — Accounting policies applied from January 1, 2018*

Revenue from the medical examination is recognized when the examination reports are issued and passed to the local couriers if hard copy reports are required by its customers, or when the examination reports are uploaded online and can be viewed by the customers online if hard copy reports are not required. Revenue from outpatient and inpatient hospital services to customers is recognized when such services are provided to customers. Revenue from sales of pharmaceutical is recognized when the pharmaceuticals are delivered.

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 interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2017 except for estimation of impairment of financial assets arising from adoption of HKFRS 9.

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, 2017.

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.

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, 2018, 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 RMB88,700 (December 31, 2017: RMB974,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

At June 30, 2018, if RMB had weakened/strengthened by 5% against USD with all other variables held constant, post-tax profit for the period would have been RMB20,273,100 (December 31, 2017: RMB20,296,000) 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 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, 2018					
Borrowings, including interest	**614,185**	**18,878**	**87,743**	**51,793**	**772,599**
Other long-term liabilities	**1,676**	**4,604**	**31,786**	**56,886**	**94,952**
Amounts due to related parties	**848**	**–**	**–**	**–**	**848**
Trade and other payables	**282,613**	**–**	**–**	**–**	**282,613**
	899,322	**23,482**	**119,529**	**108,679**	**1,151,012**
As at December 31, 2017					
Borrowings, including interest	593,888	4,649	12,482	–	611,019
Other long-term liabilities	2,093	2,075	27,873	45,332	77,373
Amounts due to related parties	898	–	–	–	898
Trade and other payables	238,729	–	–	–	238,729
	835,608	6,724	40,355	45,332	928,019

The interest on borrowings is calculated based on borrowings held as at June 30, 2018 and December 31, 2017, respectively. Floating-rate interests are estimated using the current interest rate as at June 30, 2018 and December 31, 2017, 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) 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.

(iii) Specialty hospitals

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

6 Segment information (continued)

The following table presents revenue and profit information regarding the Group's operation segments for the six months ended June 30, 2018 and 2017 respectively.

	General Hospital RMB'000	Medical Examination Centers RMB'000	Specialty Hospitals RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
For the six months ended June 30, 2018						
Revenue	193,231	356,544	2,448	–	(5,973)	546,250
Segment profit/(loss)	42,774	21,420	(50,157)	–	–	14,037
Administrative expenses						(145,703)
Net impairment losses on financial assets						(5,444)
Interest income						6,795
Interest expenses						(18,589)
Exchange gain						2,698
Other finance income						425
Total loss before income tax						(142,253)
Income tax credit						29,291
Loss for the period						(112,962)

	General Hospital RMB'000	Medical Examination Centers RMB'000	Specialty Hospitals RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at June 30, 2018						
Segment assets	662,586	1,575,757	340,797	755,678	(1,171,763)	2,163,055
Segment liabilities	316,334	1,185,016	262,144	61,337	(484,738)	1,340,093
Other information						
Addition to property and equipment, land use rights and intangible assets (Note 7,8,9)	16,259	140,864	68,211	–	–	225,334
Acquisition of a subsidiary	–	–	676	–	–	676
Depreciation and amortization (Note 7,8,9)	7,738	43,706	11,869	–	–	63,313

6 Segment information (continued)

	General Hospital RMB'000	Medical Examination Centers RMB'000	Specialty Hospitals 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	Medical Examination Centers RMB'000	Specialty Hospitals RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at December 31, 2017						
Segment assets	541,637	1,594,495	303,693	736,724	(1,113,202)	2,063,347
Segment liabilities	210,929	1,138,574	165,918	61,219	(443,347)	1,133,293
Other information						
Addition to property and equipment, land use rights and intangible assets	31,072	244,352	204,347	—	—	479,771
Depreciation and amortization	14,562	68,886	1,347	—	—	84,795

