RICI HEALTHCARE HOLDINGS LIMITED
瑞慈醫療服務控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1526)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2016

FINANCIAL HIGHLIGHTS

- Revenue for 2016 amounted to approximately RMB935.4 million, representing an increase of 16.5% from approximately RMB802.8 million in 2015.
- Gross profit for 2016 amounted to approximately RMB354.1 million, representing an increase of 26.5% from approximately RMB280.0 million in 2015.
- Profit attributable to owners of the Company for 2016 amounted to approximately RMB58.9 million, representing an increase of 103.1% from approximately RMB29.0 million in 2015.
- Adjusted EBITDA for 2016 was approximately RMB249.9 million, representing an increase of 43.8% from approximately RMB173.8 million in 2015.
- Basic earnings per share for 2016 amounted to RMB0.04 (2015: RMB0.02).
- Diluted earnings per share for 2016 amounted to RMB0.04 (2015: RMB0.02).

In this announcement, "we", "us" and "our" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board (the "**Board**") of directors (the "**Directors**") of Rici Healthcare Holdings Limited (the "**Company**") is pleased to announce that the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2016 with the comparative figures in the last year are as follows:

CONSOLIDATED INCOME STATEMENT

For the Year ended December 31, 2016

	Note	**Year ended December 31, 2016** *RMB'000*	2015 *RMB'000*
Revenue	13	**935,383**	802,796
Cost of sales	14	**(581,252)**	(522,753)
Gross profit		**354,131**	280,043
Distribution costs and selling expenses	14	**(76,350)**	(67,613)
Administrative expenses	14	**(200,776)**	(151,628)
Other income	15	**14,229**	13,294
Other losses	16	**(859)**	(811)
Operating profit		**90,375**	73,285
Finance expenses	17	**(20,795)**	(22,477)
Finance income	17	**22,428**	731
Finance income/(expenses) — net	17	**1,633**	(21,746)
Share of results of a joint venture		**(1,026)**	(1,952)
Profit before income tax		**90,982**	49,587
Income tax expense	18	**(36,593)**	(20,471)
Profit for the year		**54,389**	29,116
Profit attributable to:			
Owners of the Company		**58,924**	28,982
Non-controlling interests		**(4,535)**	134
Profit for the year		**54,389**	29,116
Earnings per share for profit attributable to owners of the Company			
— Basic	20	**RMB0.04**	RMB0.02
— Diluted	20	**RMB0.04**	RMB0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended December 31, 2016

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Profit for the year	**54,389**	29,116
Other comprehensive income	**—**	—
Total comprehensive income for the year	**54,389**	29,116
Attributable to:		
Owners of the Company	**58,924**	28,982
Non-controlling interests	**(4,535)**	134
Total comprehensive income for the year	**54,389**	29,116

CONSOLIDATED BALANCE SHEET

As at December 31, 2016

	Note	**As at December 31, 2016** *RMB'000*	2015 *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**393,223**	384,486
Land use rights		**3,498**	3,598
Intangible assets		**8,388**	5,050
Investment in a joint venture		**3,959**	1,985
Deposits for long-term leases		**18,955**	12,839
Deferred income tax assets	5	**47,077**	35,293
Prepayments	9	**52,500**	19,685
		527,600	462,936
Current assets			
Inventories	6	**19,131**	19,686
Trade receivables	7	**130,956**	121,254
Other receivables		**11,111**	42,823
Prepayments		**8,966**	7,751
Amounts due from related parties		**1,000**	3,002
Cash and cash equivalents	8	**881,028**	233,658
		1,052,192	428,174
Total assets		**1,579,792**	891,110
Equity attributable to owners of the Company			
Share capital	10	**1,066**	—
Reserves		**946,235**	207,160
		947,301	207,160
Non-controlling interests		**3,454**	689
Total equity		**950,755**	207,849

	Note	As at December 31, 2016 RMB'000	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	11	**4,633**	33,065
Other long-term liabilities		**46,195**	28,507
		50,828	61,572
Current liabilities			
Borrowings	11	**309,932**	251,057
Trade and other payables	12	**208,809**	193,325
Amounts due to related parties		**—**	131,824
Income tax payables		**16,904**	16,372
Deferred income		**40,693**	27,693
Current portion of other long-term liabilities		**1,871**	1,418
		578,209	621,689
Total liabilities		**629,037**	683,261
Total equity and liabilities		**1,579,792**	891,110

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

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 and medical examination services (the "**Listing Businesses**") in the People's Republic of China ("**PRC**").

The Company's shares was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on October 6, 2016 (the "**Listing**").

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

The annual results set out in this announcement do not constitute the Group's consolidated financial statement for the year ended December 31, 2016, but are extracted from those financial statements.

2 THE REORGANIZATION

Prior to the incorporation of the Company and the completion of the reorganization as described below (the "**Reorganization**"), the Listing Businesses were carried out by Shanghai Rich Healthcare Management Company Limited ("**Shanghai Rich Medical Exam**") and its subsidiaries and Nantong Rich Hospital Co., Ltd. ("**Nantong Rich Hospital**") controlled by Dr. Fang Yi Xin ("**Dr. Fang**") and Dr. Mei Hong ("**Dr. Mei**"). In preparation for the Listing, the Group underwent the Reorganization to transfer the Listing Businesses to the Company. On June 30, 2015 upon completion of the Reorganization, the Listing Businesses have been operated solely by the Company and its subsidiaries and Shanghai Rich Medical Exam was no longer involved in the Listing Businesses. Upon completion of the Reorganization on June 30, 2015, the financial statements of Shanghai Rich Medical Exam were excluded from the consolidation financial statements of the Group and the assets and liabilities of Shanghai Rich Medical Exam were deemed to have been distributed to its equity holders.

Renaissance Healthcare Holdings Limited completed the subscription for the exchangeable bonds issued by Chelsea Grace Holdings limited ("**Chelsea Grace**") at a principal amount of US dollar ("**USD**") 67,715,000 in December 2014 at a consideration of RMB420,000,000, which are due in 2019 and exchangeable into the Company's shares under certain conditions.

