RICI HEALTHCARE HOLDINGS LIMITED

瑞慈醫療服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1526)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

Since 1 January 2019, the Group has adopted HKFRS 16 Leases, and our annual results for the year ended 31 December 2019 as highlighted below have taken into account the impacts brought by such standard:

- revenue for the year ended 31 December 2019 amounted to RMB1,726.2 million, representing an increase of 25.6% from RMB1,373.9 million for the year ended 31 December 2018;
- gross profit for the year ended 31 December 2019 amounted to RMB484.0 million, representing an increase of 25.3% from RMB386.2 million for the year ended 31 December 2018;
- loss attributable to owners of the Company for the year ended 31 December 2019 amounted to RMB69.2 million, as compared to loss attributable to owners of the Company of RMB53.8 million for the year ended 31 December 2018; and
- adjusted EBITDA for the year ended 31 December 2019 was RMB404.7 million, representing an increase of 137.1% from RMB170.7 million for the year ended 31 December 2018.

The Board is of the view that the adoption of HKFRS 16 effectively accelerates the related expenses charged in the early stage of the leasing period. An analysis on the impacts from the adoption of HKFRS 16 is set out in the section headed "Accounting Implications of Adoption of HKFRS 16 — Leases" in this announcement. For purpose of comparison with the results for the year ended 31 December 2018 during which HKFRS 16 had not been adopted, the key adjusted annual results for the year ended 31 December 2019 without taking into account the adoption of HKFRS 16 are set out as follows:

- adjusted gross profit for the year ended 31 December 2019 would amount to RMB445.2 million, representing an increase of 15.3% from RMB386.2 million for the year ended 31 December 2018;

- adjusted loss attributable to owners of the Company for the year ended 31 December 2019 would amount to RMB46.3 million, representing a decrease of RMB7.5 million in loss attributable to owners of the Company, as compared to RMB53.8 million for the year ended 31 December 2018; and

- adjusted EBITDA for the year ended 31 December 2019 would amount to RMB196.4 million, representing an increase of 15.1% from RMB170.7 million for the year ended 31 December 2018.

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

The board (the "**Board**") of directors (the "**Directors**") of Rici Healthcare Holdings Limited (the "**Company**") is pleased to announce that the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 with the comparative figures for the year ended 31 December 2018 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year ended 31 December 2019

	Note	Year ended 31 December **2019** *RMB'000*	2018 *RMB'000*
Revenue	14	**1,726,206**	1,373,936
Cost of sales	15	**(1,242,224)**	(987,733)
Gross profit		**483,982**	386,203
Distribution costs and selling expenses	15	**(237,575)**	(225,014)
Administrative expenses	15	**(305,449)**	(328,917)
Net impairment reversals/(losses) on financial assets	15	**2,131**	(8,976)
Other income	16	**30,319**	14,566
Other losses	17	**(847)**	(2,429)
Operating loss		**(27,439)**	(164,567)
Finance costs	18	**(159,351)**	(42,000)
Finance income	18	**18,343**	30,923
Finance costs — net	18	**(141,008)**	(11,077)
Share of results of investments accounted for using equity method		**199**	(103)
Loss before income tax		**(168,248)**	(175,747)
Income tax (expense)/credit	19	**(2,250)**	39,470
Loss for the year		**(170,498)**	(136,277)
Loss attributable to:			
Owners of the Company		**(69,163)**	(53,836)
Non-controlling interests		**(101,335)**	(82,441)
		(170,498)	(136,277)
Loss per share for loss attributable to owners of the Company			
— Basic	20	**RMB(0.04)**	RMB(0.03)
— Diluted	20	**RMB(0.05)**	RMB(0.04)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Loss for the year	**(170,498)**	(136,277)
Other comprehensive income, or losses	**—**	—
Total comprehensive loss for the year	**(170,498)**	(136,277)
Total comprehensive loss attributable to:		
Owners of the Company	**(69,163)**	(53,836)
Non-controlling interests	**(101,335)**	(82,441)
	(170,498)	(136,277)

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property and equipment		**1,160,468**	1,048,912
Right-of-use assets	4	**1,554,771**	—
Land use rights		**—**	3,298
Intangible assets		**14,019**	15,405
Investments accounted for using equity method		**7,125**	6,926
Financial assets at fair value through profit or loss		**4,500**	3,000
Deposits for long-term leases		**41,926**	33,318
Deferred income tax assets	5	**179,764**	142,880
Prepayments		**55,266**	19,041
		3,017,839	1,272,780
Current assets			
Inventories		**44,383**	31,317
Trade receivables	6	**290,027**	268,727
Other receivables	7	**33,181**	26,812
Prepayments		**16,270**	32,723
Amounts due from related parties		**980**	1,150
Cash and cash equivalents	8	**329,551**	495,407
Restricted cash	8	**338,346**	233,760
		1,052,738	1,089,896
Total assets		**4,070,577**	2,362,676
EQUITY			
Equity attributable to owners of the Company			
Share capital	9	**1,065**	1,066
Reserves		**643,170**	693,435
		644,235	694,501
Non-controlling interests		**(81,299)**	12,561
Total equity		**562,936**	707,062

