2019
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
"Changzhou Rich Hospital"	Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. (常州瑞慈婦產醫院有限公司), a company incorporated in the PRC with limited liability on July 12, 2016, which operates a high-end obstetrics, gynecology and pediatrics hospital established in Changzhou City, Jiangsu Province
"Chelsea Grace"	Chelsea Grace Holdings Limited (翠慈控股有限公司), a company incorporated in the BVI with limited liability on July 11, 2014, which is entirely owned by Dr. Mei
"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", "Rici", "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, chief executive officer, executive Director, the spouse of Dr. Mei and the father of Mr. Fang Haoze
"Dr. Mei"	Dr. Mei Hong, our executive Director, our Controlling Shareholder, the spouse of Dr. Fang and the mother of Mr. Fang Haoze

"Grade A, Grade B and Grade C"	hospitals in China can be categorized into Class I, II and III in terms of service quality, management level, medical equipment, hospital size and medical technology. Each class can be further divided into Grade A, Grade B and Grade C. Class III Grade A hospitals are the top level hospitals in China
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, each being the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"IPO"	the initial public offering of the Company, having become unconditional in all aspects on October 6, 2016
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	October 6, 2016, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nantong Meidi"	Nantong Rich Meidi Elderly Care Center Co., Ltd. (南通瑞慈美邸護理院有限公司), a company incorporated in the PRC with limited liability on August 19, 2014, which is a subsidiary of a joint venture of our Group
"Nantong Rich Hemodialysis Center"	Nantong Rich Hemodialysis Center Co., Ltd. (南通瑞慈血液透析有限公司), a company incorporated in the PRC with limited liability on September 8, 2017, which is an indirectly wholly-owned subsidiary of our Company
"Nantong Rich Hospital"	Nantong Rich Hospital Co., Ltd. (南通瑞慈醫院有限公司), a company incorporated in the PRC with limited liability on August 14, 2000, which is an indirectly non-wholly-owned subsidiary of our Company
"NHC"	National Health Commission (國家衛生健康委員會) of the PRC
"Nomination Committee"	the nomination committee of the Board
"OGP"	obstetrics, gynecology and pediatrics
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on September 19, 2016

Definitions

"Prospectus"	the prospectus of the Company dated September 26, 2016
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the six months ended June 30, 2019
"Rici OGP Hospitals"	the three hospitals under Rici's OGP segment, namely, Rici Shuixian, Wuxi Rich Hospital and Changzhou Rich Hospital
"Rici Shuixian"	Shanghai Shuixian Obstetrics, Gynecology and Pediatric Hospital Co., Ltd. (上海瑞慈水仙婦兒醫院有限公司) (formerly known as Shanghai Shuixian Obstetrics & Gynecology Hospital Co., Ltd. (上海瑞慈水仙婦產醫院有限公司)), a company incorporated in the PRC with limited liability on October 17, 2016 and an indirectly non-wholly-owned subsidiary of the Company
"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 issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on September 19, 2016
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Wuxi Rich Hospital"	Wuxi Rich Obstetrics, Gynecology and Pediatric Hospital Co., Ltd. (無錫瑞慈婦兒醫院有限公司), a company incorporated in the PRC with limited liability on December 28, 2016 and an indirectly non-wholly-owned subsidiary of the Company
"%"	per cent

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Fang Yixin *(Chairman and appointed as Chief Executive Officer with effect from March 20, 2019)*
Dr. Mei Hong
Mr. Lu Zhenyu *(Chief Executive Officer and resigned with effect from March 20, 2019)*
Dr. Wang Weiping *(resigned with effect from March 20, 2019)*
Mr. Fang Haoze *(appointed with effect from June 24, 2019)*
Ms. Lin Xiaoying *(appointed with effect from June 24, 2019)*

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)*
Ms. Wong Sze Wing
Mr. Lu Zhenyu *(resigned with effect from March 20, 2019)*
Dr. Mei Hong *(appointed with effect from March 20, 2019)*

NOMINATION COMMITTEE

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

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

20/F, Building 1
Donghang Binjiang Center
No. 277 Longlan Road
Xuhui District
Shanghai, PRC

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

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

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

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

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

HONG KONG LEGAL ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE AND BOARD LOT

Stock Code: 1526
Board Lot: 1,000

WEBSITE

www.rich-healthcare.com

INVESTOR RELATIONS

Email: ir@rich-healthcare.com

Management Discussion and Analysis

BUSINESS OVERVIEW AND STRATEGIC OUTLOOK

Industry Overview

With the continuous deepening of the medical reform in China, different specific policies of the "Healthy China 2030" Planning Outline were successively implemented, and the size of the private medical market continued to grow rapidly. According to the statistics released by NHC in May 2019, as of February 2019, there were 33,125 hospitals in China, comprising 11,960 public hospitals and 21,165 private hospitals, representing a year-on-year decrease of 319 public hospitals and a year-on-year increase of 2,185 private hospitals, respectively. From January to February 2019, the proportion of the number of patients nationwide treated in and discharged from private hospitals amounted for 15.35% and 17.35% of total number of patients nationwide treated in and discharged from hospitals, respectively, both seeing a year-on-year increase. The importance of the private medical practice to China's healthcare system and medical market continued to increase. There was a trend that the patients and customers of public medical institutions migrate towards private medical institutions. In particular, large private medical institutions, represented by Class III private hospitals, were able to attract more patients and customers.

According to the statistics from Statistical Communique of the PRC on the 2018 National Economic and Social Development (2018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 number of births in China was 15.2 million in 2018 with a birth rate of 10.94‰, showing a decrease in the number of births over 2017. However, the public has increasingly higher standards for quality of birth population as well as maternity and children healthcare service. On May 27, 2019, Department of Maternal and Child Health (婦幼健康司) of NHC issued the Report on Development of Maternal and Child Health Affairs in China (2019) (《中國婦幼健康事業發展報告(2019)》), presenting that there shall be innovative service philosophy, expanded service connotations and enhanced service functions for the women and children health affairs in the future, so as to achieve all-aspect and all-lifecycle health protection for women and children. According to the survey information presented in Chinese Private Wealth Report 2019 (《2019中國私人財富報告》) by Bain & Company, in 2018, the number of high-net-worth individuals in Guangdong, Shanghai, Beijing, Jiangsu and Zhejiang was approximately 43% of the total number of high-net-worth individuals in China, whose assets available for investment accounted for approximately 59% of the total assets held by all high-net-worth individuals in China. As the amount and the wealth of high-net-worth individuals grow, especially in the relatively affluent provinces and cities, consumers have increasing demand for high-quality maternity and children healthcare service. Together with the continuous shortage in public gynecological and pediatric medical resources in the short and medium term, there is still a large space for growth in the demand for high-quality gynecological and pediatric service. Middle to high-end private OGP hospitals with outstanding medical quality, service quality, operating experience and brand reputation continue to have adequate market demand and competitiveness.

On June 12, 2019, the Opinions on Promoting Sustainable, Healthy and Standardised Development of Private Medical Institutions (《關於促進社會辦醫持續健康規範發展的意見》), which was jointly published by NHC and other authorities, specifies that support for the development of private medical institutions should be strengthened in various aspects including leaving sufficient room for the development of private medical institutions, increasing government purchases of services and further removing planning restrictions. Specifically, it includes strictly controlling the number and scale of the public hospitals; giving priority to private medical institutions for newly available medical and health resources; regulating and encouraging the establishment of private medical institutions including medical examination centers and OGP hospitals, as well as independently established medical institutions including hemodialysis centers operated as chain stores or group companies; and impose no restrictions on the regional planning of the total number and layout of private medical institutions. On July 15, 2019, the General Office of the State Council of the PRC (中國國務院辦公廳) established the Healthy China Promotion Committee (健康中國行動推進委員會), and published relevant documents such as the Healthy China Action (2019–2030) (《健康中國行動(2019–2030年)》) and the Plan for Organizing, Implementing and Assessing the Healthy China Action (《健康中國行動組織實施和考核方案》). Through such actions, the State Council of the PRC determined on the national level the overall targets and the assessment system to improve health of the Chinese people in the future. On the same day, the State Council of the PRC issued the Opinions of the State Council on Implementing Healthy China Action (《國務院關於實施健康中國行動的意見》), presenting that "maintaining health during the full life cycle" as one of the main goals of "Healthy China Action", and highlights the promotion of women and children health action, occupational health protection action and elderly health promotion action.

Such and similar new policies will provide a larger room for the development of medical examination and health management services, high-end private specialized hospitals and general healthcare institutions, creating new opportunities and better development environment for the Group's businesses.

General Hospital Business

Nantong Rich Hospital (Fourth Clinical College of Yangzhou University (揚州大學第四臨床醫學院)) is a Class III Grade B general hospital, the leading hospital for the development of medical alliance of Nantong Economic and Technological Development Zone and a National Standardized Medical Residency Training Coordination Base (國家住院醫師規範化培訓協同基地). Moreover, Nantong Rich Hospital has one construction project for National Key Clinical Specialty (國家級臨床重點專科), one Provincial Key Clinical Specialty under Construction (省級重點建設專科), five Municipal Key Clinical Specialties (市級臨床重點專科), one Municipal Key Specialty under Construction (市級重點建設專科) and one Municipal Key Discipline under Construction (市級重點建設學科). During the Reporting Period, Nantong Rich Hospital focused on strengthening the development of featured specialties including oncology, thoracic surgery and cardiology. It actively promoted the use of new large-scale equipment (gamma knife, linear accelerator, 256-row CT, etc.), further expanded its influence in Nantong and achieved significant growth in its performance. As of June 30, 2019, the hospital had 217 doctors, 149 medical technicians and 371 nurses. Revenue was approximately RMB241.5 million (corresponding period in 2018: RMB187.3 million), representing a year-on-year increase of 28.9%. During the Reporting Period, the number of outpatient visits of Nantong Rich Hospital was 185,982 (six months ended June 30, 2018: 169,125), and the number of inpatient visits of Nantong Rich Hospital was 13,173 (six months ended June 30, 2018: 11,533), which increased by 10.0% and 14.2% as compared with the corresponding period in the previous year, respectively. The expansion project of Nantong Rich Hospital Phase II, which was listed as a major special project among the "Double Hundred Projects" of Nantong in 2018, was progressing as planned.

As a collaboration with and a complement to Nantong Rich Hospital, Nantong Meidi and Nantong Rich Hemodialysis Center achieved 24-hour medical linkage and further improved the Group's horizontal landscape in the medical industry of Nantong. In particular, Nantong Meidi is not only a designated medical institution for public medical insurance reimbursement and public basic care insurance reimbursement in Nantong, but also a practice base for students of Nanjing University of Science and Technology (南京理工大學) majoring in social work, a social practice base for students of Jiangsu College of Engineering and Technology (江蘇工程職業技術學院), a research base of Jiangsu Association of Gerontology (江蘇省老年學學會), and even a member of the Chinese Association for Life Care (中國生命關懷協會). As of June 30, 2019, Nantong Meidi served 103 elderly people (as of June 30, 2018: 103 elderly people). Door-to-door service had been successfully commenced and the consultation and management project in elderly-care industry had been carried forward.