The Reorganization was accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong institute of Certified Public Accountant (the "**HKICPA**").

3 BASIS OF PREPARATION

The consolidated financial information is extracted from the Group's consolidated financial statements for the year ended 31 December 2016 which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA and requirements of the Hong Kong Companies ordinance Cap. 622 and under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standard, amendments and improvements to existing standards have been adopted by the Group for the financial year beginning on January 1, 2016 and are relevant to the Group's operations:

- HKFRS 14 "Regulatory Deferral Accounts";
- Accounting for acquisitions of interests in joint operations — Amendments to HKFRS 11;
- Clarification of acceptable methods of depreciation and amortization — Amendments to HKAS 16 and HKAS 38;
- Annual improvements to HKFRSs 2012–2014 cycle;
- Disclosure initiative — amendments to HKAS 1;
- Amendment to HKAS 27 "Equity method in separate financial statements";
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment entities: applying the consolidation exception".

The adoption of the above new standard, amendments and improvements did not have any significant impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and amendments not yet adopted

The Group has not early adopted any new accounting and financial reporting standards or amendments to existing standards which have been issued but are not yet effective for annual periods beginning after January 1, 2016. The management is in the process of making an assessment on the impact of these new standards and amendments on the financial statements of the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

(b) Current and deferred income tax

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

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

(c) Impairment of trade receivables

The Group's management determines the provision for impairment of trade receivables and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provisions at each balance sheet date.

(d) Provision for medical dispute

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

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

5 DEFERRED INCOME TAX

	As at December 31, **2016**	2015
	RMB'000	*RMB'000*
Deferred income tax assets:		
— to be recovered within 12 months	**9,773**	8,985
— to be recovered after more than 12 months	**37,304**	26,308
	47,077	35,293

Movement in deferred income tax assets for both years ended December 31, 2016 and 2015, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred in come tax assets	**Tax losses carried forward**	**Assets impairment**	**Accruals and Deferred income**	**Pre-IPO share option scheme**	**Other long-term liabilities**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2015	12,203	2,762	6,390	—	4,428	25,783
Credited/(charged) to the income statements	10,216	1,728	(4,381)	—	1,947	9,510
At December 31, 2015	22,419	4,490	2,009	—	6,375	35,293
Credited/(charged) to the income statements	6,641	(700)	2,158	760	2,925	11,784
At December 31, 2016	29,060	3,790	4,167	760	9,300	47,077

6 INVENTORIES

	As at December 31, **2016**	2015
	RMB'000	*RMB'000*
Pharmaceuticals	**12,311**	14,210
Medical and other consumables	**6,820**	5,476
	19,131	19,686
Less: Write-down to net realizable value	**—**	—
	19,131	19,686

7 TRADE RECEIVABLES

	As at December 31, **2016** *RMB'000*	2015 *RMB'000*
Trade receivables	**139,840**	138,514
Less: Provision for impairment of trade receivables	**(8,884)**	(17,260)
	130,956	121,254

As at December 31, 2016 and 2015, the fair value of trade receivables of the Group approximated their carrying amounts.

The aging analysis of trade receivables are as follows:

	As at December 31, **2016** *RMB'000*	2015 *RMB'000*
Trade receivables		
— Up to 3 months	**80,446**	101,467
— 3 to 6 months	**33,975**	19,483
— 6 months to 1 year	**19,087**	6,580
— 1 to 2 years	**4,872**	3,978
— 2 to 3 years	**981**	4,304
— 3 to 4 years	**316**	1,208
— 4 to 5 years	**81**	1,273
— Over 5 years	**82**	221
	139,840	138,514

As of December 31, 2016, trade receivables of RMB16,797,000 (2015:RMB16,718,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

	As at December 31, **2016** *RMB'000*	2015 *RMB'000*
Trade receivables		
— 3 to 6 months	**11,324**	16,490
— 6 months to 1 year	**5,473**	228
	16,797	16,718

As of December 31, 2016, trade receivables of RMB8,884,000 (2015:RMB17,260,000) were impaired. The aging of these receivables is as follows:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables		
— Up to 3 months	**622**	898
— 3 to 6 months	**59**	191
— 6 months to 1 year	**1,077**	5,187
— 1 to 2 years	**5,666**	3,978
— 2 to 3 years	**981**	4,304
— 3 to 4 years	**316**	1,208
— 4 to 5 years	**81**	1,273
— Over 5 years	**82**	221
	8,884	17,260

Movements of impairment of trade receivables are as follows:

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
At beginning of the year	**17,260**	10,263
(Reversal)/provision for receivables impairment	**(856)**	6,997
Receivables written off as uncollectible	**(7,520)**	—
At the end of the year	**8,884**	17,260

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

8 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Cash at bank and on hand		
— Denominated in RMB	**279,384**	232,357
— Denominated in USD	**257,663**	1,290
— Denominated in HKD	**343,981**	11
	881,028	233,658

9 PREPAYMENTS

	As at December 31, **2016** *RMB'000*	2015 *RMB'000*
Prepayment for equipment	**37,260**	15,365
Prepayment for buildings	**12,000**	—
Prepayment for lease contract	**3,240**	4,320
	52,500	19,685

10 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital *RMB'000*
As at July 11, 2014 (date of incorporation)	1	—
As at December 31, 2014	1	—
Issuance of ordinary shares	99	—
Subdivision of ordinary shares	999,900	—
Issuance of ordinary shares pursuant to the subscription rights	60,225	—
As at December 31, 2015	1,060,225	—
Issuance of ordinary shares in connection with the Listing	318,080,000	213
Capitalization issue	1,271,209,775	852
Issuance of ordinary shares in connection with the exercise of over-allotment option	1,729,000	1
As at December 31, 2016	1,592,079,000	1,066

11 BORROWINGS

	As at December 31, **2016** *RMB'000*	2015 *RMB'000*
Non-current:		
Bank borrowings — secured and/or guaranteed (i)	**31,190**	57,747
Other borrowings (ii)	**1,875**	14,375
Less: Current portion of non-current borrowings	**(28,432)**	(39,057)
	4,633	33,065
Current:		
Bank borrowings — secured and/or guaranteed (i)	**281,500**	201,000
Short-term borrowings from a micro-credit company (iii)	**—**	11,000
Add: Current portion of non-current borrowings	**28,432**	39,057
	309,932	251,057
Total borrowings	**314,565**	284,122

Notes:

(i) The Group's bank borrowings are secured by property and equipment, land use right and guaranteed by subsidiaries of the Company for each other or by related parties.