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	10	**259,276**	128,227
Lease liabilities	11	**1,409,877**	—
Other financial liabilities		**115,927**	103,649
Other long-term liabilities		**12,303**	99,530
		1,797,383	331,406
Current liabilities			
Borrowings	10	**663,486**	610,010
Lease liabilities	11	**267,211**	—
Contract liabilities	12	**229,157**	227,371
Trade and other payables	13	**515,540**	463,383
Amounts due to related parties		**1,500**	3,530
Income tax payables		**19,941**	10,513
Deferred income		**13,423**	5,605
Current portion of other long-term liabilities		**—**	3,796
		1,710,258	1,324,208
Total liabilities		**3,507,641**	1,655,614
Total equity and liabilities		**4,070,577**	2,362,676

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2019

1 GENERAL INFORMATION

Rici Healthcare Holdings Limited ("**The Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands on 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 services and medical examination services in the People's Republic of China ("**PRC**").

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

These consolidated financial information is presented in thousands of Renminbi ("**RMB'000**"), unless otherwise stated. Such information including the notes thereto appearing in this announcement does not constitute the full set of consolidated financial statements of the Company for the year ended 31 December 2019 but are extracted from those financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and which are liabilities measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(a) Going concern

As at 31 December 2019, the Group's current liabilities exceeded its current assets by RMB657,520,000. The directors considered that the contract liabilities and the deferred income included in current liabilities of the Group as at 31 December 2019 amounting to RMB242,580,000 will not require cash outflow from the Group. The Group meets its day-to-day working capital requirements depending on cash flow generated from operating activities, bank borrowings, and uncommitted credit facilities provided by banks in the PRC. Based on the Group's past experience and good credit standing, the directors are confident on future operating cash flows and that these bank financing could be renewed and/or extended for at least another twelve months upon maturity. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

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

The Group has applied the following standard, amendments and interpretation for the first time for its annual reporting period commencing 1 January 2019:

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

The Group had to change its accounting policies as a result of adopting HKFRS 16. The effects of the adoption of HKFRS 16 are disclosed below in Note 2(d). The other amendments and interpretation described above did not have any impact on the amounts recognised in prior years and the current year.

(c) New standard and amendments of HKFRSs issued but not yet applied by the Group

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

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

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

(d) Changes in accounting policies

Below explains the impact of the adoption of HKFRS 16 "Leases" on the Group's financial statements that have been applied from 1 January 2019.

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

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

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date but did not lead to any remeasurement adjustment immediately after the date of initial application.

(i) Practical expedients applied

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

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

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

(ii) ***Measurement of lease liabilities***

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

(iii) ***Measurement of right-of-use assets***

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

(iv) ***Adjustments recognised in the balance sheet on 1 January 2019***

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

(b) Current and deferred income tax

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

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

(c) Impairment of trade receivables

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

(d) Provision for medical dispute

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

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

(e) Impairment of property and equipment and right-of-use assets

The Group assesses and analyzes whether property and equipment and right-of-use assets would impair on each balance sheet date. When the carrying value of an asset or a group of assets exceeds the recoverable amount (the higher of the net amount of fair value less cost of disposal and the present value of estimated future cash flow), it indicates that an impairment has occurred. The net amount of fair value less cost of disposal is determined by reference to the agreed sales price or the observable market price of similar assets in arm's length transactions, less incremental costs that are directly attributable to the disposal of the asset. During the estimation of the present value of future cash flow, the management needs to estimate the future cash flow of the asset or group of assets, and select an appropriate discount rate to determine the present value of the future cash flow.

No impairment charge is provided in current year.