Nantong Rich Hemodialysis Center was dedicated to providing personalized, reasonable and scientific dialysis solutions to the patients with nephropathy so as to ensure the adequacy and safety of the dialysis for the patients and improve their service experience. During the Reporting Period, Nantong Rich Hemodialysis Center served a total of 109 contracted patients and 35 hemodialysis machines were in use (as of December 31, 2018: 52 contracted patients and 25 hemodialysis machines).

Medical Examination Business

Along with the increasing number of medical examination institutions, the coverage of the medical examination business expanded. Our medical examination business covers 28 cities across the country, with an increase of 5 cities as compared with the corresponding period in the previous year. During the Reporting Period, our medical examination business focused on enhancing our own medical position and barriers. Our various examination centers obtained the ISO9001 management system certification, and 12 medical examination centers located in Shanghai were acclaimed for their performance in the "Magnolia" project in Shanghai. Meanwhile, the medical examination business further enhanced the penetration rate of Rici's medical examination brand by organizing festival events, promotion of single-item of sophisticated medical examination (MRI, CT, mammography, etc) and multi-channel promotion. As a high-end brand of Rici's medical examination business which introduced the disease prevention and management concepts of Japan, "*Advanced Integrative Medical* CEO Health Club" is under active development and expected to commence operation in the second-half of this year.

As of June 30, 2019, the Group had 57 medical examination centers in China (as of June 30, 2018: 48), representing a year-on-year growth of 18.8%, of which 47 centers were in operation (as of June 30, 2018: 38), representing a year-on-year growth of 23.7%. Revenue from our medical examination business was approximately RMB441.9 million, representing an increase of 24.0% from approximately RMB356.5 million in the corresponding period in the previous year. The number of visits of customers under medical examination business was 905,375 (corresponding period in 2018: 699,547), representing a year-on-year increase of 29.4%, among which, corporate customers were the principal customer category, accounting for approximately 81.0% of the total visits of customers of the Group's medical examination business. During the Reporting Period, the number of corporate customers and the number of individual customers were 733,368 and 172,007, respectively (corresponding period in 2018: 554,647 and 144,900, respectively), representing a year-on-year increase of 32.2% and 18.7%, respectively.

Specialty Hospital Business

Rici's OGP segment continued to adopt modernized hospital management approaches in 2019. Based on the JCI standards, Rici's OGP segment listed patient identification, medical record preparation and management, pharmaceutical use and management, anesthesia and surgery management, medical continuity and communication, as well as crisis value management as its six major monitoring indicators for medical quality control. Human resources management focuses on the continuing resident physicians' training management, and the establishment and optimization of professional teams. Standardized management measures are applied to the Group's fire safety, medical wastes management, equipment safety and the safety of hospital facilities matters, steadily enhancing the operating performance of the hospitals. During the Reporting Period, revenue from Rici's OGP segment amounted to RMB19.6 million (corresponding period in 2018: RMB2.4 million).

Changzhou Rich Hospital is committed to becoming a model for private hospitals with "standardized management, advanced technology and gathering of talents". Adhering to "quality first and patient-oriented service" philosophy, the hospital conducted promotional activities by combining local characteristics, popular social topics, cross-industry collaboration and media promotion, which were recognized by the local governments and the competent health departments at different levels. Such activities also earned the trust of people and the reputation in society. As a designated medical institution for public medical insurance reimbursement in Changzhou since February 2, 2019, Changzhou Rich Hospital ranked first in the "Branding Enhancement Awards for Top 10 Medical Institutions in China 2018" (2018年度中國醫療機構品牌傳播飛躍獎10強) and was selected as one of the "Top 50 Private Institutions in the Branding Chart of Top 100 Medical Institutions in China 2018" (2018年度中國醫療機構品牌傳播百強榜民營機構50強) (the 43rd place). Entering into the second operation year, Changzhou Rich Hospital continuously achieved rapid growth. As of June 30, 2019, Changzhou Rich Hospital had 117 beds in use (as of June 30, 2018: 99), serving a total of 8,914 outpatients and 481 inpatients during the Reporting Period (corresponding period in 2018: 1,492 and 37, respectively).

On December 21, 2018, Shanghai Shuixian Obstetrics & Gynecology Hospital (上海瑞慈水仙婦產醫院) was officially renamed as Shanghai Shuixian Obstetrics, Gynecology and Pediatric Hospital Co., Ltd. (上海瑞慈水仙婦兒醫院有限公司). Also, it entered into a strategic cooperation agreement with Children's Hospital of Shanghai (上海市兒童醫院) which is located right next to it, to commence the planning for the establishment of its pediatric department. From this year, Rici Shuixian has officially become a collaborative hospital of Ferguson Women's Health by strengthening the training of the hospital's internal staff on professional skills and foreign language proficiency. With the provision of the international medical service of American integrated LDRP (labor, delivery, recovery and postpartum) care, as well as the establishment of a commercial insurance service platform, the hospital aimed to satisfy demands of patients at different levels. Seizing the opportunity to become the official partnering hospital of the Obstetrics and Gynecology Hospital of Fudan University (復旦大學附屬婦產科醫院), the Children's Hospital of Fudan University (復旦大學附屬兒科醫院) and Children's Hospital of Shanghai, Rici Shuixian will leverage the first-class professional public medical resources in China and the specialized OGP medical services following international high-end service standards. Based on a standardized management philosophy, the service model of "focusing on obstetrics and gynecology with the collaborative development of pediatrics" was adopted, and the service volume saw continuous increase. As of June 30, 2019, Rici Shuixian had 39 beds in use, serving a total of 1,955 outpatients and 115 inpatients. Meanwhile, Shanghai Yuexin Maternity Care Center controlled by Rici Shuixian was recognized by Shanghai Bureau for Market Regulation as one of the first batch of standardized pilot projects in Shanghai in 2019.

Wuxi Rich Hospital successfully commenced operation on June 16, 2019. The hospital carried out marketing campaign based on the strategy of "putting the maternity care center first" at the final stage of its construction, and successfully received many package orders on its first day of operation. As of June 30, 2019, the hospital had 63 beds in use.

PROSPECTS

Nantong is one of the major cities in the strategy of "1+3" key functional zones in Jiangsu. The expansion project of Nantong Rich Hospital Phase II is in progress and the earliest completion of the construction is expected to be the end of 2020. Along with the commencement of operation of G-series high-speed trains and the establishment of a new airport in Nantong, medical and elderly care market in Nantong has huge potentials. Before the completion of the expansion project of Nantong Rich Hospital Phase II, Nantong Rich Hospital will strengthen its soft power and strive to receive "satisfactory revenue in low season" through market expansion and large-scale equipment promotion in order to further increase the revenue and profitability. At the same time, the intrinsic development of the six pillar departments, namely oncology, cardiology, brain, orthopedics, geriatric rehabilitation and OGP, will be enhanced. It is expected that Nantong Rich Hospital will become a private medical institution qualified as a Class III Grade A general hospital and improve its medical service network combining medical service, maternal and child healthcare, rehabilitation and elderly care after the completion of the expansion project of Nantong Rich Hospital Phase II.

The Opinions on the Implementation of Healthy China Action (《關於實施健康中國行動的意見》) published by the State Council of the PRC on July 15, 2019 presented that people's health is a significant symbol of national prosperity and a wealthy and powerful country, and disease prevention is the most economical and effective health promotion strategy. Our medical examination business has been always adhering to the scientific and medicalized characteristics of medical examination services. Following the establishment and the commencement of operation of the high-end brand "*Advanced Integrative Medical* CEO Health Club", our medical examination business will further improve the scientization, medicalization, personalization, high-end standard and internationalization of its medical examination services. Through continuous optimization and updating of product types, brand building and improvement of medical value-added services, the scale per single medical examination center is further expanded, and the market share and influence of the brand of Rici in the medical examination industry will be increased.

The opening of Wuxi Rich Hospital marked the completion of regional layout for Rici OGP brand in Yangtze River Delta. Rici OGP Hospitals are in the core locations of the major cities in Yangtze River Delta region. There are adequate potential customers, medical resources and expert resources in such areas. Therefore, Rici OGP Hospitals will continuously leverage their own advantages to achieve rapid development. For hospitals construction, with the principle of "hospital's brand and reputation", they implement the management and innovative initiatives in various aspects including medical quality, patient safety, human resources, team building and planning of new projects by "strengthening internal development and enhancing core competitiveness". For business development, they focus on obstetrics and pediatrics, and persistently explore the possibility of new businesses, medical departments and service model. They provide the customers with high-tech and high-value-added services, and also continuously make efforts on discipline development and staff training in gynecology sector. In the coming years, Rici's OGP Hospitals have confidence in satisfying and even exceeding patients' expectations from the fundamental aspect of medical safety to other aspects such as high-quality medical service demand. They strive to be the models of private gynecology and pediatrics hospitals in the area, Yangtze River Delta region and even China.

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,		
	2019 (RMB'000)	2018 (RMB'000)	% of Change
General hospital business	**249,896** (1)	193,231 (1)	29.3%
Medical examination business	**444,695** (2)	356,544 (2)	24.7%
Specialty hospital business	**19,575**	2,448	699.6%
Inter-segment	**(11,233)**	(5,973)	88.1%
Total	**702,933**	546,250	28.7%

Notes:

(1) Included the revenue from hemodialysis business.

(2) Included the revenue from embedded clinic business in medical examination centers.

Our revenue increased by 28.7% from RMB546.3 million for the six months ended June 30, 2018 to RMB702.9 million for the Reporting Period, mainly due to an increase in revenue from the general hospital business, the medical examination business and specialty hospital business.

Revenue from the general hospital business for the Reporting Period amounted to RMB241.5 million, representing an increase of 28.9% from RMB187.3 million for the corresponding period in 2018, excluding inter-segment revenue of RMB8.4 million and RMB6.0 million for the six months ended June 30, 2019 and 2018, respectively. The increase was mainly attributable to our active improvement of operational efficiency, which led to an increase of 1,640 in the number of inpatient individuals served, an increase in the revenue per inpatient by 14.2% and an increase of the revenue from inpatients by RMB43.3 million. Meanwhile, the number of outpatient visits increased by 16,857 and revenue per outpatient increased by 13.1%, and thus the revenue from outpatients increased by RMB10.9 million.