(ii) The balances represent the loan borrowed with a principal amount of RMB37,500,000 from Yuan Dong International Leasing Co., Ltd. in 2014, which was secured by Nantong Rich Real Estate Development Co., Ltd. and Shanghai Rich Medical Exam and is bearing a floating interest rate stipulated by the People's Bank of China plus 0.45% per annum. Such security was released upon Listing.

The Group paid a deposit of RMB7,500,000 to Yuan Dong International Leasing Co., Ltd. in 2014, which will be used to net off the last two instalments of principal repayment in accordance with the loan agreement. As at December 31, 2016, the carrying amount of the loan was RMB1,875,000 (2015: RMB14,375,000).

(iii) The balance represents the loan borrowed from Zhangjiang Microcredit Co., Ltd., a micro-credit company, which was guaranteed by Dr. Fang and Dr. Mei. As at December 31, 2015, the balance was RMB11,000,000 with an annual interest rate of 11.00%, which was matured and repaid in May 2016.

(a) The borrowings are all denominated in RMB.

(b) The maturity of borrowings is as follows:

	As at December 31, **2016** *RMB'000*	2015 *RMB'000*
Within 1 year	**309,932**	251,057
Between 1 and 2 years	**2,557**	28,432
Between 2 and 5 years	**2,076**	4,633
Over 5 years	**—**	—
	314,565	284,122

(c) The weighted average effective interest rates as at December 31, 2016 and 2015 were as follows:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Bank borrowings	**5.37%**	6.84%
Other borrowings	**5.20%**	5.35%
Short-term borrowings from a micro-credit company	**11.00%**	11.00%

(d) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity whichever is the earlier date is as follows:

	6 months or less	**6–12 months**	**1–5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings:				
As at December 31, 2015	246,375	6,557	31,190	284,122
As at December 31, 2016	**267,779**	**45,786**	**1,000**	**314,565**

(e) The fair value of borrowings approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.41% as at December 31, 2016 (2015: 6.91%) and are within level 2 of the fair value hierarchy.

12 TRADE AND OTHER PAYABLES

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Trade payables due to third parties	**89,064**	91,622
Advances from customers	**58,832**	54,031
Staff salaries and welfare payables	**22,357**	14,909
Payables for purchase of property and equipment	**10,391**	5,721
Loan from non-controlling interests of a subsidiary (a)	**4,500**	4,500
Accrued professional service fees	**3,500**	—
Accrued taxes other than income tax	**1,803**	743
Interest payables	**428**	469
Accrued initial public offering fees	**317**	3,572
Payable to staff canteen service provider	**—**	4,477
Dividend payable to a shareholder	**—**	2,018
Others	**17,617**	11,263
	208,809	193,325

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

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
RMB	**208,708**	188,258
USD	**—**	5,067
HKD	**101**	—
	208,809	193,325

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

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
— Up to 3 months	**73,755**	59,263
— 3 to 6 months	**3,826**	18,885
— 6 months to 1 year	**1,664**	6,185
— 1 to 2 years	**4,638**	993
— 2 to 3 years	**759**	1,409
— Over 3 years	**4,422**	4,887
	89,064	91,622

The normal credit term of the Group is 30 days to 90 days. As at December 31, 2016 and 2015, all trade and other payables of the Group were non-interest bearing, and their fair value approximated to their carrying amounts due to their short maturities.

13 REVENUE AND 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 without allocation of administrative expenses, interest income, interest expenses, other finance expense and income tax expense.

The amounts provided to management with respect to total assets and total liabilities are measured consistent with that of the financial statements. These assets are allocated based on the operations of segment. Investment in shares (classified as available-for-sale financial assets or financial assets at fair value through profit or loss) held by the Group are not considered to be segment assets but rather are managed by the treasury function. The measure of assets reviewed by the CODM does not include assets held for sale. The Group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the treasury function.

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

(i) General hospital

The business of this segment is in Nantong, a city of Jiangsu Province. Revenue from this segment is derived from general hospital services provided by Nantong Rich Hospital.

(ii) Specialty hospital

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

(iii) Medical examination centers

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

(a) Revenue

Revenue of the Group consists of the following:

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Hospital		
Outpatient pharmaceutical income	**34,836**	35,480
Outpatient service income	**39,328**	34,280
Inpatient pharmaceutical income	**119,482**	121,362
Inpatient service income	**91,538**	86,843
Medical Examination		
Examination service	**642,708**	521,100
Management service fee and others	**7,491**	3,731
	935,383	802,796

(b) Segment information

Segment information about the Group's reportable segment is presented below:

	General Hospital *RMB'000*	Specialty Hospital *RMB'000*	Medical Examination Centers *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
For the year ended December 31, 2016						
Revenue	313,035	—	651,098	—	(28,750)	935,383
Segment profit	89,541	—	188,240	—	—	277,781
Administrative expenses						(200,776)
Interest income						1,169
Interest expenses						(20,795)
Exchange gain						20,698
Other finance income						561
Total profit before income tax expense						90,982
Income tax expense						(36,593)
Profit for the year						54,389

