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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2017

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended June 30, 2017 amounted to approximately RMB435.9 million, representing an increase of 11.8% from approximately RMB390.1 million for the corresponding period in 2016.

- Gross profit for the six months ended June 30, 2017 amounted to approximately RMB135.6 million, representing an increase of 21.7% from approximately RMB111.5 million for the corresponding period in 2016.

- Loss attributable to owners of the Company for the six months ended June 30, 2017 amounted to approximately RMB39.4 million, representing an increase of 264.8% from approximately RMB10.8 million for the corresponding period in 2016.

- Adjusted EBITDA for the six months ended June 30, 2017 was approximately RMB51.0 million, representing a decrease of 36.9% from approximately RMB80.8 million for the corresponding period in 2016.

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**" and, together with its subsidiaries, collectively the "**Group**") is pleased to announce the unaudited consolidated financial results of the Group for the six months ended June 30, 2017 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2016 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2017

	Note	Unaudited Six months ended 30 June 2017 *RMB'000*	Audited 2016 *RMB'000*
Revenue	*13*	**435,881**	390,050
Cost of sales	*14*	**(300,236)**	(278,546)
Gross profit		**135,645**	111,504
Distribution costs and selling expenses	*14*	**(70,068)**	(30,272)
Administrative expenses	*14*	**(105,589)**	(76,944)
Other income		**8,909**	4,095
Other losses		**(1,329)**	(272)
Operating (loss)/profit		**(32,432)**	8,111
Finance expenses	*15*	**(26,415)**	(10,157)
Finance income	*15*	**3,461**	620
Finance expenses — net		**(22,954)**	(9,537)
Share of results of a joint venture		**45**	(836)
Loss before income tax		**(55,341)**	(2,262)
Income tax credit/(expense)	*16*	**4,093**	(9,897)
Loss for the period		**(51,248)**	(12,159)
Loss attributable to:			
Owners of the Company		**(39,440)**	(10,802)
Non-controlling interests		**(11,808)**	(1,357)
Loss for the period		**(51,248)**	(12,159)
Losses per share for loss attributable to owners of the Company			
— Basic	*17*	**RMB(0.02)**	RMB(10.2)
— Diluted	*17*	**RMB(0.02)**	RMB(10.2)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2017

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2017

	Note	**Unaudited 30 June 2017** *RMB'000*	Audited 31 December 2016 *RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**481,375**	393,223
Land use rights		**3,448**	3,498
Intangible assets		**17,619**	8,388
Investment in a joint venture		**4,004**	3,959
Deposits for long-term leases		**22,466**	18,955
Deferred income tax assets	*5*	**65,260**	47,077
Prepayments	*9*	**66,666**	52,500
		660,838	527,600
Current assets			
Inventories		**21,780**	19,131
Trade receivables	*6*	**177,262**	130,956
Other receivables	*7*	**30,607**	11,111
Prepayments		**18,825**	8,966
Amounts due from related parties		**2,525**	1,000
Cash and cash equivalents	*8*	**622,972**	881,028
Restricted cash	*8*	**216,781**	—
		1,090,752	1,052,192
Total assets		**1,751,590**	1,579,792
Equity attributable to owners of the Company			
Share capital	*10*	**1,066**	1,066
Reserves		**917,282**	946,235
		918,348	947,301
Non-controlling interests		**51,843**	3,454
Total equity		**970,191**	950,755

	Note	**Unaudited 30 June 2017** ***RMB'000***	Audited 31 December 2016 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**—**	4,633
Other long-term liabilities		**50,905**	46,195
		50,905	50,828
Current liabilities			
Borrowings	*11*	**427,900**	309,932
Trade and other payables	*12*	**235,415**	208,809
Amounts due to related parties		**300**	—
Income tax payables		**7,643**	16,904
Deferred income		**57,272**	40,693
Current portion of other long-term liabilities		**1,964**	1,871
		730,494	578,209
Total liabilities		**781,399**	629,037
Total equity and liabilities		**1,751,590**	1,579,792

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2017

1 GENERAL INFORMATION

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

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

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

The condensed consolidated interim financial information are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

The interim results set out in this announcement do not constitute the Group's condensed consolidated interim financial information for the six months ended June 30, 2017, but are extracted from those financial statements.