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, 2018							
Cost	**253,910**	**328,763**	**56,329**	**390,856**	**7,930**	**174,682**	**1,212,470**
Accumulated depreciation	**(53,411)**	**(183,211)**	**(31,839)**	**(160,438)**	**(5,238)**	**—**	**(434,137)**
Net book amount	**200,499**	**145,552**	**24,490**	**230,418**	**2,692**	**174,682**	**778,333**
Six months ended June 30, 2018							
Opening net book amount	**200,499**	**145,552**	**24,490**	**230,418**	**2,692**	**174,682**	**778,333**
Additions	**—**	**36,190**	**8,857**	**—**	**—**	**178,929**	**223,976**
Acquisition of a subsidiary (Note 34)	**—**	**246**	**430**	**—**	**—**	**—**	**676**
Transfer	**—**	**56,979**	**2,631**	**168,816**	**2,033**	**(230,538)**	**(79)**
Disposals	**—**	**(299)**	**(63)**	**—**	**—**	**—**	**(362)**
Depreciation (Note 27)	**(3,352)**	**(23,865)**	**(3,471)**	**(29,919)**	**(197)**	**—**	**(60,804)**
Closing net book amount	**197,147**	**214,803**	**32,874**	**369,315**	**4,528**	**123,073**	**941,740**
At June 30, 2018							
Cost	**253,910**	**419,367**	**68,467**	**559,673**	**9,963**	**123,073**	**1,434,453**
Accumulated depreciation	**(56,763)**	**(204,564)**	**(35,593)**	**(190,358)**	**(5,435)**	**—**	**(492,713)**
Net book amount	**197,147**	**214,803**	**32,874**	**369,315**	**4,528**	**123,073**	**941,740**
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 27)	(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

7 Property and equipment (continued)

(i) Leased assets

Construction in progress includes the following amounts where the Group is a lessee under a finance lease (refer to Note 20 for further details):

	As at June 30, 2018 RMB'000	As at December 31, 2017 RMB'000
Leased medical equipment		
Cost	**23,218**	—
Accumulated depreciation	**—**	—
Net book amount	**23,218**	—

(ii) Non-current assets pledged as security

As at June 30, 2018, in addition to note 7(i) above, buildings with a total carrying amount of RMB40,517,000 (December 31, 2017: RMB41,276,000) were pledged for the Group's short-term borrowings of RMB90,000,000 (Note 20) and buildings with a total carrying amount of RMB38,903,000 (December 31, 2017: RMB39,668,000) were pledged for the Group's long-term borrowings of RMB17,667,000 (Note 20).

8 Land use rights

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Cost	**4,698**	4,698
Accumulated amortization	**(1,350)**	(1,300)
Net book amount	**3,348**	3,398

(a) Amortization of the land use rights have been charged to administrative expenses in the consolidated statement of profit or loss.

9 Intangible assets

	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
At January 1, 2018			
Cost	**24,011**	**—**	**24,011**
Accumulated amortization	**(6,483)**	**—**	**(6,483)**
Net book amount	**17,528**	**—**	**17,528**
Six months ended June 30, 2018			
Opening net book amount	**17,528**	**—**	**17,528**
Additions	**1,358**	**—**	**1,358**
Transfer from construction in progress	**79**	**—**	**79**
Acquisition of a subsidiary (Note 34)	**—**	**7,447**	**7,447**
Amortization (Note 27)	**(2,459)**	**—**	**(2,459)**
Closing net book amount	**16,506**	**7,447**	**23,953**
At June 30, 2018			
Cost	**25,448**	**7,447**	**32,895**
Accumulated amortization	**(8,942)**	**—**	**(8,942)**
Net book amount	**16,506**	**7,447**	**23,953**
At January 1, 2017			
Cost	11,285	—	11,285
Accumulated amortization	(2,897)	—	(2,897)
Net book amount	8,388	—	8,388
Six months ended June 30, 2017			
Opening net book amount	8,388	—	8,388
Additions	10,614	—	10,614
Amortization (Note 27)	(1,383)	—	(1,383)
Closing net book amount	17,619	—	17,619
At June 30, 2017			
Cost	21,899	—	21,899
Accumulated amortization	(4,280)	—	(4,280)
Net book amount	17,619	—	17,619

10 Investments accounted for using equity method

	Unaudited	Unaudited
	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Opening balance	**5,166**	3,959
Investment in Neijiang Ruichuan Clinic Co., Ltd. (內江瑞川門診部有限公司) ("Neijiang Ruichuan")	**1,000**	—
Share of results	**15**	45
Ending balance	**6,181**	4,004

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

			Equity interests held		
Company name	Country/date of incorporation	Paid-in capital	As at June 30, 2018	As at December 31, 2017	Principal relationship
Shanghai Rich Meidi Management Consulting Co., Ltd.	October 29, 2013, Shanghai, the PRC	RMB15,000,000	**60%**	60%	Joint Venture
Neijiang Ruichuan	March 29, 2017, Sichuan, the PRC	RMB12,610,000	**20%**	20%	Associate

11 Deposits for long-term leases

The Group paid deposits for operating leases of certain medical examination centers and specialty hospitals, 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 RMB20,542,000 and RMB18,567,000 as at June 30, 2018 and December 31, 2017 respectively, which are determined using the expected future refunds discounted at market interest rates at each year end.