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

	General Hospital RMB'000	Specialty Hospital RMB'000	Medical Examination Centers RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
For the year ended December 31, 2015						
Revenue	297,695	—	525,435	—	(20,334)	802,796
Segment profit	86,896	—	125,534	—	—	212,430
Administrative expenses						(151,628)
Interest income						443
Interest expenses						(22,477)
Other finance income						288
Total profit before income tax expense						49,587
Income tax expense						(20,471)
Profit for the year						29,116

	General Hospital RMB'000	Specialty Hospital RMB'000	Medical Examination Centers RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at December 31, 2015						
Segment assets	429,048	—	783,294	208,378	(529,610)	891,110
Segment liabilities	183,306	—	638,396	176,169	(314,610)	683,261
Other information						
Addition to property and equipment, land use rights and intangible assets	24,547	—	90,802	—	—	115,349
Depreciation and amortization	10,867	—	57,995	—	—	68,862

14 EXPENSES BY NATURE

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Employee benefits expense	**295,356**	276,827
Operating lease rental expenses	**110,796**	76,616
Pharmaceutical costs	**88,237**	87,688
Depreciation and amortization	**81,617**	68,862
Medical consumables costs	**70,214**	62,136
Outsourced testing expenses	**44,836**	33,998
Initial public offering fees	**37,966**	8,905
Utility expenses	**30,830**	28,887
Office expenses	**20,772**	18,874
Advertising expenses	**20,246**	25,040
Entertainment expenses	**17,992**	11,969
Maintenance expenses	**7,327**	9,072
Travel expenses	**6,094**	4,781
Auditor's remuneration		
— Audit services	**2,900**	953
— Non-audit services	**600**	—
Stamp duty and other taxes	**2,780**	1,898
Washing charge	**1,773**	1,731
Working meal	**1,743**	1,752
Other medical disputes expenses	**1,616**	729
Professional service charge	**1,579**	1,299
Security costs	**774**	712
Medical risk insurance	**740**	680
(Reversal)/provision for receivables impairment	**(1,800)**	8,213
Other expenses	**13,390**	10,372
	858,378	741,994

15 OTHER INCOME

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Government grants	**9,690**	7,113
Rental income	**771**	788
Income of a promotion event	**—**	3,932
Others	**3,768**	1,461
	14,229	13,294

16 OTHER LOSSES

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Losses on disposal of property and equipment	**616**	486
Others	**243**	325
	859	811

17 FINANCE INCOME/(EXPENSES) — NET

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Interest on borrowings	**(20,795)**	(22,477)
Interest income	**1,169**	443
Exchange gains — net	**20,698**	—
Others	**561**	288
	22,428	731
Finance income/(expenses) — net	**1,633**	(21,746)

18 INCOME TAX EXPENSE

The amounts of income tax expense charged to the consolidated income statement represent:

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Current income tax		
— Current year	**46,104**	29,981
— Underprovision for prior years	**2,273**	—
Deferred income tax	**(11,784)**	(9,510)
Income tax expense	**36,593**	20,471

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

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Profit before income tax	**90,982**	49,587
Tax calculated at the applicable income tax rate (25%)	**22,746**	12,397
Tax effect of:		
Expenses not deductible for tax purpose	**4,913**	2,717
Utilization of prior year tax losses and temporary differences not recognized as deferred tax assets	**(471)**	—
Temporary differences not recognized as deferred tax assets	**101**	261
Tax losses not recognized as deferred tax assets	**7,031**	3,837
Tax losses of Shanghai Rich Medical Exam not recognized as deferred tax assets	**—**	1,259
Underprovision for prior years	**2,273**	—
Income tax expense	**36,593**	20,471

On March 16, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "**CIT Law**") which became effective on January 1, 2008. Under the CIT Law, the CIT rate applicable to the Group's subsidiaries located in mainland China from January 1, 2008 is 25%.

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

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

The CIT 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 December 31, 2016 will not be distributed in the foreseeable future.

19 DIVIDENDS

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Dividends (a)	**—**	581,103
Proposed final dividend (b)	**—**	—
	—	581,103

(a) The Company has declared dividends of RMB581,103,000 during the year ended December 31, 2015 and paid dividends of RMB440,109,000 to its shareholders during the year ended December 31, 2015, with remaining balance of RMB2,018,000 due to Victory Ovation Pte Ltd. ("**Victory**") was recorded as dividend payables (Note 12), balance of RMB10,629,000 due to Fengyuan (International) Investment Holding Limited ("**Fengyuan**") was netting off with the other receivables due from Fengyuan by the same amount as at December 31, 2015, balance of RMB6,590,000 due to Chelsea Grace was netting off with the amount due from Chelsea Grace of RMB6,590,000, and balance of RMB121,902,000 due to Chelsea Grace was recorded as amounts due to related parties as at December 31, 2015.

During the year ended December 31, 2016, the Company paid dividends of RMB2,018,000 and RMB121,902,000 to Victory and Chelsea Grace respectively.

(b) At a board meeting held on March 31, 2017, the board of the directors did not recommend any payment of dividend for the year ended December 31, 2016.

20 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit attributable to the owners of Company by the weighted average number of ordinary shares in issue during 2016 and 2015, respectively. In determining the weighted average number of shares in issue for the year ended December 31, 2016 and 2015, the 1,000,000 shares upon the sub-division made in December 2015 and the 1,271,209,775 shares issued and allotted through capitalization of the share premium account of the Company upon Listing on October 6, 2016 were deemed to have been in issue since January 1, 2015.

	Year ended December 31,	
	2016	2015
Net profit attributable to owners of the Company *(RMB'000)*	**58,924**	28,982
Weighted average number of ordinary shares in issue	**1,347,312,448**	1,272,210,765
Basic earnings per share *(RMB)*	**0.04**	0.02

(b) Diluted

Diluted earnings 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 pre-IPO share option scheme adopted by the Company on September 19, 2016 assuming they were exercised in full.