Revenue from the medical examination business for the Reporting Period amounted to RMB441.9 million, representing an increase of 24.0% from RMB356.5 million for the corresponding period in 2018, excluding the inter-segment revenue of RMB2.8 million for the Reporting Period. The improvement of our service quality and the people's increasing awareness of demand for high-end medical examination services brought an increase in the number of visits of patients for medical examination services. In the Reporting Period, the number of visits for our medical examination services was 905,375, representing an increase of 29.4% from 699,547 in the corresponding period in 2018.

Revenue from the specialty hospital business for the Reporting Period amounted to RMB19.6 million (corresponding period in 2018: RMB2.4 million). For the Reporting Period, the numbers of outpatients and inpatients for our specialty hospital services served were 10,870 and 596, respectively. Revenue generated from outpatients visits and inpatients visits was RMB4.6 million and RMB15.0 million, respectively.

Cost of Sales

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

	Six months ended June 30,		
	2019 (RMB'000)	2018 (RMB'000)	% of Change
General hospital business	**174,777** (1)	147,193 (1)	18.7%
Medical examination business	**323,010** (2)	251,069 (2)	28.7%
Specialty hospital business	**69,125**	50,953	35.7%
Inter-segment	**(14,668)**	(5,973)	145.6%
Total	**552,244**	443,242	24.6%

Notes:

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

(2) Included the cost of sales of embedded clinic business in medical examination centers.

Our cost of sales increased by 24.6% from RMB443.2 million for the six months ended June 30, 2018 to RMB552.2 million for the Reporting Period, mainly because (i) nine medical examination centers commenced operation in the period from July 2018 to June 2019; (ii) the expansion of the scale of our general hospital business; and (iii) the increased operating costs of the specialty hospitals.

Cost of sales of our general hospital business during the Reporting Period amounted to RMB174.8 million, representing an increase of 18.7% from RMB147.2 million during the corresponding period in 2018, which was mainly attributable to the increase in pharmaceutical costs and medical consumable costs following the expansion of revenue scale in 2019.

Cost of sales of our medical examination business during the Reporting Period amounted to RMB323.0 million, representing an increase of 28.7% from RMB251.1 million during the corresponding period in 2018. The increase was mainly attributable to (i) the increase in variable costs of our medical examination centers, including medical consumable costs and outsourced testing expenses, which was generally in line with the growth of revenue from our medical examination business; and (ii) the operation of new medical examination centers, resulting in an increase in certain fixed costs, such as depreciation and amortization expenses.

Cost of sales of the specialty hospital business during the Reporting Period amounted to RMB69.1 million, representing an increase of 35.7% from RMB51.0 million during the corresponding period in 2018. The increase was mainly attributable to the increase in the remuneration expenses of medical staff, medical consumable costs and outsourced testing expenses as the specialty hospital business was in its initial stage of development.

Gross Profit

Our gross profit increased by 46.3% from RMB103.0 million for the six months ended June 30, 2018 to RMB150.7 million for the Reporting Period. Gross profit margin increased by 2.5 percentage points from 18.9% for the six months ended June 30, 2018 to 21.4% for the Reporting Period, mainly due to the adoption of HKFRS 16, as HKFRS 16 was not adopted for the six months ended June 30, 2018. For comparison purpose only, assuming the changes to the results for the Reporting Period brought by the adoption of HKFRS 16 are not taken into account, the Group's gross profit would be approximately RMB134.4 million, representing an increase of approximately 30.4% as compared to the corresponding period in 2018, and our gross profit margin would be 19.1%, representing a 0.2% increase as compared to the corresponding period in 2018.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses amounted to RMB86.7 million during the Reporting Period, as compared to RMB89.0 million for the corresponding period in 2018.

Administrative Expenses

Our administrative expenses amounted to RMB140.8 million during the Reporting Period, as compared to RMB145.7 million for the corresponding period in 2018.

Other Income

Our other income, which mainly represented government subsidies, donation income and income from equipment sales, amounted to RMB16.2 million during the Reporting Period (corresponding period in 2018: RMB3.9 million).

Other Losses

Our other losses during the Reporting Period amounted to RMB0.2 million, as compared to other losses of RMB0.4 million for the corresponding period in 2018. Other losses mainly represented the donation expense to charity fund, losses on disposal of equipment and other miscellaneous losses.

Finance Costs — net

Our net finance costs amounted to RMB70.1 million during the Reporting Period, as compared to the net finance costs of RMB8.7 million for the corresponding period in 2018. The interest expenses amounted to RMB76.1 million during the Reporting Period, representing an increase of RMB57.5 million from RMB18.6 million for the corresponding period in 2018, among which the increase of RMB49.5 million in interest expenses was due to the adoption of HKFRS 16.

Share of Results

For the Reporting Period, the Group recognized a share of profit of RMB0.4 million (corresponding period in 2018: RMB0.02 million) in its consolidated results, mainly from the operating profit of RMB0.4 million of Nantong Meidi, a joint venture of the Group primarily engaged in providing elderly care services, whose business operation has been gradually stabilized since its establishment in the second half of 2014.

Income Tax Credit

For the Reporting Period, income tax credit amounted to RMB13.2 million (corresponding period in 2018: RMB29.3 million). The decrease in income tax credit was mainly due to (i) the profit before income tax of Nantong Rich Hospital increased by RMB18.1 million compared to the corresponding period in 2018; (ii) deferred income tax credit decrease from RMB42.3 million for the six months ended June 30, 2018 to RMB33.8 million for the Reporting Period, for less loss incurred by medical examination centers and specialty hospitals was recognized as the deferred income tax assets.

Loss for the Period

For the foregoing reasons, in the Reporting Period, we recorded net loss of RMB117.1 million (corresponding period in 2018: net loss of RMB113.0 million), mainly due to the losses incurred from the new medical examination centers and specialty hospitals, which were at the early stage of operation, and the effect of the adoption of HKFRS 16.

Adjusted EBITDA

To supplement our interim condensed consolidated financial statements which are presented in accordance with HKAS 34, "Interim Financial Reporting", we use 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 HKFRSs) as a measure of our operating performance; (ii) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs; or (iii) any other measures of performance or liquidity. The following table reconciles our loss for the periods under HKFRSs to our definition of adjusted EBITDA for the periods indicated.

	Six months ended June 30, 2019 (RMB'000)	2019 (RMB'000) (Hypothetical use HKAS17)	2018 (RMB'000)
Adjusted EBITDA calculation			
Loss for the period	**(117,121)**	**(102,160)**	(112,962)
Adjusted for:			
Income tax credit	**(13,235)**	**(8,248)**	(29,291)
Finance costs — net	**70,076**	**20,554**	8,671
Depreciation and amortization	**166,915**	**73,891**	63,313
Pre-opening expenses and EBITDA loss of soft-opening[1]	**20,952**	**43,775**	102,498
Share option expenses	**12,754**	**12,754**	12,803
Adjusted EBITDA	**140,341**	**40,566**	45,032
Adjusted EBITDA margin[2]	**20.0%**	**5.8%**	8.2%

Notes:

(1) Primarily represents (a) pre-opening expenses, such as staff costs and rental expenses (under HKAS 17), incurred in the applicable period in connection with medical examination centers and specialty hospitals under construction 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%.

The adjusted EBITDA amounted to RMB140.3 million during the Reporting Period, representing an increase of 211.6% from RMB45.0 million for the corresponding period in 2018, mainly due to the adjustment of the recognition of operating leases arising from the adoption of HKFRS 16.

FINANCIAL POSITION

Properties and Equipment

Properties and equipment primarily consist of buildings, medical equipment, general equipment, leasehold improvements and construction in progress. As at June 30, 2019, the properties and equipment of the Group amounted to RMB1,071.8 million, representing an increase of RMB22.9 million as compared to RMB1,048.9 million as at December 31, 2018. The increase of properties and equipment was primarily due to acquisition of equipment as well as renovation for the new medical examination centers and specialty hospitals.

Trade Receivables

As at June 30, 2019, the trade receivables of the Group were RMB288.4 million, representing an increase of RMB19.7 million as compared to RMB268.7 million as at December 31, 2018, mainly due to (i) the faster growth of revenue from the medical examination business of the Group in the Reporting Period; and (ii) larger unsettled medical insurance receivables from social insurance bureau as a result of scale expansion of our general hospital business.

Net Current Assets and Liabilities

As at June 30, 2019, the Group's current liabilities exceeded its current assets by RMB667.9 million (as at December 31, 2018: current liabilities exceeded its current assets by RMB234.3 million). The increase of the Group's net current liabilities was mainly due to (i) the Group's consumption of current assets and increase in current liabilities for the construction and operation needs of the new medical examination centers, general hospital and specialty hospitals; (ii) the effect of the recognition of operating lease liabilities arising from the adoption of HKFRS 16.

Liquidity and Capital Resources

As at June 30, 2019, the Group had cash and cash equivalents of RMB296.9 million, with available unused bank facilities of RMB203.5 million. As at June 30, 2019, the Group had outstanding bank borrowings of RMB770.2 million, including non-current portion of long-term bank borrowings of RMB121.3 million. Based on the Group's past experience and good credit standing, the Directors are confident that these bank facilities could be renewed or extended for at least another twelve months upon renewal. For the currency in which cash and cash equivalents are denominated, please refer to note 15 to the interim condensed consolidated financial statements.

Significant Investments, Material Acquisitions and Disposals

For the Reporting Period, save as disclosed in this report, the Group did not have any significant investment, material acquisition or disposal.

Capital Expenditure and Commitments

For the Reporting Period, the Group incurred capital expenditures of RMB310.0 million (corresponding period in 2018: RMB225.3 million), primarily due to (i) purchases of medical equipment as well as renovation for our medical examination centers, general hospital and specialty hospitals; (ii) new lease business premises for medical examination centers.

As at June 30, 2019, the Group had a total capital commitment of RMB287.7 million (as at December 31, 2018: RMB274.4 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, 2019, the Group had total bank and other borrowings of RMB786.3 million (as at December 31, 2018: RMB738.2 million). Please refer to Note 20 to the interim condensed consolidated financial statements for more details.

Contingent Liabilities

The Group had no material contingent liability as at June 30, 2019 (as at December 31, 2018: Nil).

Financial instruments

The Group did not have any financial instruments as at June 30, 2019 (as at December 31, 2018: Nil).

Gearing Ratio

As at June 30, 2019, on the basis of net debt divided by total capital, the Group's gearing ratio was 78.1%. For comparison of results without taking into account of the adoption of HKFRS 16, the Group's gearing ratio would be 44.7% (as at December 31, 2018: 25.6%). 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 and operation 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 borrowings and lease liabilities.