12 Deferred income tax assets

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	12,937	12,372
— to be recovered after more than 12 months	111,535	69,616
	124,472	81,988

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

	Unaudited Six months ended June 30, 2018 RMB'000	 2017 RMB'000
At beginning of the period, as originally presented	81,988	47,077
Adoption of HKFRS 9	163	—
Restated opening balance	82,151	47,077
Credited to the consolidated statement of profit or loss	42,321	18,183
At the end of the period	124,472	65,260

12 Deferred income tax assets (continued)

Movement in deferred income tax assets for both six months ended June 30, 2018 and 2017, 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 December 31, 2017	**54,742**	**2,381**	**4,895**	**3,736**	**16,234**	**81,988**
Adoption of HKFRS 9	**—**	**163**	**—**	**—**	**—**	**163**
Restated at January 1, 2018	**54,742**	**2,544**	**4,895**	**3,736**	**16,234**	**82,151**
Credited/(charged) to consolidated statement of profit or loss	**36,373**	**691**	**(615)**	**3,157**	**2,715**	**42,321**
At June 30, 2018	**91,115**	**3,235**	**4,280**	**6,893**	**18,949**	**124,472**
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

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 RMB34,252,000 (December 31, 2017: RMB27,189,000) in respect of tax losses amounting to RMB137,008,000 (December 31, 2017: RMB108,755,000) as at June 30, 2018. All these tax losses will expire within five years.

13 Trade receivables

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Trade receivables	**268,017**	207,311
Less: Provision for impairment of trade receivables	**(17,431)**	(11,849)
	250,586	195,462

As at June 30, 2018 and December 31, 2017, the fair value of trade receivables of the Group approximated their carrying amounts.

The aging analysis of trade receivables are as follows:

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Trade receivables		
— Up to 6 months	**207,054**	176,913
— 6 months to 1 year	**47,415**	20,890
— 1 to 2 years	**10,202**	6,203
— 2 to 3 years	**2,392**	2,288
— Over 3 years	**954**	1,017
	268,017	207,311

14 Other receivables

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Deposits	**11,076**	10,200
Staff advance	**6,079**	3,744
Interest receivable	**3,095**	2,054
Receivables from non-controlling interests	**1,000**	10,200
Value-added tax to be deducted	**4,838**	—
Others	**4,636**	427
	30,724	26,625
Less: Provision for impairment of other receivables	**—**	—
	30,724	26,625

As at June 30, 2018 and December 31, 2017, 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

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Cash at bank and on hand		
— Denominated in RMB	**262,463**	388,831
— Denominated in USD	**173,881**	188,237
— Denominated in HKD	**1,774**	19,476
	438,118	596,544

(b) Restricted Cash

As at June 30, 2018, fixed deposits of USD35,000,000 (December 31, 2017: USD33,000,000) are pledged at bank for borrowings of RMB200,000,000.

16 Prepayments

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Non-current:		
Prepayment for equipment	**29,791**	60,574
Prepayment for lease contract (a)	**1,620**	2,160
	31,411	62,734
Current:		
Prepayment for lease	**11,818**	10,023
Prepayment for consumables	**6,801**	9,424
Others	**7,465**	7,778
	26,084	27,225
Total prepayments	**57,495**	89,959

(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 62 months. Amortization amounting to RMB540,000 for the six months ended June 30, 2018 (2017: 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, 2018 and June 30, 2018	**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 December 31, 2017, as originally presented	717,007	51,731	180,390	15,079	(63,026)	901,181
Adoption of HKFRS 9 — amounts restated through opening accumulated losses	—	—	—	—	(491)	(491)
Restated at January 1, 2018	**717,007**	**51,731**	**180,390**	**15,079**	**(63,517)**	**900,690**
Loss for the period	**—**	**—**	**—**	**—**	**(67,880)**	**(67,880)**
Share option scheme	**—**	**—**	**—**	**12,006**	**—**	**12,006**
Change in ownership interest in subsidiaries without loss of control (Note 33)	**—**	**(6,653)**	**—**	**—**	**—**	**(6,653)**
At June 30, 2018	**717,007**	**45,078**	**180,390**	**27,085**	**(131,397)**	**838,163**
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 33)	—	5,177	—	—	—	5,177
At June 30, 2017	717,007	51,731	169,055	8,454	(28,965)	917,282

(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.