	Year ended December 31,	
	2016	2015
Net profit attributable to owners of the Company *(RMB'000)*	**58,924**	28,982
Weighted average number of ordinary shares in issue	**1,347,312,448**	1,271,266,875
Adjustment for share options granted under the Pre-IPO share option scheme	**13,426,725**	—
Weighted average number of ordinary shares for diluted earnings per share	**1,360,739,173**	1,271,266,875
Diluted earnings per share *(RMB)*	**0.04**	0.02

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2016, with a wide range of benefits achieved from the healthcare planning under the 13th Five-Year Plan, the PRC government continued to implement the "Healthy China" policies and prioritized healthcare sector in economic and social development. With the support of national policies, the Group proactively expedited its development of quality and high-end medical and healthcare services, and continued to contribute to the dynamic growth of the healthcare industry in China.

The Group strives to provide comprehensive healthcare services and all-dimensional protection for the well-being of people which is in line with the goals announced in "Healthy China 2030 Planning Outline" promulgated by the State Council in 2016. The Group's long-term development planning and strategies have been at the frontier of the industry. The Group provides integrated healthcare services, continues to develop general hospital, specialty hospital, clinic and medical examination businesses, continuously explores market opportunities and expands the promising healthcare service business.

Hospital Business

General Hospital Business

According to the National Health and Family Planning Commission, as of October 31, 2016, there were 12,786 public hospitals and 15,798 private hospitals in China, representing a decrease of 451 public hospitals and an increase of 2,038 private hospitals from October 31, 2015. It shows that private hospitals have more potentials to satisfy public medical demands. Our hospital located in Nantong, Nantong Rich Hospital Co., Ltd. ("**Nantong Rich Hospital**"), is a Class III hospital with 520 registered beds. In 2016, Nantong Rich Hospital served a total of 281,853 out-patients (2015: 268,017), representing a year-on-year increase of 5.2% and it served a total of 18,006 in-patients (2015: 18,045), which was comparable to that of 2015. During the year, the Group strengthened specialist team of pediatric surgery, pediatric internal medicine and cardiovasculogy and further enhanced its medical service capabilities. In addition, the Group bought various high-end and advanced equipment for Nantong Rich Hospital to enhance its medical examination efficiency and diagnosis accuracy.

Speciality Hospital Business

With the implementation of the two-child policy in China, pediatrics and gynecology specialties will become a focus of the private hospital development. During the year, the Group was working with the Obstetrics and Gynecology Hospital of Fudan University to build two high-end obstetrics and gynecology hospitals in Shanghai and Changzhou, respectively. We will integrate expert resources from public hospitals and further utilize our advantages in providing quality services and environment of the Group, aiming to satisfy the need for high-end obstetrics and gynecology specialty medical services from mid-to-high-end customers.

Medical Examination Business

With growing aging population and increasing citizens' health awareness, huge healthcare service demand has brought lots of business opportunities to the medical examination industry. In 2016, the medical examination market in China continued to grow steadily. The medical examination business of the Group achieved satisfactory results.

During 2016, our medical examination centers throughout China served in aggregate 1,302,410 customers (2015: 1,046,464), representing a year-on-year increase of 24.5%, including 219,412 individual customers (2015: 194,820), representing a year-on-year increase of 12.6%, and 1,082,998 corporate customers (2015: 851,644), representing a year-on-year increase of 27.2%. As of December 31, 2016, the Group had 28 medical examination centers, 22 of which were in operation.

While the Group endeavors to enhance corporate profit, the Group focuses on long-term development and optimizes three aspects, namely service, products and business development. In respect of service, in order to implement standardized management system on all of our medical examination centers, the Group established the healthcare quality department which is responsible for supervising, managing and improving healthcare service quality. In respect of product, the Group targeted different consumer age groups and various high-risk diseases to design various customized medical examination services. In the meantime, the Group also focuses on the variety of product design to meet healthcare demand of different people. In respect of business development, the Group proactively explored cooperation opportunities with various strategic partners for the long-term development.

Facing competitive market environment in the medical examination industry, our medical examination business maintained robust growth dynamics during the year. This was attributable to our outstanding physician team. Moreover, the medical examination centers were equipped with high-end and advanced medical equipments in addition to effective quality management system and customized value-added post-medical-examination services, which led customers to have satisfactory medical examination experience.

Clinic Business

In recent years, the PRC government has continuously supported and introduced social capital into healthcare industry, in the hope of increasing medical resources and meeting the multi-level and diversified demands of the public through the introduction of more private medical operators. Clinics play a bridging role between hospitals and medical examinations, which also proactively promote community healthcare. In 2016, the clinic of the Group located in Shanghai started operation. The operation scale of the clinic is flexible so that the Group can develop in an orderly and steady manner. In 2016, the Group opened eight new clinics on the premise of its existing medical examination centers. The clinics of the Group currently provide 23 types of specialty medical services including internal medicine, surgery, gynecology, pediatrics, dermatology, rehabilitation medicine, ophthalmology, otolaryngology, dentistry and Chinese medicine specialty outpatient services.

Industry Outlook and Group Strategies

The healthcare service industry is prospering quickly in China. With the implementation of relevant national policies, standardization, transparency and branding will be major concerning elements in the market. The platforms with high quality medical resources will be well positioned in the industry.

The Group is well prepared to embrace the golden time for the industry development in the next few years.

Due to the special nature of the healthcare service industry, there are stringent service standards. Medical service quality is inextricably linked with the authoritative expert resources and exquisite medical technology possessed by an operator. As national policies encourage multi-site practices, the Group is actively working with Class III Grade A hospitals in Shanghai to further enrich the resources of reputable physicians, which could enhance its core competitiveness to develop its high-end medical platforms.

An efficient management system is essential to the Group's long-term development. To ensure the standardized premium service quality of our medical examination centers throughout the country, each medical examination center of the Group is implementing centralized management system with regulated standard and management and conducts regular assessment and evaluation on service and quality control. Hospitals and clinics are implementing a standardized management system based on the standards of public hospitals.