2 BASIS OF PREPARATION

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

3 ACCOUNTING POLICIES

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

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

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

(i) ***HKFRS 9 Financial instruments***

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

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

(ii) ***HKFRS 15 Revenue from contracts with customers***

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

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

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

(iii) ***HKFRS 16 Leases***

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

The accounting for lessors will not significantly change.

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

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

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

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

4 ESTIMATES

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

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

5 DEFERRED INCOME TAX ASSETS

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

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

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

6 TRADE RECEIVABLES

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

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

The aging analysis of trade receivables are as follows:

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

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

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

7 OTHER RECEIVABLES

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

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

8 CASH AND BANK BALANCE

(a) Cash and cash equivalents

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

(b) Restricted Cash

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

9 PREPAYMENTS

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

10 SHARE CAPITAL

Ordinary shares, issued and fully paid:

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

11 BORROWINGS

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

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

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

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

Movements in borrowings are analysed as follows:

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

12 TRADE AND OTHER PAYABLES

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

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

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

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

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

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. 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 to be derived from specialty hospital services.

(iii) Medical examination centers

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

(a) Revenue

Revenue of the Group consists of the following:

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

(b) Segment information

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

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

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

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

	General Hospital *RMB'000*	Specialty Hospital *RMB'000*	Medical Examination Centers *RMB'000*	Unallocated *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
As at 31 December 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

14 EXPENSES BY NATURE

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

15 FINANCE EXPENSES — NET

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

16 INCOME TAX (CREDIT)/EXPENSE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current income tax		
— Current period	**14,965**	16,249
— (Over)/under provision for prior years	**(875)**	2,273
Deferred income tax *(Note 5)*	**(18,183)**	(8,625)
Income tax (credit)/expense	**(4,093)**	9,897

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

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

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

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

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

The corporate income tax law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings generated beginning January 1, 2008 and undistributed earnings generated prior to January 1, 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The directors of the Company had confirmed that retained earnings of the Group's PRC subsidiaries as at 30 June 2017 will not be distributed in the foreseeable future.

17 LOSSES PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

Medical Examination Business

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

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

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

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

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

General Hospital Business

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

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

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

Specialty Hospital Business

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

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

During the Reporting Period, the Group entered into a cooperation agreement with Nanjing South New City Health Industry Development Co. Ltd. (南京南部新城健康產業發展有限公司) ("**South New City**") under the State-owned Assets Supervision and Administration Commission of Nanjing City for the operation of a healthcare industry park in Nanjing, including the establishment and operation of a high-end obstetrics and gynecology hospital. Moreover, the Group also planned to build another obstetrics and gynecology hospital in Wuxi to provide quality obstetrics and gynecology services to local residents. Meanwhile, the Group has continued to explore opportunities to partner with Class III Grade A hospitals to strategically develop its high-end obstetrics, gynecology and pediatric specialty hospital business in the Yangtze River Delta region.

Business Prospects

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

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

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

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

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

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

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

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

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

Financial Review

Revenue

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

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

Note:

(1) Included the revenue from our clinic business.

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

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

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

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

Cost of Sales

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

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

Note:

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

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

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

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

Gross Profit

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

Distribution Costs and Selling Expenses

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

Administrative Expenses

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

Other Income

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

Other Losses

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

Financial Expenses — net

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

Share of Results of a Joint Venture

For the Reporting Period, the Group recognized a share of profit of RMB0.05 million (for the six months ended June 30, 2016: loss of approximately RMB0.8 million) in its consolidated results, mainly due to the operating profit/loss of Nantong Rich Meidi Nursing Home, Co., Ltd. (南通美邸護理院有限公司) ("**Nantong Meidi**"), a joint venture of the Group and a company primarily engaged in providing elderly care services. The business of the joint venture has been stable since the establishment in the second half of 2014, resulting in small earnings in the first half of 2017.

