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, 2018

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended June 30, 2018 amounted to approximately RMB546.3 million, representing an increase of 25.3% from approximately RMB435.9 million for the corresponding period in 2017.
- Gross profit for the six months ended June 30, 2018 amounted to approximately RMB103.0 million, as compared to approximately RMB135.6 million for the corresponding period in 2017.
- Loss attributable to owners of the Company for the six months ended June 30, 2018 amounted to approximately RMB67.9 million, as compared to approximately RMB39.4 million for the corresponding period in 2017.
- Adjusted EBITDA for the six months ended June 30, 2018 was approximately RMB45.0 million, as compared to approximately RMB51.0 million for the six months ended June 30, 2017.

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**") announces the unaudited consolidated financial results of the Group for the six months ended June 30, 2018 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2017 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2018

	Note	**Unaudited**	Unaudited
		Six months ended June 30,	
		2018	2017
		RMB'000	*RMB'000*
Revenue	*13*	**546,250**	435,881
Cost of sales	*14*	**(443,242)**	(300,236)
Gross profit		**103,008**	135,645
Distribution costs and selling expenses	*14*	**(88,971)**	(70,068)
Administrative expenses	*14*	**(145,703)**	(105,589)
Net impairment losses on financial assets	*14*	**(5,444)**	—
Other income		**3,893**	8,909
Other losses		**(380)**	(1,329)
Operating loss		**(133,597)**	(32,432)
Finance expenses	*15*	**(18,589)**	(26,415)
Finance income	*15*	**9,918**	3,461
Finance expenses — net		**(8,671)**	(22,954)
Share of results of joint venture/associate		**15**	45
Loss before income tax		**(142,253)**	(55,341)
Income tax credit	*16*	**29,291**	4,093
Loss for the period		**(112,962)**	(51,248)
Loss attributable to:			
Owners of the Company		**(67,880)**	(39,440)
Non-controlling interests		**(45,082)**	(11,808)
Loss for the period		**(112,962)**	(51,248)
Losses per share for loss attributable to owners of the Company			
— Basic	*17*	**RMB(0.04)**	RMB(0.02)
— Diluted	*17*	**RMB(0.04)**	RMB(0.02)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2018

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2018

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

	Note	Unaudited June 30, 2018 RMB'000	Audited December 31, 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**134,791**	15,667
Other long-term liabilities		**93,276**	75,280
		228,067	90,947
Current liabilities			
Borrowings	*11*	**592,909**	579,000
Contract liabilities		**163,555**	—
Trade and other payables	*12*	**337,909**	377,146
Amounts due to related parties		**848**	898
Income tax payables		**9,495**	8,864
Deferred income		**5,634**	74,345
Current portion of other long-term liabilities		**1,676**	2,093
		1,112,026	1,042,346
Total liabilities		**1,340,093**	1,133,293
Total equity and liabilities		**2,163,055**	2,063,347

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2018

1 GENERAL INFORMATION

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

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

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

The interim condensed consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and were approved and authorised for issue by the board of directors of the Company on August 31, 2018.

2 BASIS OF PREPARATION

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

(a) Going concern

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

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2017, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended HKFRSs effective for the financial year ending December 31, 2018, as set out below.

(a) New and amended standards adopted by the Group

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

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers.

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

The effects of the adoption of HKFRS9 and HKFRS 15 are disclosed in Note 3(c). The other standards, amendments and interpretations described above are either currently not relevant to the Group or had no material impact on the Group's interim condensed consolidated financial statements.

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

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

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

(i) HKFRS 16 Leases

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB1,963,581,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

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

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

(c) Changes in accounting policies

Below explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements.

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

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

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

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

(i) Adoption of HKFRS 9 Financial instruments

- *HKFRS 9 Financial instruments — Impact of adoption*

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

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

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

Classification and measurement

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

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

Impairment of financial assets

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

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

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

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. RMB491,000 was recognised in accumulated loss as at January 1, 2018. A deferred tax assets of RMB163,000 was recognised.