Borrowings obtained at variable rates expose us to cash flow interest rate risk. Borrowings obtained at fixed rates expose us to fair value interest rate risk. As at June 30, 2019, borrowings of RMB686,307,000 were with floating interest rate. We did not hedge our cash flow and fair value interest rate risk during 2019.

Foreign Exchange Risk

For the six months ended June 30, 2019, the Group was not exposed to significant foreign currency risk, except for the remaining bank deposits from the IPO, which were denominated in Hong Kong dollar, and the bank deposits denominated in United States dollar. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Credit Risk

We have no significant concentration of credit risk. The carrying 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 the Shareholders of the Company, as necessary. Based on contractual undiscounted payments, our financial liabilities were RMB3,792.3 million as at June 30, 2019 (as at December 31, 2018: RMB1,517.4 million).

Pledge of Assets

As at June 30, 2019, the Group had properties and equipment and right-of-use assets with a total carrying amount of RMB117,804,000 (as at December 31, 2018: assets of RMB100,684,000) and restricted deposits of USD41,059,970 and RMB1,500,000 (as at December 31, 2018: restricted deposits of USD34,059,970) pledged for borrowings.

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

HUMAN RESOURCES

The Group had 6,550 employees as of June 30, 2019, as compared to 5,687 employees as of December 31, 2018. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus, share option scheme 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.

USE OF PROCEEDS FROM THE IPO

The net proceeds from the IPO amounted to RMB682.7 million after deducting share issuance costs and listing expenses. During the Reporting Period, the net proceeds from the listing were utilized in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, with the balance amounted to approximately RMB220.8 million. The balance of fund will continue to be utilized according to the manner as disclosed in the Prospectus. In the second half of 2019, the Company will use the proceeds raised from the IPO in accordance with its development strategies, market conditions and intended use of such proceeds. Details are set out in the following table:

	Net amount available as at December 31, 2018 RMB'000	Actual amount utilized during the Reporting Period RMB'000	**Unutilized amount as at June 30, 2019 RMB'000**
Expansion plans			
• Establishment of a premium pediatrics specialty hospital	—	—	**—**
• Establishment of six new medical examination centers	—	—	**—**
• Establishment of our multi-function facility	220,808	—	**220,808**
• Expansion of Nantong Rich Hospital	1,123	(1,123)	**—**
Partial repayment of our bank and other borrowings	—	—	**—**
For additional working capital and other general corporate purposes	—	—	**—**
Total	221,931	(1,123)	**220,808**

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 the Shareholders as a whole. The Company has adopted the code provisions as set out in the CG Code, as its own code to govern its corporate governance practices.

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

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

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

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's 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

During the Reporting Period, the Company repurchased on the Stock Exchange a total of 467,000 shares of the Company at a total consideration of approximately HK$504,694. Such shares of the Company were cancelled on July 4, 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period. The purchase of the Company's shares was made for the benefit of the Shareholders with a view to enhancing the net asset value per share and earnings per share of the Company.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee, comprising Ms. Wong Sze Wing, Ms. Jiao Yan, and Dr. Wang Yong, has discussed with the management and reviewed the unaudited interim condensed consolidated financial statements 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 condensed consolidated financial statements 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".

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

Changes of members of the Board during the Reporting Period and up to the date of this interim report and changes in information on Directors since the date of the Annual Report 2018 of the Company which are required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules, are set out below:

With effect from March 20, 2019, (1) Dr. Fang was appointed as the chief executive officer of the Company; (2) Mr. Lu Zhenyu resigned as an executive Director, a member of the Remuneration Committee and the chief executive officer of the Company; (3) Dr. Wang Weiping resigned as an executive Director; and (4) Dr. Mei was appointed as a member of the Remuneration Committee. With effect from June 24, 2019, (1) Mr. Fang Haoze was appointed as an executive Director; and (2) Ms. Lin Xiaoying was appointed as an executive Director.

Details of the abovementioned changes of the members of the Board during the Reporting Period are set out in the announcements of the Company dated March 20, 2019 and June 21, 2019, respectively.

Save as disclosed in this interim report, there is no change in information on the Directors since the date of the Annual Report 2018 of the Company which is required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

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

INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at June 30, 2019, 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[(3)]	Long position	Interest in controlled corporation	872,550,000 (L)	54.81%
	Short position	Interest in controlled corporation	164,000,000 (S)[(5)]	10.30%
Dr. Fang[(4)]	Long position	Interest of spouse	872,550,000 (L)	54.81%
	Short position	Interest of spouse	164,000,000 (S)[(5)]	10.30%

(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[(3)]	Beneficial owner; Interest of spouse	31,807,000 (L)	2.00%
Dr. Fang[(4)]	Beneficial owner; Interest of spouse	31,807,000 (L)	2.00%

Note:

(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, 2019. 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 numbers of Shares are subject to certain security arrangement.

\+ 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, 2019.

(C) Interest in associated corporation

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

Notes:

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

(2) Under the SFO, a holding company of the listed corporation is regarded as an "associated corporation". As at June 30, 2019, 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, 2019, 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, 2019, 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)]	Beneficial owner	872,550,000 (L)	54.81%
	Beneficial owner	164,000,000 (S)	10.30%
Renaissance Healthcare Holdings Limited ("**Baring Investor**")	Beneficial owner	268,286,800 (L)	16.85%
The Baring Asia Private Equity Fund V, L.P.[(3)]	Interest of a controlled corporation	268,286,800 (L)	16.85%
Baring Private Equity Asia GP V, L.P.[(3)]	Interest of a controlled corporation	268,286,800 (L)	16.85%
Baring Private Equity Asia GP V Limited[(3)]	Interest of a controlled corporation	268,286,800 (L)	16.85%
Jean Eric Salata[(3)]	Interest of a controlled corporation	268,286,800 (L)	16.85%
Haitong International Investment Solutions Limited[(2)]	Person having a security interest in shares	164,000,000 (L)	10.30%
Haitong International Securities Group Limited[(2)(4)]	Interest of controlled corporation	174,279,000 (L)	10.95%
		10,279,000 (S)	0.65%
Haitong International Holdings Limited[(2)(4)]	Interest of controlled corporation	174,279,000 (L)	10.95%
		10,279,000 (S)	0.65%
Haitong Securities Co., Ltd.[(2)(4)]	Interest of controlled corporation	174,279,000 (L)	10.95%
		10,279,000 (S)	0.65%

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, 2019, Chelsea Grace provided an interest in 164,000,000 Shares as security. Such security interest is directly held by Haitong International Investment Solutions Limited, a wholly-owned subsidiary of Haitong International Financial Solutions 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 63.08% by Haitong International Holdings Limited, a wholly-owned subsidiary of Haitong Securities Co., Ltd. Each of Haitong International Securities Group Limited, Haitong International Holdings Limited and Haitong Securities Co., Ltd. is deemed to be indirectly interested in such interest under the SFO.

(3) 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.

(4) Haitong International Financial Solutions Limited was directly interested in 10,279,000 Shares in long position and short position, respectively. Each of Haitong International Securities Group Limited, Haitong International Holdings Limited and Haitong Securities Co., Ltd is deemed to be interested in such Shares indirectly under the SFO due to their relations as presented in note(2) above.

+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at June 30, 2019.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2019, 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 and profits of the Group, and to allow such employees and Directors to participate in the growth and profitability of the Group.

On September 19, 2016, options (exercisable for 10 years subject to vesting schedule as set out 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. Apart from the above share options, no options were granted under the Pre-IPO Share Option Scheme. In addition, no further options can be granted under the Pre-IPO Share Option Scheme on or after the Listing Date. The total number of Shares currently available for issue under the Pre-IPO Share Option Scheme is 47,710,500 Shares, representing approximately 3.0% of the issued share capital of the Company as at the date of this 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, cancelled 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, 2019	Exercised During the Period	Cancelled During the Period	Lapsed During the Period	Outstanding as at June 30, 2019	Exercise Price
Directors of the Company						
Dr. Fang	15,903,500	–	–	–	15,903,500	HK$1.60
Dr. Mei	15,903,500	–	–	–	15,903,500	HK$1.60
Senior management and Other Employees of the Group						
Cao Ying	15,903,500	–	–	–	15,903,500	HK$1.60
Total	47,710,500	–	–	–	47,710,500	

The Directors, who have been granted options under the Pre-IPO Share Option Scheme, have undertaken 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.

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

The Pre-IPO Share Option Scheme does not fall within the ambit of, and is not subject to, the regulations under Chapter 17 of the Listing Rules. Details of the impact of options granted under the Pre-IPO Share Option Scheme on the consolidated financial statements since the date of grant of such options and the subsequent financial periods are set out under Note 18 to the interim condensed consolidated financial statements in this interim report.

SHARE OPTION SCHEME

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

The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of the Listing Rules are applicable) shall not exceed 79,517,500 Shares (i.e. 5% of the aggregate of the Shares in issue on the Listing Date ("**Scheme Mandate Limit**") 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 (resigned with effect from March 20, 2019), Vice President of the Company (appointed with effect from March 20, 2019)	10,957,500
Mr. Mei Ye *(Note)*	Deputy General Manager of Medical Examination Business 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, 2019 are as follows:

	Number of Options					
Name of Option Holders	Outstanding as at January 1, 2019	Exercised During the Report Period	Cancelled During the Report Period	Lapsed During the Report Period	Outstanding as at June 30, 2019	Exercise Price
Former Director						
Mr. Lu Zhenyu(1)	10,957,500	–	–	–	10,957,500	HK$2.42
Associate of Director						
Mr. Mei Ye(2)	700,000	–	–	–	700,000	HK$2.42
Other Employees	63,660,000	–	–	–	63,660,000	HK$2.42
Total	75,317,500	–	–	–	75,317,500	

Notes:

(1) Mr. Lu Zhenyu has resigned as an executive Director and the Chief Executive Officer with effect from March 20, 2019.

(2) 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 interim condensed 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.