The Group will proactively implement its diversified development strategies. The Group strives to expand its medical examination, clinic, general and specialty hospital businesses. In respect of medical examination business, the Group will cooperate with its strategic partners and provide high-end and quality medical examination services to its customers, which could further expand customer base and increase market shares. In the meantime, the Group will actively enlarge its service network and increase the number of medical examination centers to provide accurate, efficient and quality medical examination service to more customers throughout the country. In respect of clinic business, the Group is committed to working with more medical organizations and increase the number of specialty physicians to further strengthen its physician team. Moreover, starting from Shanghai, the Group will gradually set up chain clinics across China and increase its penetration into the domestic healthcare market. In view of the national policy of "Internet + Healthcare", the Group will develop telemedicine outpatient services to satisfy the medical demand of different consumers. In respect of hospital business, our obstetrics and gynecology specialty hospitals in Shanghai and Changzhou are expected to commence operation in 2017. The Group will utilize its branding and service advantages and strives to provide high-end obstetrics and gynecology specialty services to citizens in Shanghai and Changzhou.

The Group will continue to conduct in-depth exploration for new development opportunities so as to establish brand value with national influence and provide quality and efficient medical service to more citizens in China.

Principal Risks and Uncertainties

The Group conducts business in a heavily regulated industry. If the Group fails to obtain or renew any licenses or permits required for our operations, or are found to be non-compliant with such licenses or permits, or any applicable laws or regulations, the Group may face penalties, suspension of operations or even revocation of such licenses or permits, depending on the nature of the findings. Any of such events could materially and adversely affect the business, financial condition and results of operations of the Group. The Group has duly obtained or renewed the licenses or permits required for our operations and none of our hospitals, medical examination centers and clinics have been notified of any material non-compliance with such licenses, permits or applicable laws or regulations.

The Group is exposed to potential risks that are inherent to the provision of healthcare services from the Group. In recent years, physicians, hospitals and other healthcare service providers in China have become subject to an increasing number of medical disputes or legal actions alleging malpractice or other causes of action. The Group purchased medical liability insurance for our Nantong Rich Hospital. However, the Group did not purchase medical liability insurance for our medical examination business and clinic business which the Group believes is consistent with industry practice. The Group has implemented internal operating procedures to monitor the physicians and other medical staff of the Group regarding their professional responsibilities in examining and treating our customers. More detailed analysis on the risk management and internal control systems of the Group will be disclosed in the annual report of the Company for the year ended December 31, 2016.

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 years indicated:

	Year ended December 31,		
	2016	2015	**% of Change**
	(RMB'000)	*(RMB'000)*	
General hospital business	**313,035**	297,695	5.2%
Medical examination business	**651,098**[(1)]	525,435[(1)]	23.9%
Inter-segment	**(28,750)**	(20,334)	41.4%
Total	**935,383**	802,796	16.5%

Note:

(1) Include the revenue from our clinic business.

Our revenue increased by 16.5% from RMB802.8 million in 2015 to RMB935.4 million in 2016, mainly as a result of an increase in revenue from our medical examination business.

Revenue from our general hospital business in 2016 amounted to approximately RMB285.2 million, representing an increase of 2.6% from approximately RMB278.0 million in 2015, excluding inter-segment revenue of RMB27.8 million and RMB19.7 million in 2016 and 2015, respectively. The increase is mainly attributable to an increase in the number of visits of our patients as we improve our operational efficiency as well as an increase in average spending per visit by our patients which was primarily attributable to an increase in the amount of diagnostic testing ordered by our clients. The outpatient and inpatient pharmaceutical income amounted to RMB154.3 million (2015: RMB156.9 million), while the outpatient and inpatient service income amounted to RMB130.9 million (2015: RMB121.1 million). The proportion of outpatient and inpatient pharmaceutical income in revenue from our general hospital business decreased from 56.4% in 2015 to 54.1% in 2016 while the proportion of outpatient and inpatient service income in revenue from our general hospital business increased from 43.6% in 2015 to 45.9% in 2016, indicating our efforts for less dependence on pharmaceutical income to fulfil our commitment to premium service quality.

Revenue from our medical examination business in 2016 amounted to approximately RMB651.1 million, representing an increase of 23.9% from approximately RMB525.4 million in 2015. The increase is mainly attributable to our medical examination centers opened in 2015, which had full-year operation in 2016, and the number of individuals who used our medical examination services. The number of individuals who used our services was 1,046,464 and 1,302,410 in 2015 and 2016, respectively. The average spending per individual in our medical examination business was RMB498.5 and RMB493.0 in 2015 and 2016 respectively, which represented a slight decrease due to the promotional events of our newly opened medical examination centers in 2016.

The medical examination business includes a limited portion of clinic business. Revenue from our clinic business in 2016 amounted to approximately RMB2.4 million (2015: RMB0.64 million), mainly from diagnostic income.

Cost of Sales

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

	Year ended December 31,		
	2016	2015	**% of Change**
	(RMB'000)	*(RMB'000)*	
General hospital business	**219,764**	207,461	5.9%
Medical examination business	**390,238**[(1)]	335,626[(1)]	16.3%
Inter-segment	**(28,750)**	(20,334)	41.4%
Total	**581,252**	522,753	11.2%

Note:

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

Our cost of sales increased by 11.2% from RMB522.8 million in 2015 to RMB581.3 million in 2016, mainly as a result of the increase in the cost of sales of our medical examination business.

Cost of sales of our general hospital business in 2016 amounted to approximately RMB219.8 million, representing an increase of 5.9% from approximately RMB207.5 million in 2015. The increase is generally in line with the growth in revenue.

Cost of sales of our medical examination business in 2016 amounted to approximately RMB390.2 million, representing an increase of 16.3% from approximately RMB335.6 million in 2015. The increase is mainly attributable to the increase in variable cost of our medical examination centers including medical consumable costs and outsourcing testing expenses, which were generally in line with the revenue growth of our medical examination business. Meanwhile, some relative fixed cost, such as depreciation and amortization and rental expenses, increased in 2016 due to the full-year charge of some medical examination centers opened in 2015 and therefore resulting in the increase in the total costs in 2016.