(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 HKD1.60.

18 Reserves (continued)

As at June 30, 2018, 47,710,500 outstanding options were not exercisable as they have not yet been vested (December 31, 2017: 47,710,500). These options with an exercise price of HKD1.60 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. One director and ten employees were granted the share options to subscribe for up to 79,517,500 shares of the Company on November 24, 2017. The share options will vest in four tranches at the third, the fourth, the fifth and the sixth anniversaries of the offer date and will only become exercisable from the respective vesting dates up to the tenth anniversary of the offer date. The subscription price payable upon the exercise of the share options is fixed at HKD2.42.

During the six month period ended June 30, 2018, 4,200,000 options were cancelled due to one employee's resignation. As at June 30, 2018, 75,317,500 outstanding options were not exercisable as they have not yet been vested (December 31, 2017: 79,517,500). These options with an exercise price of HKD2.42 per share upon vesting will be expired on November 24, 2027.

19 Non-controlling interests

	Non-controlling interests RMB'000
As at December 31, 2017	27,807
Loss for the period	(45,082)
Capital contributions by non-controlling interests of subsidiaries	290
Acquisition of a subsidiary (Note 34) (a)	(229)
Changes in ownership interests in subsidiaries without change of control (Note 33)	150
Share option scheme (Note 18(b))	797
As at June 30, 2018	(16,267)

(a) As described in Note 34, the Group acquired 71% equity interests in Shanghai Cherry Pediatric Clinic Co., Ltd. ("Ruiyi Cherry") from Shanghai Rii Web Technology Co., Ltd. ("Rii Web") during the period. The fair value of net liabilities attributable to non-controlling interests at acquisition date is RMB229,000.

20 Borrowings

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Non-current:		
Bank borrowings — secured and guaranteed (ii)	125,307	19,667
Finance leases (i)	20,593	—
Less: Current portion of non-current borrowings	(11,109)	(4,000)
	134,791	15,667
Current:		
Bank borrowings — secured and guaranteed (iii)	581,800	575,000
Current portion of non-current borrowings	11,109	4,000
	592,909	579,000
Total borrowings	727,700	594,667

At June 30, 2018, the Group's borrowings were repayable as follows:

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Bank borrowings	585,800	8,000	63,627	49,680	707,107
Finance leases	7,109	7,563	5,921	—	20,593

20 Borrowings (continued)

(i) Finance leases

The Group leases various equipment with a carrying amount of RMB23,218,000 (2017:Nil) under finance leases expiring within three years. Under the terms of the leases, the Group has the option to acquire the leased assets at a nominal amount on expiry of the leases.

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**8,260**	—
Later than one year but not later than five years	**14,280**	—
Minimum lease payments	**22,540**	—
Future finance charges	**(1,947)**	—
Recognised as a liability	**20,593**	—
The present value of finance lease liabilities is as follows:		
Within one year	**7,109**	—
Later than one year but not later than five years	**13,484**	—
Minimum lease payments	**20,593**	—

Lease liabilities are effectively secured as the rights to the leased assets recognized in the financial statements revert to the lessor in the event of default.

(ii) As at June 30, 2018, non-current borrowings include:

(a) RMB17,667,000 borrowings secured by buildings with net book value of RMB38,903,000 (Note 7);

(b) RMB107,640,000 borrowings secured by revenue collection rights of Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd;

(iii) As at June 30, 2018, short term borrowings include:

(a) RMB90,000,000 borrowings secured by buildings with net book value of RMB40,517,000 (Note 7);

(b) RMB200,000,000 borrowings secured by USD35,000,000 fixed deposit (Note 15 (b));

20 Borrowings (continued)

All the short-term and long-term borrowings are guaranteed by the Company's subsidiaries for each other.

As at June 30, 2018, all the borrowing were denominated in RMB and their fair value approximates their carrying amount.