Report on Review of Interim Condensed Consolidated Financial Statements

TO THE BOARD DIRECTORS OF RICI HEALTHCARE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 31 to 76 (the "**interim financial information**"), which comprises the interim condensed consolidated balance sheet of Rici Healthcare Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at June 30, 2019 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 30, 2019

Interim Condensed Consolidated Balance Sheet

As at June 30, 2019

	Note	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
ASSETS			
Non-current assets			
Properties and equipment	7	**1,071,844**	1,048,912
Right-of-use assets	8	**1,572,996**	—
Land use rights		**—**	3,298
Intangible assets	9	**14,257**	15,405
Investments accounted for using equity method	10	**7,317**	6,926
Financial assets at fair value through profit or loss		**4,399**	3,000
Deposits for long-term leases	11	**37,418**	33,318
Deferred income tax assets	12	**176,707**	142,880
Prepayments	16	**44,763**	19,041
		2,929,701	1,272,780
Current assets			
Inventories		**35,794**	31,317
Trade receivables	13	**288,382**	268,727
Other receivables	14	**27,294**	26,812
Prepayments	16	**21,021**	32,723
Amounts due from related parties	36	**1,666**	1,150
Cash and cash equivalents	15	**296,928**	495,407
Restricted cash	15	**283,775**	233,760
		954,860	1,089,896
Total assets		**3,884,561**	2,362,676
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	**1,066**	1,066
Reserves	18	**642,100**	693,435
		643,166	694,501
Non-controlling interests	19	**(38,446)**	12,561
Total equity		**604,720**	707,062

Interim Condensed Consolidated Balance Sheet

As at June 30, 2019

	Note	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	**132,887**	128,227
Lease liabilities	23	**1,414,309**	—
Other financial liabilities	21	**109,851**	103,649
Other long-term liabilities		**—**	99,530
		1,657,047	331,406
Current liabilities			
Borrowings	20	**653,460**	610,010
Lease liabilities	23	**248,189**	—
Contract liabilities	24	**209,379**	227,371
Trade and other payables	25	**495,739**	463,383
Amounts due to related parties	36	**300**	3,530
Income tax payables		**10,122**	10,513
Deferred income	22	**5,605**	5,605
Current portion of other long-term liabilities		**—**	3,796
		1,622,794	1,324,208
Total liabilities		**3,279,841**	1,655,614
Total equity and liabilities		**3,884,561**	2,362,676

The notes on pages 37 to 76 are an integral part of these interim condensed consolidated financial statements.

The interim condensed consolidated financial statements on pages 31 to 76 were approved by the board of directors of the Company on August 30, 2019 and were signed on its behalf by:

Fang Yixin	**Mei Hong**
Director	Director

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2019

	Note	Unaudited	Unaudited
		Six months ended June 30,	
		2019	2018
		RMB'000	RMB'000
Revenue	26	**702,933**	546,250
Cost of sales	28	**(552,244)**	(443,242)
Gross profit		**150,689**	103,008
Distribution costs and selling expenses	28	**(86,712)**	(88,971)
Administrative expenses	28	**(140,781)**	(145,703)
Net impairment reversals/(losses) on financial assets	28	**126**	(5,444)
Other income	27	**16,182**	3,893
Other losses		**(175)**	(380)
Operating loss		**(60,671)**	(133,597)
Finance costs	29	**(76,093)**	(18,589)
Finance income	29	**6,017**	9,918
Finance costs — net		**(70,076)**	(8,671)
Share of results	10	**391**	15
Loss before income tax		**(130,356)**	(142,253)
Income tax credit	30	**13,235**	29,291
Loss for the period		**(117,121)**	(112,962)
Attributable to:			
Owners of the Company		**(60,241)**	(67,880)
Non-controlling interests		**(56,880)**	(45,082)
		(117,121)	(112,962)
Loss per share for loss attributable to owners of the Company			
— Basic	31	**RMB(0.04)**	RMB(0.04)
— Diluted	31	**RMB(0.04)**	RMB(0.04)

The notes on pages 37 to 76 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2019

	Unaudited	Unaudited
	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
Loss for the period	**(117,121)**	(112,962)
Other comprehensive income or losses	**—**	—
Total comprehensive loss for the period	**(117,121)**	(112,962)
Attributable to:		
Owners of the Company	**(60,241)**	(67,880)
Non-controlling interests	**(56,880)**	(45,082)
	(117,121)	(112,962)

The notes on pages 37 to 76 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

	Note	Attributable to Owners of the Company				
		Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)						
Balance at January 1, 2019		1,066	693,435	694,501	12,561	707,062
Total comprehensive loss						
Loss for the period		–	(60,241)	(60,241)	(56,880)	(117,121)
Share-based payment scheme		–	12,754	12,754	–	12,754
Buy-back of ordinary shares		–	(429)	(429)	–	(429)
Disposal of a subsidiary		–	–	–	(546)	(546)
Capital contributions by non-controlling interests of subsidiaries		–	–	–	3,000	3,000
Changes in ownership interests in subsidiaries without change of control	34	–	(3,419)	(3,419)	3,419	–
Total transactions with owners in their capacity as owners		–	8,906	8,906	5,873	14,779
Balance at June 30, 2019		1,066	642,100	643,166	(38,446)	604,720
(Unaudited)						
Balance at December 31, 2017 as originally presented		1,066	901,181	902,247	27,807	930,054
Changes in accounting policies		–	(491)	(491)	–	(491)
Restated total equity at January 1, 2018		1,066	900,690	901,756	27,807	929,563
Total comprehensive loss						
Loss for the period		–	(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		–	(6,653)	(6,653)	150	(6,503)
Total transactions with owners in their capacity as owners		–	5,353	5,353	1,008	6,361
Balance at June 30, 2018		1,066	838,163	839,229	(16,267)	822,962

The notes on pages 37 to 76 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended June 30, 2019 RMB'000	Unaudited 2018 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		**39,315**	(69,377)
Interest paid		**(67,482)**	(18,468)
Income tax paid		**(20,983)**	(12,399)
Net cash used in operating activities		**(49,150)**	(100,244)
Cash flows from investing activities			
Purchases of properties and equipment		**(126,491)**	(154,302)
Purchases of intangible assets		**(1,158)**	(1,437)
Proceeds from disposal of properties and equipment		**—**	152
Repayment of temporary funding provided to non-controlling interests of a subsidiary		**1,310**	—
Interest received		**5,810**	5,754
Acquisition of additional ownership interests in subsidiaries		**(3,103)**	(6,503)
Investments in financial assets at fair value through profit or loss		**(1,399)**	—
Disposal of a subsidiary		**(102)**	—
Acquisition of a subsidiary		**—**	(6,786)
Investment in an associate		**—**	(1,000)
Net cash used in investing activities		**(125,133)**	(164,122)
Cash flows from financing activities			
Loans from non-controlling interests of a subsidiary		**27,400**	—
Capital contribution from non-controlling interests of subsidiaries	19	**3,000**	290
Buy-back of ordinary shares		**(429)**	—
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	**435,050**	477,440
Repayments of bank borrowings	20	**(386,750)**	(365,000)
Proceeds from other borrowings	20	**16,190**	—
Principal elements of lease payments (2018: Principal elements of finance lease payments)		**(69,009)**	(2,736)
Restricted bank deposits	15(b)	**(50,015)**	(15,952)
Net cash (used in)/generated from financing activities		**(24,563)**	103,242
Net decrease in cash and cash equivalents		**(198,846)**	(161,124)
Cash and cash equivalents at beginning of the period		**495,407**	596,544
Exchange gains on cash and cash equivalents		**367**	2,698
Cash and cash equivalents at end of the period		**296,928**	438,118

The notes on pages 37 to 76 are an integral part of these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

1 General information

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

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

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

These 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 30, 2019.

2 Basis of preparation

These interim condensed consolidated financial statements for the six months ended June 30, 2019 have 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 statements. These interim condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2018, which have been prepared in accordance with HKFRSs and together with any public announcements made by the Company.

(a) Going concern

As at June 30, 2019, the Group's current liabilities exceeded its current assets by approximately RMB667,934,000. The directors considered that the contract liabilities and the deferred income included in current liabilities of the Group as at June 30, 2019 amounting to RMB214,984,000 will not require cash outflow from the Group. The Group meets its day-to-day working capital requirements depending on cash flows generated from operating activities, bank borrowings and credit facilities with banks in PRC. Based on the Group's past experience and good credit standing, the directors are confident on future operating cash flows and that the existing bank financing could be renewed and/or extended for at least another twelve months upon renewal. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing these interim condensed consolidated financial statements.

3 Accounting policies

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those of the annual financial statements of the Group for the year ended December 31, 2018, 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 standard, amendments and interpretation of HKFRSs effective for the financial year ending December 31, 2019, as set out below.

(a) New standard, amendments and interpretation of HKFRSs adopted by the Group in 2019

A number of new standard, amendments and interpretation of HKFRSs became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting these new standard, amendments and interpretation:

- HKFRS 16 Leases
- Annual Improvements to HKFRSs 2015–2017 Cycle
- HK(IFRIC) 23 Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9 — Regarding prepayment features with negative compensation
- Amendments to HKAS 28 — Regarding long-term interests in associates and joint ventures, and
- Amendments to HKAS 19 — Regarding plan amendment, curtailment or settlement.

The effects of the adoption of HKFRS 16 and the new accounting policies are disclosed below in Note 3(c). The other amendments and interpretation described above are either currently not relevant to the Group or had no material impact on the Group's interim condensed consolidated financial statements for the current reporting period or prior year financial statements.

3 Accounting policies (continued)

(b) Impact of new standards and amendments of HKFRSs issued but not yet applied by the Group

Certain new accounting standards and amendments of HKFRSs have been published but are not mandatory for the financial year beginning January 1, 2019 and have not been early adopted by the Group. Those which are more relevant to the Group's current operations are as below:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Regarding definition of a business	January 1, 2020
Amendments to HKAS 1 and HKAS 8	Regarding definition of material	January 1, 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	January 1, 2020
HKFRS 17	Insurance Contracts	January 1, 2021
Amendments to HKFRS 10 and HKAS 28	Regarding sale or contribution of assets between an investor and its associate or joint venture	To be determined

These new standards and amendments described above are either currently not relevant to the Group or not expected to have material impact on the Group's consolidated financial statements when they become effective.

(c) Changes in accounting policies

Below explains the impact of the adoption of HKFRS 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from January 1, 2019, where they are different to those applied in prior periods.