Income Tax (Credit)/Expense

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

Loss for the Reporting Period

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

Adjusted EBITDA

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

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

Notes:

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

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

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

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

Financial Position

Property and Equipment

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

Inventories

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

Trade Receivables

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

Net Current Assets

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

Liquidity and Financial Resources

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

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

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

Significant Investments, Material Acquisitions and Disposals

During the Reporting Period, the Group did not have any significant investments, and material acquisitions or disposals, except for (i) the investment in a company, which became an indirectly non-wholly-owned subsidiary of the Company, through a capital contribution of RMB65.0 million pursuant to the cooperation agreement dated March 28, 2017 between Shanghai Rich Medical Investment Group Co., Ltd. (上海瑞慈醫療投資集團有限公司) ("**Shanghai Rich Medical**"), an indirectly wholly-owned subsidiary of the Company, and South New City; and (ii) the investment in Sichuan Rich Medical Technology Co., Ltd. (四川瑞慈醫療科技有限公司) (the "**Sichuan Rich**"), which became an indirectly non-wholly-owned subsidiary of the Company, by Shanghai Rich Medical through its acquisition of 55% equity interests of Sichuan Rich from Ms. Zhou He pursuant to the equity transfer agreement dated June 16, 2017. Please refer to the Company's announcements dated March 28, 2017 and June 16, 2017, respectively, for details of such investments.

Use of Proceeds from IPO

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on October 6, 2016 (the "**Listing Date**"). After the partial exercise of the Over-allotment Option (as defined in the prospectus of the Company dated September 26, 2016 (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 Group's initial public offering on October 6, 2016 (the "**IPO**") amounted to RMB682.7 million. As at 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.

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

- RMB89.1 million being used for the establishment of medical examination centers and RMB97.4 million being used for the establishment of specialty hospitals.

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

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

Capital Expenditure and Commitments

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

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

Borrowings

As at June 30, 2017, the Group had total bank and other borrowings of RMB427.9 million (as at December 31, 2016: RMB314.6 million). Please refer to Note 11 to the interim condensed consolidated financial information for more details.

Contingent Liabilities

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

Financial instruments

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

Gearing Ratio

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

Cash Flow and Fair Value Interest Rate Risk

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

Borrowings obtained at variable rates expose us to cash flow interest rate risk. Borrowings obtained at fixed rates expose us to fair value interest rate risk. As at 30 June 2017, borrowings of RMB391,900,000 were with floating interest rate. We do not hedge our cash flow and fair value interest rate risk during the Reporting Period.

Foreign Exchange Risk

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

Credit Risk

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

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

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

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

Liquidity Risk

Our finance department monitors rolling forecasts of our liquidity requirements to ensure we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn committed borrowing facilities at all times so that we do not breach borrowing limits or covenants (where applicable) on any of our borrowing facilities. We expect to fund the future cash flow needs through cash flows generated from operations, borrowings from financial institutions and issuing debt instruments or capital injection from the shareholders of the Company (the "**Shareholders**"), as necessary. Based on contractual undiscounted payments, our financial liabilities were RMB643.4 million as at June 30, 2017 (as at December 31, 2016: RMB495.2 million).

Pledge of Assets

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

HUMAN RESOURCES

The Group had 4,372 employees as of June 30, 2017, as compared to 3,630 employees as of June 30, 2016. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel, including a management trainee program.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its Shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance 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 Corporate Governance Code during the Reporting Period.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

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

REVIEW OF FINANCIAL INFORMATION

Audit Committee

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

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.com.hk and on the website of the Company at www.rich-healthcare.com. The interim report of the Company for the Reporting Period containing all the information required by the Rules Governing the Listing of Securities on the Stock Exchange will be dispatched to the shareholders of the Company and published on the above 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

Shanghai, PRC, August 25, 2017

As at the date of this announcement, Dr. Fang Yixin, Dr. Mei Hong, Mr. Lu Zhenyu and Dr. Wang Weiping are the executive Directors, Ms. Jiao Yan and Mr. Yao Qiyong are the non-executive Directors, and Dr. Wang Yong, Ms. Wong Sze Wing and Mr. Jiang Peixing are the independent non-executive Directors.