As at June 30, 2018, borrowings of RMB585,107,000 were with floating interest rates.

Movements in borrowings are analysed as follows:

	RMB'000
Six months ended June 30, 2018	
Opening amount as at January 1, 2018	**594,667**
Proceeds of bank borrowings	**477,440**
Repayments of bank borrowings	**(365,000)**
Finance lease liabilities	**23,218**
Repayments of finance lease liabilities	**(2,736)**
Interest on finance lease liabilities	**111**
Closing amount as at June 30, 2018	**727,700**
Six months ended June 30, 2017	
Opening amount as at January 1, 2017	314,565
Proceeds of borrowings	407,400
Repayments of borrowings	(294,065)
Closing amount as at June 30, 2017	427,900

21 Deferred income

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Sales of medical examination cards (a)	–	68,711
Government grants	5,634	5,634
	5,634	74,345

(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. Amounts were reclassified to contract liabilities (Note 33) upon adoption of HKFRS 15.

22 Other long-term liabilities

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Accrued rental expenses	94,952	77,373
Less: Current portion	(1,676)	(2,093)
	93,276	75,280

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 Contract liabilities

	Unaudited As at June 30, 2018 RMB'000
Advances from customers	**70,800**
Sales of medical examination cards (a)	**92,755**
	163,555

(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.

24 Trade and other payables

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Trade payables due to third parties (b)	**147,971**	102,825
Payables for purchase of property and equipment	**107,519**	91,925
Staff salaries and welfare payables	**50,591**	62,939
Accrued advertising expense	**4,831**	5,366
Accrued taxes other than income tax	**4,705**	831
Deposits payable	**3,070**	2,724
Accrued professional service fees	**1,902**	4,612
Interest payables	**859**	849
Advances from customers	**—**	74,647
Loan from non-controlling interests of subsidiaries (a)	**—**	10,500
Notes payable	**—**	1,205
Others	**16,461**	18,723
	337,909	377,146

(a) The balance as at December 31, 2017 represented a shareholder's loan due to the non-controlling interests of a subsidiary, which is unsecured and non-interest bearing. The balance was repaid during the period.

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

24 Trade and other payables (continued)

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Trade payables		
— Up to 3 months	**128,364**	81,169
— 3 to 6 months	**7,787**	5,083
— 6 months to 1 year	**3,333**	8,592
— 1 to 2 years	**2,066**	1,056
— 2 to 3 years	**812**	2,769
— Over 3 years	**5,609**	4,156
	147,971	102,825

The normal credit term of the Group is 30 days to 90 days. As at June 30, 2018 and December 31, 2017, 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.

25 Revenue

Revenue of the Group consists of the following:

	Unaudited Six months ended June 30, 2018 RMB'000	2017 RMB'000
General Hospital		
Outpatient pharmaceutical income	**21,217**	18,666
Outpatient service income	**23,403**	21,462
Inpatient pharmaceutical income	**79,207**	62,798
Inpatient service income	**63,431**	50,605
Medical Examination		
Examination service	**350,731**	280,564
Management service fee and others	**5,813**	1,786
Specialty Hospitals		
Outpatient pharmaceutical income	**123**	—
Outpatient service income	**1,025**	—
Inpatient pharmaceutical income	**7**	—
Inpatient service income	**1,293**	—
	546,250	435,881

26 Other income

	Unaudited Six months ended June 30, 2018 RMB'000	2017 RMB'000
Government grants	**2,886**	7,866
Rental income	**333**	386
Others	**674**	657
	3,893	8,909

27 Expenses by nature

	Unaudited Six months ended June 30, 2018 RMB'000	2017 RMB'000
Employee benefits expense	**281,717**	203,142
Operating lease rental expenses	**109,531**	65,882
Depreciation and amortization	**63,313**	40,572
Pharmaceutical costs	**59,066**	45,635
Medical consumables costs	**38,337**	33,331
Outsourcing testing expenses	**23,323**	17,493
Utility expenses	**22,785**	17,502
Office expenses	**19,947**	11,055
Advertising expenses	**15,560**	10,624
Professional service charge	**7,166**	1,157
Travel expenses	**6,995**	2,524
Entertainment expenses	**5,475**	6,412
Maintenance expenses	**3,163**	4,116
Provision for receivables impairment	**5,444**	3,395
Auditor's remuneration		
— Audit service	**1,081**	866
— Non-audit service	**83**	64
Stamp duty and other taxes	**961**	1,561
Others	**19,413**	10,562
	683,360	475,893