The Group has adopted HKFRS 16 from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

3 Accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as of January 1, 2019. The lessee's incremental borrowing rates applied to the lease liabilities on January 1, 2019 were ranged from 5.19% to 6.68%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

	RMB'000
Operating lease commitments disclosed as at December 31, 2018	2,270,696
Less: short-term leases to be recognised on a straight-line basis as expenses	(2,684)
	2,268,012
Discounted using the lessee's incremental borrowing rates at the date of initial application, representing additional lease liabilities recognised as at January 1, 2019	1,523,454
Add: finance lease liabilities recognised as at December 31, 2018	16,380
Total lease liabilities as at January 1, 2019	1,539,834
Of which are:	
Current lease liabilities	207,594
Non-current lease liabilities	1,332,240
	1,539,834

Right-of-use assets were measured at the amount equal to the respective lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

3 Accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) Adjustments recognised on adoption of HKFRS 16 (continued)

The recognised right-of-use assets relate to the following types of assets:

	June 30, 2019 RMB'000	January 1, 2019 RMB'000
Properties	**1,528,318**	1,448,675
Equipment	**41,430**	23,218
Land use rights	**3,248**	3,298
Total right-of-use assets	**1,572,996**	1,475,191

Consolidated balance sheet (extract)	As at December 31, 2018 RMB'000	Effect of adoption of HKFRS 16 RMB'000	As at January 1, 2019 RMB'000
Assets:			
Properties and equipment	1,048,912	(23,218)	1,025,694
Right-of-use assets	—	1,475,191	1,475,191
Prepayments	51,764	(20,918)	30,846
Land use rights	3,298	(3,298)	—
Liabilities:			
Borrowings	738,237	(16,380)	721,857
Other long term liabilities	103,326	(95,697)	7,629
Lease liabilities	—	1,539,834	1,539,834

3 Accounting policies (continued)

(c) Changes in accounting policies (continued)

(i) Adjustments recognised on adoption of HKFRS 16 (continued)

Impact on segment disclosures

Segment assets and segment liabilities of medical examination centers, specialty hospitals and general hospital as at June 30, 2019 were all increased as a result of the change in accounting policy by the following amounts:

	Segment assets RMB'000	Segment liabilities RMB'000
Medical Examination Centers	1,150,359	1,162,797
Specialty Hospitals	360,609	363,089
General Hospital	4,549	4,592
	1,515,517	1,530,478

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 *Leases* and HK(IFRIC) 4 *Determining whether an Arrangement contains a Lease*.

3 Accounting policies (continued)

(c) Changes in accounting policies (continued)

(ii) The Group's leasing activities and how these are accounted for

The Group leases various business premises, offices and medical equipment. Rental contracts are typically made for fixed periods of 5 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of properties and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4 Estimates

The preparation of interim financial statements 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 expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, 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 of the Group for the year ended December 31, 2018 with an additional item on estimation of impairment for the right-of-use assets arising from adoption of HKFRS 16.

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 foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

These 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 for the year end December 31, 2018.

There have been no changes in the risk management policies since last 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 remaining bank deposits from the Company's initial public offering, which are denominated in Hong Kong Dollar ("**HK$**"), 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, 2019, if RMB had weakened/strengthened by 5% against the HK$ with all other variables held constant, post-tax loss for the period would have been RMB70,285 (corresponding period in 2018: RMB88,700) lower/higher, mainly as a result of foreign exchange gains/losses on translation of HK$ cash in banks.

At June 30, 2019, if RMB had weakened/strengthened by 5% against USD with all other variables held constant, post-tax loss for the period would have been RMB19,638,544 (corresponding period in 2018: RMB20,273,100) lower/higher, mainly as a result of foreign exchange gains/losses on translation of USD cash in banks.

5 Financial risk management and financial instruments (continued)

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.

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, 2019					
Borrowings, including interest	**680,471**	**26,444**	**108,218**	**16,612**	**831,745**
Lease liabilities	**258,023**	**261,564**	**724,211**	**1,057,016**	**2,300,814**
Amounts due to related parties	**300**	**—**	**—**	**—**	**300**
Other financial liabilities	**—**	**—**	**163,682**	**—**	**163,682**
Trade and other payables	**495,739**	**—**	**—**	**—**	**495,739**
	1,434,533	**288,008**	**996,111**	**1,073,628**	**3,792,280**
As at December 31, 2018					
Borrowings, including interest	633,575	18,757	91,867	39,231	783,430
Other long-term liabilities	3,796	4,890	38,062	56,578	103,326
Amounts due to related parties	3,530	—	—	—	3,530
Other financial liabilities	—	—	163,682	—	163,682
Trade and other payables	463,383	—	—	—	463,383
	1,104,284	23,647	293,611	95,809	1,517,351

5 Financial risk management and financial instruments (continued)

5.3 Liquidity risk (continued)

The interest on borrowings is calculated based on borrowings held as at June 30, 2019 and December 31, 2018, respectively. Floating-rate interests are estimated using the current interest rate as at June 30, 2019 and December 31, 2018, respectively.

5.4 Fair value estimation

Fair value of trade receivables, other receivables, trade and other payables, borrowings and lease liabilities approximates their carrying amount.

6 Segment information

Management has determined the operating segments based on the information reviewed by the chief operating decision maker ("**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 or loss without allocation of administrative expenses, interest income, interest expenses, exchange gains or losses, other finance income or expenses and income tax credit or expense, which are managed at the corporate level.

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. Certain assets and liabilities related to some companies with corporate function are not allocated into segments. Elimination of revenue are mainly inter-segment service charges, including RMB2,800,000 related to medical examination business and RMB8,433,000 related to general hospital business.

The Group manages its business by three operating segments based on their services, which is consistent with the way in which information is reported internally to the Group's CODM for the purpose of resources allocation and performance assessment:

(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.

6 Segment information (continued)

(iii) Specialty hospitals

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

The following table presents revenue and profit/(loss) information regarding the Group's operation segments for the six months ended June 30, 2019 and 2018, and the segment assets and liabilities at the respective balance sheet dates.

	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, 2019 (unaudited)						
Revenue	249,896	444,695	19,575	–	(11,233)	702,933
Segment profit/(loss)	72,732	49,116	(53,643)	(115)	(4,113)	63,977
Administrative expenses						(140,781)
Net impairment reversals on financial assets						126
Interest income						5,650
Interest expenses						(76,093)
Exchange gains						367
Total loss before income tax						(130,356)
Income tax credit						13,235
Loss for the period						(117,121)
Other information						
Additions to properties and equipment, right-of-use assets and intangible assets	50,231	247,139	12,672	–	–	310,042
Depreciation and amortization	8,568	129,768	28,579	–	–	166,915

	General Hospital RMB'000	Medical Examination Centers RMB'000	Specialty Hospital RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at June 30, 2019 (unaudited)						
Segment assets	1,024,552	3,147,946	813,097	856,830	(1,957,864)	3,884,561
Segment liabilities	539,780	2,862,592	755,718	115,999	(994,248)	3,279,841

6 Segment information (continued)

(iii) Specialty hospitals (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, 2018 (unaudited)						
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 gains						2,698
Other finance income						425
Total loss before income tax						(142,253)
Income tax credit						29,291
Loss for the period						(112,962)
Other information						
Additions to properties and equipment, land use rights and intangible assets	16,259	140,864	68,211	—	—	225,334
Acquisition of a subsidiary	—	—	676	—	—	676
Depreciation and amortization	7,738	43,706	11,869	—	—	63,313

	General Hospital RMB'000	Medical Examination Centers RMB'000	Specialty Hospital RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at December 31, 2018 (audited)						
Segment assets	817,296	1,785,080	450,644	788,570	(1,478,914)	2,362,676
Segment liabilities	359,363	1,500,726	363,141	65,050	(632,666)	1,655,614

7 Properties 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
Closing net book amount, at December 31, 2018	195,253	242,308	36,874	379,977	5,474	189,026	1,048,912
Adoption of HKFRS 16	–	(17,618)	–	–	–	(5,600)	(23,218)
Opening net book amount, at January 1, 2019	195,253	224,690	36,874	379,977	5,474	183,426	1,025,694
At January 1, 2019							
Cost	254,876	448,405	77,868	597,907	11,191	183,426	1,573,673
Accumulated depreciation	(59,623)	(223,715)	(40,994)	(217,930)	(5,717)	–	(547,979)
Net book amount	195,253	224,690	36,874	379,977	5,474	183,426	1,025,694
Six months ended June 30, 2019							
Opening net book amount	195,253	224,690	36,874	379,977	5,474	183,426	1,025,694
Additions	539	6,420	4,832	209	418	103,799	116,217
Transfers	–	46,414	–	86,139	–	(132,553)	–
Disposal of a subsidiary	–	–	(42)	–	–	(79)	(121)
Disposals	–	(164)	(35)	–	–	–	(199)
Depreciation	(3,885)	(27,000)	(5,623)	(32,893)	(346)	–	(69,747)
Closing net book amount	191,907	250,360	36,006	433,432	5,546	154,593	1,071,844
At June 30, 2019							
Cost	255,415	495,588	82,171	679,195	11,609	154,593	1,678,571
Accumulated depreciation	(63,508)	(245,228)	(46,165)	(245,763)	(6,063)	–	(606,727)
Net book amount	191,907	250,360	36,006	433,432	5,546	154,593	1,071,844
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	–	246	430	–	–	–	676
Transfers	–	56,979	2,631	168,816	2,033	(230,538)	(79)
Disposals	–	(299)	(63)	–	–	–	(362)
Depreciation	(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

As at June 30, 2019, buildings with a total carrying amount of RMB76,374,000 (December 31, 2018: RMB77,897,000) were pledged for the Group's borrowings (Note 20).

8 Right-of-use assets

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Properties (i)	**1,528,318**	—
Equipment (i)	**41,430**	—
Land use rights (ii)	**3,248**	—
Net book amount	**1,572,996**	—

(i) Properties and Equipment

	Properties RMB'000	**Equipment** RMB'000	**Total** RMB'000
As at January 1, 2019			
Cost	1,448,675	23,218	1,471,893
Accumulated amortization	—	—	—
Net book amount	1,448,675	23,218	1,471,893
Six months ended June 30, 2019			
Opening net book amount	1,448,675	23,218	1,471,893
Additions	172,667	20,000	192,667
Amortization	(93,024)	(1,788)	(94,812)
Closing net book amount	1,528,318	41,430	1,569,748
As at June 30, 2019			
Cost	1,621,342	43,218	1,664,560
Accumulated amortization	(93,024)	(1,788)	(94,812)
Net book amount	1,528,318	41,430	1,569,748

8 Right-of-use assets (continued)

(ii) Land use rights

	Unaudited As at June 30, 2019 RMB'000	Unaudited As at January 1, 2019 RMB'000
Cost	**4,698**	4,698
Accumulated amortization	**(1,450)**	(1,400)
Net book amount	**3,248**	3,298

The land use rights are reclassified into right-of-use assets upon the adoption of HKFRS 16 on January 1, 2019.

9 Intangible assets

	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
At January 1, 2019			
Cost	26,731	7,447	34,178
Accumulated amortization	(11,326)	—	(11,326)
Impairment	—	(7,447)	(7,447)
Net book amount	15,405	—	15,405
Six months ended June 30, 2019			
Opening net book amount	15,405	—	15,405
Additions	1,158	—	1,158
Amortization	(2,306)	—	(2,306)
Closing net book amount	14,257	—	14,257
At June 30, 2019			
Cost	27,889	7,447	35,336
Accumulated amortization	(13,632)	—	(13,632)
Impairment	—	(7,447)	(7,447)
Net book amount	14,257	—	14,257
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	—	7,447	7,447
Amortization	(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

10 Investments accounted for using equity method

	Unaudited	Unaudited
	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
Opening balance	**6,926**	5,166
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	**391**	15
Ending balance	**7,317**	6,181

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

Company name	Country/date of incorporation	Paid-in capital	Equity interests held As at June 30, 2019	As at December 31, 2018	Principal activities
Shanghai Rich Meidi Management Consulting Co.,Ltd.	October 29, 2013, Shanghai, the PRC	RMB15,000,000	**60%**	60%	A joint venture engaging in elderly care services
Neijiang Ruichuan	March 29, 2017, Sichuan, the PRC	RMB12,610,000	**20%**	20%	An associate engaging in medical examination services

11 Deposits for long-term leases

The Group paid deposits for lease arrangements 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.