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

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

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

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

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

4 ESTIMATES

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

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

5 DEFERRED INCOME TAX ASSETS

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

Movement in deferred income tax assets for both six months ended June 30, 2018 and 2017, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets	**Tax losses carried forward** *RMB'000*	**Assets impairment** *RMB'000*	**Accruals and deferred income** *RMB'000*	**Share option scheme** *RMB'000*	**Other long-term liabilities** *RMB'000*	**Total** *RMB'000*
At December 31, 2017	**54,742**	**2,381**	**4,895**	**3,736**	**16,234**	**81,988**
Adoption of HKFRS 9	**—**	**163**	**—**	**—**	**—**	**163**
Restated at January 1, 2018	**54,742**	**2,544**	**4,895**	**3,736**	**16,234**	**82,151**
Credited/(charged) to consolidated statement of profit or loss	**36,373**	**691**	**(615)**	**3,157**	**2,715**	**42,321**
At June 30, 2018	**91,115**	**3,235**	**4,280**	**6,893**	**18,949**	**124,472**
At January 1, 2017	29,060	3,790	4,167	760	9,300	47,077
Credited/(charged) to consolidated statement of profit or loss	16,404	(977)	272	1,283	1,201	18,183
At June 30, 2017	45,464	2,813	4,439	2,043	10,501	65,260

6 TRADE RECEIVABLES

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

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

The aging analysis of trade receivables are as follows:

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

7 OTHER RECEIVABLES

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

8 CASH AND BANK BALANCE

(a) Cash and cash equivalents

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

(b) Restricted Cash

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

9 PREPAYMENTS

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

10 SHARE CAPITAL

Ordinary shares, issued and fully paid:

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

11 BORROWINGS

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

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

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

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

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

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

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

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

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

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

Movements in borrowings are analysed as follows:

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

12 TRADE AND OTHER PAYABLES

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

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

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

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

The normal credit term of the Group is 30 days to 90 days. As at June 30, 2018 and December 31, 2017, all trade and other payables of the Group were non-interest bearing, mainly denominated in RMB and their fair value approximated their carrying amounts due to their short maturities.

13 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the CODM for the purpose of allocating resources and assessing performance.

Management considers the business from a business perspective, and assesses the performance of the business segment based on segment profit without allocation of administrative expenses, interest income, interest expenses, other finance expense and income tax expense.

The amounts provided to management with respect to total assets and total liabilities are measured consistent with that of the financial statements. These assets are allocated based on the operations of segment. The Group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the treasury function.

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

(i) General hospital

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

(ii) Medical examination centers

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

(iii) Specialty hospitals

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

(a) Revenue

Revenue of the Group consists of the following:

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

(b) Segment information

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

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

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

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

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

14 EXPENSES BY NATURE

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

15 FINANCE EXPENSES — NET

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

16 INCOME TAX CREDIT

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

	Unaudited	
	Six months ended June 30,	
	2018	2017
	RMB'000	*RMB'000*
Current income tax		
— Current period	**12,661**	14,965
— Under/(Over) provision for prior years	**369**	(875)
Deferred income tax (Note 5)	**(42,321)**	(18,183)
Income tax credit	**(29,291)**	(4,093)

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

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

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

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

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

The corporate income tax law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings generated beginning January 1, 2008 and undistributed earnings generated prior to January 1, 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The directors of the Company had confirmed that retained earnings of the Group's PRC subsidiaries as at June 30, 2018 will not be distributed in the foreseeable future.

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 June 30, 2018 and 2017, respectively.

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

(b) Diluted

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

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

18 DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the six months ended June 30, 2018 (June 30, 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Strategic Outlook

Industry Overview

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

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

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

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

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

General Hospital Business

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

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

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

Medical Examination Business

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

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

Upon the implementation of the one-stop health management solution of "Medical Examination Center + Clinic" since 2015 and to respond to the State's call for the promotion of the medical referral system, the Company adopted the full tracking diagnosis and treatment model of "disease prevention – screening – treatment – follow-up visit" and adopted the embedded clinic model, connecting Class III Grade A hospitals with common people and creating an open practice platform of clinics for medical experts in Shanghai. Besides, such platform expanded the service to other cities in China through our proprietry self-developed remote diagnosis and treatment system (patent number: 201610143085.8). In addition, our Chinese medicine clinic under the strategic cooperation between the Group and Guang'anmen Hospital of China Academy of Chinese Medical Sciences (中國中醫科學院廣安門中醫院) commenced operation successfully in Beijing in January 2018. During the Reporting Period, revenue from clinic business amounted to approximately RMB2.9 million (for the six months ended June 30, 2017: RMB2.9 million), mainly from diagnostic income.