Gross Profit

Our gross profit increased by 26.5% from approximately RMB280.0 million in 2015 to approximately RMB354.1 million in 2016. The gross profit margin increased from 34.9% in 2015 to 37.9% in 2016, which is primarily attributable to the increase of gross profit margin of our medical examination business. The gross profit margin of our general hospital business in 2016 slightly decreased to 29.8% from 30.3% in 2015. The gross profit margin of our medical examination business in 2016 increased to 40.1% from 36.1% in 2015.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses increased by 12.9% from approximately RMB67.6 million in 2015 to approximately RMB76.4 million in 2016. This increase was largely in line with the increase in overall sales and mainly attributable to the increase in staff costs and business development expenses.

Administrative Expenses

Our administrative expenses increased by 32.4% from approximately RMB151.6 million in 2015 to approximately RMB200.8 million in 2016. The increase was mainly due to (i) the increase in the number of employees as a result of the growth of our medical examination business, (ii) the increase in pre-opening rental expense for the new hospitals, and (iii) the listing-related expenses.

Other Income

Our other income increased by 7.0% from approximately RMB13.3 million in 2015 to approximately RMB14.2 million in 2016. Other income was mainly generated from government grants.

Other Losses

Our other losses increased from approximately RMB0.81 million in 2015 to approximately RMB0.86 million in 2016 primarily due to an increase in losses on disposal of equipment.

Finance Income/(Expenses) — net

The Group had net finance income of RMB1.6 million in 2016, comparing to net finance expenses of RMB21.7 million in 2015, mainly due to exchange gain of RMB20.7 million in 2016 arising from the bank deposits denominated in HKD and USD.

Share of Results of a Joint Venture

For the year ended December 31, 2016, the Group recognised a loss of RMB1.0 million (2015: RMB2.0 million) in its consolidated profit or loss, mainly due to the operating loss of Nantong Rich Meidi Nursing Home Co. Ltd. ("**Nantong Meidi**"), a joint venture of the Group and a company primarily engaged in providing elderly care services.

Income Tax Expense

For the year ended December 31, 2016, income tax expense amounted to approximately RMB36.6 million, increased by approximately RMB16.1 million as compared with approximately RMB20.5 million in 2015, which is largely in line with the increase in profit before income tax. The effective tax rate remained relatively stable at 40.2% in 2016 as compared to 41.3% in 2015.

Profit for the Year

For the foregoing reasons, our profit increased by 86.9%, from approximately RMB29.1 million in 2015 to RMB54.4 million in 2016.

Adjusted EBITDA

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

	Year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Adjusted EBITDA calculation		
Profit for the year	**54,389**	29,116
Adjusted for:		
Income tax expense	**36,593**	20,471
Finance income/(expense) — net	**(1,633)**	21,746
Depreciation and amortization	**81,617**	68,862
Restructuring and reorganization expense[(1)]	**—**	1,500
Pre-opening expenses and EBITDA loss of soft-opening[(2)]	**37,846**	23,202
Listing expenses[(3)]	**37,966**	8,905
Pre-IPO share option expenses	**3,144**	—
Adjusted EBITDA	**249,922**	173,802
Adjusted EBITDA margin[(4)]	**26.7%**	21.6%

Notes:

(1) Primarily represents legal and other professional service expenses associated with our internal corporate restructuring and the reorganization prior to our initial public offering ("**IPO**") in October 2016.

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

(3) A total of RMB11.7 million and RMB64.3 million listing expense was incurred in 2015 and 2016, respectively, of which RMB8.9 million and RMB38.0 million was recorded in 2015 and 2016, respectively.

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

We recorded an adjusted EBITDA of RMB249.9 million in 2016, representing an increase of 43.8% from approximately RMB173.8 million in 2015.

Financial Position

Property and Equipment

Property and equipment primarily consist of buildings, medical equipments, general equipments, leasehold improvement and construction in progress. As of December 31, 2016, the property and equipment of the Group amounted to approximately RMB393.2 million, representing an increase of approximately RMB8.7 million as compared to approximately RMB384.5 million as of December 31, 2015. The increase was primarily due to acquisition of equipment by the new medical examination centers and obstetrics and gynecology specialty hospitals and renovation of Nantong Rich Hospital.

Inventories

Inventories slightly decreased from approximately RMB19.7 million as of December 31, 2015 to approximately RMB19.1 million as of December 31, 2016.

Trade Receivables

As of December 31, 2016, the trade receivables of the Group were approximately RMB131.0 million, representing an increase of approximately RMB9.7 million as compared to approximately RMB121.3 million as of December 31, 2015, which was generally in line with the increase in revenue during 2016.

Net Current Assets Position

As at December 31, 2016, the Group's net current assets were RMB474.0 million, representing an increase of RMB667.5 million as compared with net current liabilities of RMB193.5 million as at December 31, 2015. The improvement in net current assets position was mainly due to an increase in cash and cash equivalents as a result of the net proceeds raised from the IPO.

Liquidity and Capital Resources

The Group had cash and cash equivalents of RMB881.0 million as at December 31, 2016. As at December 31, 2016, the Group had outstanding bank borrowings amounting to RMB314.6 million. The Board is of the opinion that the financial position of the Group is strong and healthy and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

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

	Year ended December 31,	
	2016	2015
	(RMB'000)	*(RMB'000)*
Net cash generated from operating activities	**173,283**	159,285
Net cash (used in)/generated from investing activities	**(127,264)**	77,991
Net cash generated from/(used in) financing activities	**579,667**	(350,019)
Net increase/(decrease) in cash and cash equivalents	**625,686**	(112,743)

Net Cash Generated from Operating Activities

For the year ended December 31, 2016, the net cash generated from operating activities was RMB173.3 million. Cash inflow generated from operating activities was approximately RMB242.0 million, which was offset by the interest paid of approximately RMB20.8 million and the income tax paid of RMB47.8 million.