12 Deferred income tax assets

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Deferred income tax assets		
— to be recovered within 12 months	**20,304**	18,017
— to be recovered after 12 months	**156,403**	124,863
	176,707	142,880

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

	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
At beginning of the period, as originally presented	**142,880**	81,988
Adoption of HKFRS 9	**—**	163
Restated opening balance	**142,880**	82,151
Credited to the consolidated statement of profit or loss	**33,827**	42,321
At the end of the period	**176,707**	124,472

12 Deferred income tax assets (continued)

Movement in deferred income tax assets for both six months ended June 30, 2019 and 2018, 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, 2018	**106,234**	**4,375**	**4,349**	**10,103**	**17,819**	**142,880**
Credited to consolidated statement of profit or loss	**23,695**	**420**	**70**	**3,144**	**6,498**	**33,827**
At June 30, 2019	**129,929**	**4,795**	**4,419**	**13,247**	**24,317**	**176,707**
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

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. As at June 30, 2019, the Group did not recognize deferred income tax assets of RMB41,390,000 (December 31, 2018: RMB26,716,000) in respect of tax losses amounting to RMB165,560,000 (December 31, 2018: RMB106,862,000). All these tax losses will expire within five years.

13 Trade receivables

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Trade receivables	**308,549**	289,418
Less: loss allowance of trade receivables	**(20,167)**	(20,691)
	288,382	268,727

As at June 30, 2019 and December 31, 2018, 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, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Trade receivables		
— Up to 6 months	**224,309**	221,278
— 6 months to 1 year	**64,625**	41,290
— 1 to 2 years	**13,584**	22,258
— 2 to 3 years	**3,465**	2,460
— Over 3 years	**2,566**	2,132
	308,549	289,418

14 Other receivables

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Deposits	8,572	14,657
Advances to staff	5,771	4,340
Interest receivable	3,838	3,998
Receivables from non-controlling interests	—	1,310
Others	9,230	2,624
	27,411	26,929
Less: loss allowance of other receivables	(117)	(117)
	27,294	26,812

As at June 30, 2019 and December 31, 2018, other receivables of the Group are denominated in RMB and their carrying amounts approximated their fair value.

15 Cash and bank balances

(a) Cash and cash equivalents

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Cash at bank and on hand		
— Denominated in RMB	184,549	311,918
— Denominated in USD	110,561	164,534
— Denominated in HK$	1,406	1,214
— Denominated in JPY	412	634
— Denominated in EUR	—	17,107
	296,928	495,407

(b) Restricted cash

As at June 30, 2019, fixed deposits of USD41,059,970 and RMB1,500,000 (December 31, 2018: USD34,059,970) were pledged at banks for the Group's borrowings of RMB250,000,000 (December 31, 2018: RMB200,000,000).

16 Prepayments

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Non-current:		
Prepayments for equipment	**44,763**	17,961
Prepayments for lease contracts	**—**	1,080
	44,763	19,041
Current:		
Prepayments for consumables	**18,390**	10,413
Prepayments for lease contracts	**—**	19,838
Others	**2,631**	2,472
	21,021	32,723
Total prepayments	**65,784**	51,764

17 Share capital

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital RMB'000
As at December 31, 2018 and June 30, 2019	1,592,079,000	1,066

In May 2019, the Company bought back 467,000 ordinary shares from open market, after which the shares were cancelled on July 4, 2019.

18 Reserves

	Share premium RMB'000	Treasury shares RMB'000 (c)	Merger and capital reserves RMB'000	Statutory reserves and other reserves RMB'000 (a)	Share option scheme RMB'000 (b)	Accumulated losses RMB'000	Total RMB'000
At December 31, 2018	**717,007**	**–**	**(126,487)**	**183,780**	**39,878**	**(120,743)**	**693,435**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(60,241)**	**(60,241)**
Share option scheme	**–**	**–**	**–**	**–**	**12,754**	**–**	**12,754**
Buy-back of ordinary shares (c)	**–**	**(429)**	**–**	**–**	**–**	**–**	**(429)**
Changes in ownership interests in subsidiaries without loss of control (Note 34)	**–**	**–**	**(3,419)**	**–**	**–**	**–**	**(3,419)**
At June 30, 2019	**717,007**	**(429)**	**(129,906)**	**183,780**	**52,632**	**(180,984)**	**642,100**
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
Changes in ownership interests in subsidiaries without loss of control	–	–	(6,653)	–	–	–	(6,653)
At June 30, 2018	717,007	–	45,078	180,390	27,085	(131,397)	838,163

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

18 Reserves (continued)

(b) Share option scheme

The Group approved and launched one share option scheme on September 19, 2016. Pursuant to the share option scheme, two directors and one employee were granted the share options to subscribe for up to 47,710,500 shares of the Company. The share options will vest in four tranches at the third, the fourth, the fifth and the sixth anniversaries of the offer date and will only become exercisable from the respective vesting dates up to the tenth anniversary of the offer date. The subscription price payable upon the exercise of any share option is fixed at HK$1.60.

As at June 30, 2019, 47,710,500 outstanding options under the above scheme were not exercisable as they have not yet been vested (December 31, 2018: 47,710,500). These options with an exercise price of HK$1.60 per share upon vesting will be expired on September 19, 2026.

Another share option scheme was conditionally approved and adopted pursuant to a resolution of the shareholders of the Company passed on September 19, 2016. On and subject to the terms of the share option scheme, the board shall be entitled at any time within ten years after September 19, 2016 to offer to grant to any non-executive director or independent non-executive director of the Company or any eligible employees of the Company as the board may in its absolute discretion select, and subject to such conditions as the board may think fit, an option to subscribe for such number of shares as the board may determine at the subscription price. 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 HK$2.42.

As at June 30, 2019, 75,317,500 outstanding options under the above scheme were not exercisable as they have not yet been vested (December 31, 2018: 75,317,500). These options with an exercise price of HK$2.42 per share upon vesting will be expired on November 24, 2027.

(c) In May 2019, the Company bought back 467,000 ordinary shares at price ranged from HK$1.036 to HK$1.097 per share from market and the total amount paid to acquire the shares was HK$504,694 (equivalent to RMB429,240). The ordinary shares bought back were not cancelled yet at June 30, 2019 and therefore recorded as treasury shares in the reserve.

19 Non-controlling interests

	Non-controlling interests RMB'000
As at December 31, 2018	12,561
Loss for the period	(56,880)
Capital contributions by non-controlling interests of subsidiaries	3,000
Disposal of a subsidiary	(546)
Changes in ownership interests in subsidiaries without change of control (Note 34)	3,419
As at June 30, 2019	(38,446)

(a) As described in Note 35, the Group disposed 45% equity interests in Sichuan Rich Medical Clinic of Science and Technology Co., Ltd ("**Sichuan Medical**") during the six months ended June 30, 2019. The net assets attributable to non-controlling interests at disposal date was RMB546,000.

20 Borrowings

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Non-current:		
Bank borrowings — secured and/or guaranteed (i)	**126,307**	123,307
Other borrowings	**16,190**	—
Finance lease liabilities	**—**	16,380
Less: current portion of non-current borrowings	**(9,610)**	(11,460)
	132,887	128,227
Current:		
Bank borrowings — secured and/or guaranteed (ii)	**643,850**	598,550
Add: current portion of non-current borrowings	**9,610**	11,460
	653,460	610,010
Total borrowings	**786,347**	738,237

20 Borrowings (continued)

At 30 June 2019, the Group's borrowings were repayable as follows:

Subsidiaries	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Bank borrowings	648,850	13,280	91,467	16,560	770,157
Other borrowings	4,610	5,357	6,223	—	16,190
	653,460	18,637	97,690	16,560	786,347

(i) As at June 30, 2019, non-current bank borrowings include:

(a) RMB13,666,667 borrowings secured by buildings with net book value of RMB37,581,000; and

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

(ii) As at June 30, 2019, short term bank borrowings include:

(a) RMB95,000,000 borrowings secured by buildings with net book value of RMB38,793,000; and

(b) RMB250,000,000 borrowings secured by USD41,059,970 and RMB1,500,000 fixed deposits (Note 15(b)).

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

As at June 30, 2019, all the borrowings were denominated in RMB and their fair value approximated their carrying amounts.

As at June 30, 2019, borrowings of RMB686,307,000 were with floating interest rates.

20 Borrowings (continued)

Movements in borrowings are analysed as follows:

	RMB'000
Six months ended June 30, 2019	
Closing amount as at December 31, 2018	**738,237**
Adoption of HKFRS 16	**(16,380)**
Opening amount as at January 1, 2019	**721,857**
Proceeds from bank borrowings	**435,050**
Proceeds from other borrowings	**16,190**
Repayments of bank borrowings	**(386,750)**
Closing amount as at June 30, 2019	**786,347**
Six months ended June 30, 2018	
Opening amount as at January 1, 2018	594,667
Proceeds from bank borrowings	477,440
Repayments of bank borrowings	(365,000)
Finance lease liabilities	23,218
Settlements of finance lease liabilities	(2,736)
Interest on finance lease liabilities	111
Closing amount as at June 30, 2018	727,700

21. Other financial liabilities

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 30, 2018 RMB'000
Redemption liability to non-controlling interests		
— Principal	**100,000**	100,000
— Interest	**9,851**	3,649
	109,851	103,649

On August 31, 2018, the Group signed an investment agreement ("**Investment Agreement**") with Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership) ("**Everbright (Haimen)**"), pursuant to which Everbright (Haimen) would contribute RMB100,000,000 in cash to Nantong Rich Hospital, a then wholly owned subsidiary of the Group. Everbright (Haimen) was also granted a put option which will expire on December 31, 2023. Upon completion of such investment, Everbright (Haimen) would have 4.41% equity interest of Nantong Rich Hospital.