28 Finance expenses – net

	Unaudited Six months ended June 30, 2018 RMB'000	2017 RMB'000
Interest on borrowings	**18,589**	11,724
Exchange loss	**—**	14,691
	18,589	26,415
Exchange gain	**(2,698)**	—
Interest income	**(6,795)**	(3,115)
Others	**(425)**	(346)
	(9,918)	(3,461)
Finance expenses — net	**8,671**	22,954

29 Income tax credit

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

	Unaudited Six months ended June 30, 2018 RMB'000	2017 RMB'000
Current income tax		
— Current period	**12,661**	14,965
— Under/(over) provision for prior years	**369**	(875)
Deferred income tax (Note 12)	**(42,321)**	(18,183)
Income tax credit	**(29,291)**	(4,093)

29 Income tax credit (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:

	Unaudited Six months ended June 30, 2018 RMB'000	 2017 RMB'000
Loss before income tax	**(142,253)**	(55,341)
Tax calculated at the applicable income tax rate (25%)	**(35,563)**	(13,835)
Tax effect of:		
Tax loss expired	**858**	—
Income not subject to tax	**(3,031)**	—
Expenses not deductible for tax purpose	**1,343**	1,471
Utilization/recognition of prior year tax losses and temporary differences not recognized as deferred income tax assets in prior years	**(6,393)**	(252)
Temporary differences not recognized as deferred income tax assets	**2,867**	—
Tax losses not recognized as deferred income tax assets	**10,259**	9,398
Under/(over) provision for prior years	**369**	(875)
Income tax credit	**(29,291)**	(4,093)

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, 2018 will not be distributed in the foreseeable future.

30 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, 2018 and 2017, respectively.

	Unaudited	
	Six months ended June 30,	
	2018	2017
Net loss attributable to owners of the Company (RMB'000)	**(67,880)**	(39,440)
Weighted average number of ordinary shares in issue	**1,592,079,000**	1,592,079,000
Basic losses per share (RMB)	**(0.04)**	(0.02)

(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.

	Unaudited	
	Six months ended June 30,	
	2018	2017
Net loss attributable to owners of the Company (RMB'000)	**(67,880)**	(39,440)
Weighted average number of ordinary shares in issue	**1,592,079,000**	1,592,079,000
Adjustment for share options granted under the share option scheme	**124,953,467**	47,710,500
Weighted average number of ordinary shares for diluted losses per share	**1,717,032,467**	1,639,789,500
Diluted losses per share (RMB)	**(0.04)**	(0.02)

31 Contingencies

Up to June 30, 2018, the Group had thirteen 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.

32 Commitments

(a) Capital commitments

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

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Authorized and contracted for:		
Equity investment	**608,350**	607,350
Leasehold improvements	**48,808**	95,448
	657,158	702,798

(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:

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Minimum lease payments under operation leases		
Within 1 year	**217,746**	203,599
1 to 5 years	**786,445**	740,037
Over 5 years	**959,390**	990,387
	1,963,581	1,934,023

33 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests

Subsidiaries	Consideration to non-controlling interests	Carrying amount of non-controlling interests acquired of	Loss on acquisition recognised within equity
Ruiyi Cherry (a)	(2,813)	(434)	(3,247)
Hefei Haoze Health Management Co., Ltd. (“ Hefei Haoze ”) (b)	(3,690)	284	(3,406)
	(6,503)	(150)	(6,653)

(a) In May 2018, after acquiring 71% equity interests in March, the Group further acquired remaining 29% equity interests in Ruiyi Cherry from Rii Web at a consideration of RMB2,183,000. The Group recognised an increase in non-controlling interests of RMB434,000 and a decrease in equity attributable to owners of the Company of RMB3,247,000.

(b) In May 2018, the Group acquired 30% equity interests in Hefei Haoze from Hefei Huatai Group Inc at a consideration of RMB3,690,000. The Group recognised a decrease in non-controlling interests of RMB284,000 and a decrease in equity attributable to owners of the Company of RMB3,406,000.