Net Cash Used in Investing Activities

For the year ended December 31, 2016, the net cash used in investing activities was RMB127.3 million, primarily attributable to (i) the purchases of property and equipment and intangible assets of RMB127.2 million, and (ii) the investment in a joint venture of RMB3.0 million, partially offset by the proceeds from disposal of equipment of RMB1.7 million and the interest received from bank deposits of RMB1.2 million.

Net Cash Generated from Financing Activities

For the year ended December 31, 2016, the net cash generated from financing activities was RMB579.7 million, primarily attributable to (i) the capital contribution of RMB43.2 million from owners of the Company or non-controlling interests of subsidiaries, (ii) the net proceeds from bank borrowing of RMB30.4 million, and (iii) the net proceeds from issuance of the ordinary shares of the Company in connection with the IPO of RMB682.7 million, partially offset by the dividends payment of RMB123.9 million, payment of listing-related expenses of RMB44.1 million and the repayments to related parties of RMB8.7 million.

Significant Investments, Acquisitions and Disposals

For the year ended December 31, 2016, the Group did not have any significant investments, acquisitions or disposals, except the reorganization of the Group with details set out in the prospectus of the Company dated September 26, 2016 (the "**Prospectus**").

Use of Proceeds from IPO

The Company's shares were listed on the Stock Exchange on October 6, 2016 (the "**Listing Date**"). After the partial exercise of the Over-allotment Option (as defined in the Prospectus) and after deducting underwriting commissions and all related expenses, the net proceeds from issuance of ordinary shares of the Company in connection with the IPO amounted to RMB682.7 million. As of the date of this announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

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

As of December 31, 2016, the Group used the net proceeds for the following purpose:

- RMB13.6 million being used for the establishment of six medical examination centers.

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

- RMB8.7 million being used for payment of listing-related expenses.

Capital Expenditure and Commitments

For the year ended December 31, 2016, the Group incurred capital expenditures of RMB95.9 million, primarily due to purchases of medical equipment for our new medical examination centers and obstetrics and gynecology specialty hospitals and renovation of Nantong Rich Hospital and our existing medical examination centers.

As of December 31, 2016, the Group had a total capital commitment of approximately RMB26.4 million (2015: RMB9.2 million), mainly comprising the related contracts of capital expenditure in newly built medical examination centers and hospitals.

Borrowings

As at December 31, 2016, the Group had total bank and other borrowings of RMB314.6 million.

Contingent Liabilities

The Group had no material contingent liability as of December 31, 2016.

Financial Instruments

The Group did not have any financial instruments as of December 31, 2016.

Gearing Ratio

As of December 31, 2016, on the basis of net debt divided by total capital, the Group's gearing ratio was (147.4%) (2015: 19.5%). The decrease in gearing ratio as of December 31, 2016 was mainly resulted from the net proceeds raised from the IPO, which led to a significant increase in cash and cash equivalents of the Group as of December 31, 2016.

Cash Flow and Fair Value Interest Rate Risk

Our exposure to changes in interest rates is mainly attributable to our borrowings from banks and other non-bank financial institutions.

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. We do not hedge our cash flow and fair value interest rate risk during the year.

Foreign Exchange Risk

During the year ended December 31, 2016, the Group is not exposed to significant foreign currency risk, except for the bank deposits from the IPO, which are denominated in Hong Kong dollars, and the bank deposits denominated in US dollars. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need raise.

Credit Risk

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

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

We established policies in place to ensure that we assess the credit worthiness and financial strength of our customers as well as considering prior dealing history with the customers and volume of sales. Our management team makes periodic collective assessment as well as individual assessment on the recoverability of trade receivables and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

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

Liquidity Risk

Our finance department monitors rolling forecasts of our liquidity requirements to ensure we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn committed borrowing facilities at all times so that we do not breach borrowing limits or covenants (where applicable) on any of our borrowing facilities. We expect to fund the future cash flow needs through cash flows generated from operations, borrowings from financial institutions and issuing debt instruments or capital injection from shareholders, as necessary. Based on contractual undiscounted payments, our financial liabilities were RMB495.2 million as of December 31, 2016.

Pledge of Assets

As of December 31, 2016, the Group had assets in an amount of RMB46,601,000 pledged for bank borrowings (December 31, 2015: RMB48,296,000).

HUMAN RESOURCES

The Group had 3,579 employees as of December 31, 2016, as compared to 3,455 employees as of December 31, 2015. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to December 31, 2016 (the "**Period**").

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2016.

CLOSURE OF REGISTER OF MEMBERS

The closure periods of register of members of the Company for determining the entitlement of the shareholders to attend and vote at the forthcoming annual general meeting will be announced in due course.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders of the Company as a whole. The Company has adopted the code provisions as set out in the Code of Corporate Governance Practices (the "**Code**") as contained in Appendix 14 to the Listing Rules as its own code to govern its corporate governance practices.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuer" (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the 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 Period.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Audit Committee of the Company, comprising Ms. Wong Sze Wing (Chairman of the Audit Committee), Ms. Jiao Yan and Dr. Wang Yong, has reviewed with the management the consolidated financial statements of the Company for the year ended December 31, 2016, including accounting principles and practices adopted by the Group, and discussed risk management and internal controls and financial reporting matters.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended December 31, 2016 as set out in this announcement have been agreed by the Company's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year.

The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.rich-healthcare.com). The annual report of the Company for the year ended December 31, 2016 will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business partners for their trust and support.

By Order of the Board
Rici Healthcare Holdings Limited
Fang Yixin
Chairman

Hong Kong, March 31, 2017

As at the date of this announcement, the Board comprises three executive directors, namely, Dr. Fang Yixin and Dr. Mei Hong and Mr. Lu Zhenyu; one non-executive director, namely Ms. Jiao Yan; and three independent non-executive directors, namely, Dr. Wang Yong, Dr. Wang Weiping and Ms. Wong Sze Wing.