21. Other financial liabilities (continued)

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

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

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

22 Deferred income

	Unaudited **As at** **June 30, 2019** **RMB'000**	Audited As at December 31, 2018 RMB'000
Government grants	**5,605**	5,605

23 Lease liabilities

	Unaudited **As at** **June 30, 2019** **RMB'000**	Audited As at December 31, 2018 RMB'000
Present value of the minimum lease payments:		
Within 1 year	**248,189**	—
After 1 year but within 2 years	**235,347**	—
After 2 years but within 5 years	**577,163**	—
After 5 years	**601,799**	—
	1,662,498	—

24 Contract liabilities

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Advances from medical examination customers	85,198	109,610
Advances from hospital patients	7,568	5,294
Sales of medical examination cards (a)	116,613	112,467
	209,379	227,371

(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.

25 Trade and other payables

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Trade payables due to third parties (b)	151,036	136,522
Payables for purchase of properties and equipment	138,125	121,597
Staff salaries and welfare payables	73,078	97,393
Loans from non-controlling interests of subsidiaries (a)	44,585	17,185
Consideration payable to non-controlling interests for equity transfer	30,000	33,103
Deposits payable	15,692	2,246
Accrued taxes other than income tax	5,451	3,977
Interest payables	3,715	1,306
Accrued advertising expenses	1,328	2,004
Accrued professional service fees	997	2,570
Others	31,732	45,480
	495,739	463,383

(a) Balance represents loans from the non-controlling interests of subsidiaries, which are unsecured. As at June 30, 2019 and December 31, 2018, loans from non-controlling interests of subsidiaries bore interest rate at 8%.

25 Trade and other payables (continued)

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

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Trade payables		
— Up to 3 months	**118,299**	110,271
— 3 to 6 months	**16,055**	9,486
— 6 months to 1 year	**7,805**	6,384
— 1 to 2 years	**2,324**	2,801
— 2 to 3 years	**822**	756
— Over 3 years	**5,731**	6,824
	151,036	136,522

The normal credit term granted by the Group is 30 days to 90 days. As at June 30, 2019 and December 31, 2018, fair value of all trade and other payables of the Group approximated to their carrying amounts due to their short maturities. All the trade and other payables of the Group are denominated in RMB.

26 Revenue

Revenue of the Group consists of the following:

	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
General Hospital		
Outpatient pharmaceutical revenue	**24,885**	21,217
Outpatient service revenue	**30,592**	23,403
Inpatient pharmaceutical revenue	**106,326**	79,207
Inpatient service revenue	**79,660**	63,431
Medical Examination		
Examination service revenue	**440,639**	350,731
Management service fee and others	**1,256**	5,813
Specialty Hospitals		
Outpatient pharmaceutical revenue	**648**	123
Outpatient service revenue	**3,919**	1,025
Inpatient pharmaceutical revenue	**259**	7
Inpatient service revenue	**14,749**	1,293
	702,933	546,250

27 Other income

	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
Net income from equipment sales	**11,774**	—
Government grants	**551**	2,886
Rental income	**296**	333
Others	**3,561**	674
	16,182	3,893

28 Expenses by nature

	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
Employee benefits expenses	**351,969**	281,717
Depreciation and amortization	**166,915**	63,313
Pharmaceutical costs	**72,511**	59,066
Medical consumables costs	**53,009**	38,337
Outsourcing testing expenses	**30,325**	23,323
Utility expenses	**27,286**	22,785
Professional service charges	**14,836**	7,166
Office expenses	**14,177**	19,947
Advertising expenses	**12,350**	15,560
Entertainment expenses	**5,967**	5,475
Maintenance expenses	**4,029**	3,163
Short-term or low-value (2018: all) operating lease rentals and property management expenses	**3,228**	109,531
Travel expenses	**2,929**	6,995
Stamp duty and other taxes	**1,612**	961
Auditor's remuneration		
— Audit service	**1,124**	1,081
— Non-audit service	**—**	83
Net impairment (reversals)/losses on receivables	**(126)**	5,444
Others	**17,470**	19,413
	779,611	683,360

29 Finance costs — net

	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
Interest on borrowings	**26,571**	18,537
Interest on lease liabilities	**49,522**	52
	76,093	18,589
Exchange gains	**(367)**	(2,698)
Interest income	**(5,650)**	(6,795)
Others	**—**	(425)
	(6,017)	(9,918)
Finance costs — net	**70,076**	8,671

30 Income tax credit

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

	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
Current income tax		
— Current period	**19,128**	12,661
— Under provision for prior years	**1,464**	369
Deferred income tax	**(33,827)**	(42,321)
Income tax credit	**(13,235)**	(29,291)

30 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, 2019 RMB'000	 2018 RMB'000
Loss before income tax	**(130,356)**	(142,253)
Tax calculated at the applicable income tax rate (25%)	**(32,589)**	(35,563)
Tax effect of:		
Tax loss expired	**3,136**	858
Income not subject to tax	**(2,436)**	(3,031)
Expenses not deductible for tax purpose	**1,892**	1,343
Utilization/recognition of tax losses and temporary differences not recognized as deferred tax assets in prior years	**(2,324)**	(6,393)
Temporary differences not recognized as deferred tax assets	**1,042**	2,867
Tax losses not recognized as deferred tax assets	**16,580**	10,259
Under provision for prior years	**1,464**	369
Income tax credit	**(13,235)**	(29,291)

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 six months ended June 30, 2019 and 2018.

The PRC corporate income tax law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings generated beginning 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, 2019 will not be distributed in the foreseeable future.

31 Loss per share

(a) Basic

Basic loss 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, 2019 and 2018, respectively.

	Unaudited Six months ended June 30, 2019	2018
Net loss attributable to owners of the Company (RMB'000)	**(60,241)**	(67,880)
Weighted average number of ordinary shares in issue	**1,591,982,912**	1,592,079,000
Basic loss per share (RMB)	**(0.04)**	(0.04)

(b) Diluted

Diluted loss 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 the share option schemes assuming they were exercised.

	Unaudited Six months ended June 30, 2019	2018
Net loss attributable to owners of the Company (RMB'000)	**(60,241)**	(67,880)
Weighted average number of ordinary shares for diluted loss per share, adjusted for share options	**1,469,737,825**	1,524,553,893
Diluted loss per share (RMB)	**(0.04)**	(0.04)

In determining the weighted average number of ordinary shares in issue during the six months ended June 30, 2019, the 467,000 ordinary shares bought back by the Company in May 2019 which were cancelled on July 4, 2019 were excluded since they were bought back.

32 Contingencies

As at June 30, 2019, the Group had ten ongoing medical disputes arising from the operation of Nantong Rich Hospital and several disputes arising from medical examination centers 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 its ongoing medical disputes will not be material and thus no additional provision was made in this respect during the current reporting period.

33 Commitments

(a) Capital commitments

Equity investments and capital expenditure contracted for but not yet incurred at each balance sheet date, are as follows:

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Authorized and contracted for:		
Equity investment	**208,350**	208,350
Leasehold improvements	**79,314**	66,064
	287,664	274,414

(b) Lease commitments

The Group leases various buildings under non-cancellable lease agreements.

From January 1, 2019, in accordance with HKFRS 16, the Group has recognised right-of-use assets for these leases except for short-term or low value leases, see note 3 for further information.

34 Changes in ownership interests in subsidiaries without change of control

Subsidiaries	Consideration paid to non-controlling interests	Carrying amount of non-controlling interests acquired	Loss on acquisition recognised within equity
Hangzhou Rich Medical Clinic Co., Ltd ("**Hangzhou Rich**") (a)	–	(3,419)	(3,419)
Shanghai Kuici Healthcare Consulting Co., Ltd. ("**Shanghai Kuici**") (b)	–	(0)	(0)
	–	(3,419)	(3,419)

(a) Hangzhou Rich was the Group's subsidiary, of which 51% equity interest was held by the Group. In January 2019, the Group acquired 39% equity interests in Hangzhou Rich at zero consideration from non-controlling interest. Hangzhou Rich had a net liability of RMB8,766,000 at transaction date. The Group recognized an increase in non-controlling interests of RMB3,419,000 and a decrease in equity attributable to owners of the Company of RMB3,419,000.

(b) Shanghai Kuici was the Group's subsidiary, of which 72.73% equity interest was held by the Group. In January 2019, the Group acquired remaining 27.27% equity interests in Shanghai Kuici at zero consideration from non-controlling interest. Shanghai Kuici had a net liability of RMB1,000 at transaction date. The Group recognized an increase in non-controlling interests of RMB259 and a decrease in equity attributable to owners of the Company of RMB259.

35 Disposal of a subsidiary

Sichuan Medical was the Group's subsidiary, of which 55% equity interest was held by the Group. In January 2019 the Group disposed 45% equity interests in Sichuan Medical to Chengdu Kangruiheng Commerce and Trade Co,.Ltd., the non-controlling interest of Sichuan Medical at zero consideration. Upon such transaction, the equity interests of the Group in Sichuan Medical changed to 10% and the Group ceased to have control over Sichuan Medical. The retained interest in Sichuan Medical is re-measured to its fair value upon the transaction with the change in carrying amount recognized in profit or loss. The net liability of Sichuan Medical at transaction date was RMB420,000. The Group recognized a decrease in non-controlling interests of RMB546,000 and an investment gain of RMB420,000.

36 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, has joint control over the party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The ultimate controlling shareholders of the Group are Dr. Fang and Dr. Mei.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended June 30, 2019 and 2018 and balances arising from related party transactions as at June 30, 2019 and December 31, 2018.

(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

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

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

	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
Nantong Meidi	**303**	282
Nantong Rich Real Estate Development Co., Ltd.	**291**	31
	594	313

36 Related party transactions (continued)

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

(ii) Purchases of goods and services

	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
Mr. Fang Haoze	**300**	300

(iii) Services provided to related parties

	Unaudited Six months ended June 30, 2019 RMB'000	2018 RMB'000
Nantong Meidi	**350**	350

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

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Dr. Fang and Dr. Mei	**107,640**	107,640

36 Related party transactions (continued)

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

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

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Dr. Fang and Dr. Mei	**109,851**	103,649

(vi) In January 2019, the Group acquired 39% equity interests of Hangzhou Rich from Shanghai Rich Medical Exam for zero consideration.

(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, 2019 RMB'000	2018 RMB'000
Share option scheme	**3,449**	4,848
Salaries and other short-term employee benefits	**1,400**	1,271
Pension	**163**	137
	5,012	6,256

36 Related party transactions (continued)

(d) Balances with related parties

Amounts due from related parties

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Nantong Meidi	**1,637**	1,000
Nantong Rich Real Estate Development Co., Ltd.	**29**	—
Mr. Fang Haoze	**—**	150
	1,666	1,150

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

Amounts due to related parties

	Unaudited As at June 30, 2019 RMB'000	Audited As at December 31, 2018 RMB'000
Mr. Fang Haoze	**300**	50
Dr. Mei	**—**	3,300
Shanghai Rich Medical Exam	**—**	180
	300	3,530

37 Dividend

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2019 (corresponding period in 2018: nil).

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