Specialty Hospital Business

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

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

Among such obstetrics, gynecology and pediatrics specialty hospitals, Changzhou Rich Obstetrics & Gynecology Hospital (常州瑞慈婦產醫院), a high-end obstetrics, gynecology and pediatrics hospital established in Changzhou City, Jiangsu Province, commenced operation in January 2018 with a floor area of 31,000 square meters and 268 beds. To supplement the VIP medical services of the public hospitals in Changzhou, Changzhou Rich Obstetrics & Gynecology Hospital entered into a cooperation agreement with The First People's Hospital of Changzhou (常州市第一人民醫院), Changzhou Maternity and Infant Health Care Hospital (常州婦幼保健院) and Changzhou Children's

Hospital (常州市兒童醫院), cooperating with such three major public hospitals in Changzhou for coordinated development. Shanghai Shuixian Obstetrics & Gynecology Hospital (上海瑞慈水仙婦產醫院), which was established in Shanghai inner ring central area, commenced operation in June 2018. It is located in a century-old historic building, the original site of Henry Lester Institute for Medical Research, and is close to Children's Hospital of Shanghai (上海市兒童醫院). Shanghai Shuixian Obstetrics & Gynecology Hospital has 96 beds and a high-end postpartum care center. The construction of the second phase of such high-end postpartum care center will be completed by the end of 2018. In the Reporting Period, Shanghai Shuixian Obstetrics & Gynecology Hospital combined the popular strategic marketing in the market and the synergy effect of Class III Grade A specialty hospitals in Shanghai, which brought the brand awareness and effect for Shanghai Shuixian Obstetrics & Gynecology Hospital. Meanwhile, Shanghai Cherry Pediatric Clinic Co., Ltd. (上海睿醫小櫻桃門診部有限公司) under Shanghai Shuixian Obstetrics & Gynecology Hospital fully utilized the Group's advantages in pediatric and became a high-quality, warm and fun pediatric general clinic for the residents in Shanghai. In addition, a specialty hospital in Wuxi is expected to complete its construction in the fourth quarter of 2018.

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

Prospects

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

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

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

For the medical examination business, the Group will endeavour to speed up to improve the layout of the national medical examination service network in the Yangtze River Delta region as its core while covering developed key cities. Abiding strictly by the three core qualities, namely medical quality, service quality and operational quality, the Group will further expand smoothly. In the second half of 2018, to expand the medical examination business map, the Group is expected to commence the preparation work for the establishment of eight medical examination centers, upon completion of which, the Group is expected to cover 30 cities in respect of its medical examination business. According to Notice on Improving Approval Process of Medical Institutions and Physicians (《關於進一步完善醫療機構、醫師審批工作的通知》) published by National Health Commission in June 2018, in the future, the establishment procedure for Class II or below medical institutions will be further simplified and shortened. As the medical examination centers under the Group to be established fall into the category of "Class II or below medical institutions", it is expected that the establishment costs will decrease to some extent in the future.

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

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

Financial Review

Revenue

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

	Six months ended June 30,		
	2018	2017	**% of Change**
	(RMB'000)	*(RMB'000)*	
General hospital business	**193,231**	167,099	15.6%
Medical examination business	**356,544**(1)	282,405(1)	26.3%
Specialty hospital business	**2,448**(2)	—	—
Inter-segment	**(5,973)**(3)	(13,623)	(56.2%)
Total	**546,250**	435,881	25.3%

Note:

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

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

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

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

Revenue from the general hospital business for the Reporting Period amounted to approximately RMB187.3 million, representing an increase of 22.0% from approximately RMB153.5 million for the corresponding period in 2017, excluding inter-segment revenue of RMB6.0 million and RMB13.6 million for the six months ended June 30, 2018 and 2017, respectively. The increase was mainly attributable to a decrease in the average days for inpatients spent in our hospitals and an increase of 1,725 in the number of individuals served as we actively improved our operational efficiency, which led to the increase of the revenue from inpatient by RMB29.2 million. In addition, the number of outpatient visits for the Reporting Period increased by 14,745, and consequently, the revenue from outpatient increased by RMB4.5 million.