34 Business combination

On March 19, 2018 the Group acquired 71% equity interests in Ruiyi Cherry from Rii Web at a total consideration of RMB6,887,000.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB’000
Purchase consideration	
— Cash paid	**6,887**

34 Business combination (continued)

The assets and liabilities recognised as a result of the acquisition at acquisition date are as follows:

	Fair value RMB'000
Cash	101
Trade and other receivables, prepayments	87
Inventories	78
Property and equipment	676
Trade and other payables	(1,731)
Net identifiable liabilities acquired	(789)
Less: non-controlling interests	229
Add: goodwill	7,447
	6,887

The goodwill is attributable to specific license and synergy after acquisition. It will not be deductible for tax purposes.

The acquired business contributed revenues of RMB300,000 and net loss of RMB1,042,000 to the Group for the period from March 19, to June 30, 2018.

If the acquisition had occurred on January 1, 2018, the revenue contributed by the acquired business and net loss for the period ended June 30, 2018 would have been RMB482,000 and RMB5,745,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the Group and the subsidiary.

35 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, has joint control over the 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 June 30, 2018 and 2017 and balances arising from related party transactions as at June 30, 2018 and December 31, 2017.

(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
Shanghai Rich Healthcare Management Company Limited (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
Nantong Rich Meidi Elderly Care Center (南通瑞慈美邸護理院有限公司) ("Nantong Meidi")	Subsidiary of the joint venture

35 Related party transactions (continued)

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

(i) Temporary funding provided to related parties

	Unaudited Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Nantong Meidi	–	1,000

(ii) Temporary funding received from/repaid to a related party

During the six months 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 RMB1,000,000 that was fully repaid by the Group upon the completion of the procedures and transfer of legal title of Hangzhou Rich to the Group. No such temporary fundings received or repaid during the six months ended June 30, 2018.

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

	Unaudited Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Shanghai Rich Medical Exam	–	1,960

During the six months ended June 30, 2017, Shanghai Rich Medical Exam assisted the Group in setting up 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 which was fully repaid by the Group 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 RMB1,660,100 which was fully repaid by the Group. No such expenses are paid on behalf during the six months ended June 30, 2018.

35 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

	Unaudited	
	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Nantong Meidi	**282**	493
Nantong Rich Real Estate Development Co., Ltd.	**31**	36
	313	529

(v) Purchase of goods and services

	Unaudited	
	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Mr. Fang Haoze	**450**	—

(vi) Services provided to related parties

	Unaudited	
	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Nantong Meidi	**350**	—

35 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:

	Unaudited	
	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
Share option scheme	4,848	3,540
Salaries and other short-term employee benefits	1,271	1,194
Pension	137	125
	6,256	4,859

(d) Balances with related parties

Amounts due from related parties

	Unaudited	Audited
	As at	As at
	June 30,	December 31,
	2018	2017
	RMB'000	RMB'000
Nantong Meidi	1,611	1,000
Shanghai Rich Medical Exam	627	627
Mr. Fang Haoze	150	—
Nantong Rich Real Estate Development Co., Ltd.	31	—
	2,419	1,627

35 Related party transactions (continued)

(d) Balances with related parties (continued)

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.

Prepayments

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Mr. Fang Haoze	**100**	—

Amounts due to related parties

	Unaudited As at June 30, 2018 RMB'000	Audited As at December 31, 2017 RMB'000
Shanghai Rich Medical Exam (i)	**848**	848
Mr. Fang Haoze	**—**	50
	848	898

(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.

36 Dividend

The Board does not propose an interim dividend for the period ended June 30, 2018 (December 31, 2017: nil).

37 Events after the balance sheet date

On August 31, 2018, Nantong Rich Hospital, Nantong Rich Medical, Dr. Fang, Dr. Mei and Everbright (Haimen) entered into an investment agreement in relation to the investment from Everbright (Haimen) in Nantong Rich Hospital for the purpose of its second-phase renovation and expansion. Pursuant to such investment agreement, the total investment of RMB100.0 million from Everbright (Haimen) will be contributed in cash. Upon completion of such investment, the registered capital of Nantong Rich Hospital will increase from RMB65.0 million to RMB68.0 million, which will be held by Everbright (Haimen) and Nantong Rich Medical as to 4.41% and 95.59%, respectively.

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

股份代號 Stock Code: 1526

於開曼群島註冊成立之有限公司 Incorporated in the Cayman Islands with limited liability