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

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

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

Cost of Sales

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

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

Note:

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

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

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

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

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

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

Gross Profit

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

Distribution Costs and Selling Expenses

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

Administrative Expenses

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

Other Income

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

Other Losses

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

Financial Expenses — net

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

Share of Results

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

Income Tax Credit

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

(Loss)/Profit for the Period

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

Adjusted EBITDA

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

	Six months ended June 30,	
	2018	2017
	(RMB'000)	*(RMB'000)*
Adjusted EBITDA calculation		
(Loss)/Profit for the period	**(112,962)**	(51,248)
Adjusted for:		
Income tax (credit)/expenses	**(29,291)**	(4,093)
Finance expenses — net	**8,671**	22,954
Depreciation and amortization	**63,313**	40,572
Pre-opening expenses and EBITDA loss of soft-opening[1]	**102,498**	37,471
Share option expenses	**12,803**	5,310
Adjusted EBITDA	**45,032**	50,966
Adjusted EBITDA margin[2]	**8.2%**	11.7%

Notes:

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

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

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

Financial Position

Property and Equipment

Property and equipment primarily consist of buildings, medical equipment, general equipment, leasehold improvement and construction in progress. As at June 30, 2018, the property and equipment of the Group amounted to approximately RMB941.7 million, representing an increase of approximately RMB163.4 million as compared to approximately RMB778.3 million as at December 31, 2017. The increase of property and equipment was primarily due to acquisition of equipment as well as renovation for the new medical examination centers and specialty hospitals.

Inventories

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

Trade Receivables

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

Net Current Assets and Liabilities

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

Liquidity and Capital Resources

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

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

	Six months ended June 30,	
	2018	2017
	(RMB'000)	*(RMB'000)*
Net cash used in operating activities	**(100,244)**	(64,975)
Net cash used in investing activities	**(164,122)**	(126,777)
Net cash generated from/(used in) financing activities	**103,242**	(51,613)
Net decrease in cash and cash equivalents	**(161,124)**	(243,365)

Net Cash Used in Operating Activities

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

Net Cash Used in Investing Activities

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

Net Cash Generated from /(Used in) Financing Activities

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

Significant Investments, Material Acquisitions and Disposals

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

Use of Proceeds from IPO

The shares of the Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 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 initial public offering of the Company (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, 2018, the Group used the net proceeds for the following purpose:

- RMB109.3 million used for the establishment of medical examination centers and RMB174.8 million used for the establishment of specialty hospitals.
- RMB76.0 million used for the partial repayment of our bank and other borrowings.
- RMB47.6 million used for payment of listing-related expenses and other general business use.

Capital Expenditure and Commitments

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

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

Borrowings

As at June 30, 2018, the Group had total bank and other borrowings of RMB727.7 million (as at December 31, 2017: RMB594.7 million). Please refer to Note 11 to the interim condensed consolidated financial information for more details.

Contingent Liabilities

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

Financial instruments

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

Gearing Ratio

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

Cash Flow and Fair Value Interest Rate Risk

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

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

Foreign Exchange Risk

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

Credit Risk

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

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

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

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

Liquidity Risk

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

Pledge of Assets

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

HUMAN RESOURCES

The Group had 5,125 employees as of June 30, 2018, as compared to 4,372 employees as of June 30, 2017. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel, including a management trainee program.

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 Rules Governing the Listing of Securities on the Stock Exchange (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 announcement is published on the website of the Stock Exchange at www.hkexnews.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 Listing Rules will be dispatched to the Shareholders 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 associates for their trust and support.

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

Shanghai, the PRC, August 31, 2018

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; Dr. Wang Yong, Ms. Wong Sze Wing and Mr. Jiang Peixing are the independent non-executive Directors.