4 RIGHT-OF-USE ASSETS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Properties	**1,479,170**	—
Equipment	**72,403**	—
Land use rights	**3,198**	—
Net book amount	**1,554,771**	—

	Properties	Equipment	Land use rights[a]	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019				
Cost	1,448,675	23,218	4,698	1,476,591
Accumulated depreciation	—	—	(1,400)	(1,400)
Net book amount	1,448,675	23,218	3,298	1,475,191
Year ended 31 December 2019				
Opening net book amount	1,448,675	23,218	3,298	1,475,191
Additions	224,240	55,320	—	279,560
Depreciation	(193,745)	(6,135)	(100)	(199,980)
Closing net book amount	1,479,170	72,403	3,198	1,554,771
As at 31 December 2019				
Cost	1,672,915	78,538	4,698	1,756,151
Accumulated depreciation	(193,745)	(6,135)	(1,500)	(201,380)
Net book amount	1,479,170	72,403	3,198	1,554,771

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

5 DEFERRED INCOME TAX

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Deferred income tax assets:		
— to be recovered within 12 months	**10,060**	18,017
— to be recovered after more than 12 months	**169,704**	124,863
	179,764	142,880

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year, as originally presented	**142,880**	81,988
Adoption of HKFRS 9	**—**	163
Restated opening balance at beginning of the year	**142,880**	82,151
Credited to the consolidated statement of profit or loss	**36,884**	60,729
At the end of the year	**179,764**	142,880

6 TRADE RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**308,177**	289,418
Less: Loss allowance	**(18,150)**	(20,691)
	290,027	268,727

As at 31 December 2019 and 2018, the fair value of trade receivables of the Group approximated their carrying amounts, due to the short-term nature.

The aging analysis of trade receivables are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables		
— Up to 6 months	**272,223**	221,278
— 6 months to 1 year	**17,569**	41,290
— 1 to 2 years	**11,275**	22,258
— 2 to 3 years	**3,800**	2,460
— Over 3 years	**3,310**	2,132
	308,177	289,418

7 OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Deposits	**12,903**	11,319
Advances to staff	**4,756**	4,340
Interest receivables	**3,944**	3,998
Receivables from non-controlling interests	**—**	1,310
Others	**11,695**	5,962
	33,298	26,929
Less: Loss allowance	**(117)**	(117)
	33,181	26,812

As at 31 December 2019 and 2018, the carrying amounts of other receivables of the Group approximated their fair value, due to the short-term nature.

8 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cash at bank and on hand		
— Denominated in RMB	**264,812**	311,918
— Denominated in USD	**60,706**	164,534
— Denominated in HKD	**4,033**	1,214
— Denominated in EUR	**—**	17,107
— Denominated in JPY	**—**	634
	329,551	495,407

(b) Restricted cash

As at 31 December 2019, fixed deposits of USD48,500,000 (31 December 2018: USD34,059,970) were pledged at banks for the Group's borrowings of RMB300,000,000 (Note 10).

9 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital
		RMB'000
As at 1 January 2019	1,592,079,000	1,066
Buy-back of ordinary shares	(1,755,000)	(1)
As at 31 December 2019	1,590,324,000	1,065

In 2019, the Company bought back 1,755,000 ordinary shares from open market, which were cancelled in July 2019.

10 BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Non-current:		
Bank borrowings — secured and/or guaranteed (a)	**233,557**	123,307
Other borrowings (c)	**49,205**	—
Finance lease liabilities	**—**	16,380
Less: Current portion of non-current borrowings	**(23,486)**	(11,460)
	259,276	128,227
Current:		
Bank borrowings — secured and/or guaranteed (b)	**640,000**	598,550
Add: Current portion of non-current borrowings	**23,486**	11,460
	663,486	610,010
Total borrowings	**922,762**	738,237

(a) As at 31 December 2019, non-current borrowings include:

(i) RMB11,667,000 borrowings secured by the Group's buildings with net book value of RMB36,920,000; and

(ii) RMB107,640,000 borrowings secured by revenue collection rights of Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. ("**Changzhou Rich OGP Hospital**"), a subsidiary of the Group, and guaranteed by related parties, Dr. Fang Yixin and Dr. Mei Hong.

(b) As at 31 December 2019, short term borrowings include:

(i) RMB110,000,000 borrowings secured by the Group's buildings with net book value of RMB37,931,000; and

(ii) RMB300,000,000 borrowings secured by USD48,500,000 fixed deposits of the Group (Note 8(b));

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

(c) Other borrowings are secured by Group's equipment with net book value of RMB48,309,000 and are also guaranteed by the Company's subsidiaries for each other.

11 LEASE LIABILITIES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Present value of the minimum lease payments:		
Within 1 year	**267,211**	—
After 1 year but within 2 years	**255,589**	—
After 2 year but within 5 years	**570,488**	—
After 5 years	**583,800**	—
	1,677,088	—

12 CONTRACT LIABILITIES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Sales of medical examination cards (a)	**134,640**	112,467
Advances from medical examination customers	**83,376**	109,610
Advances from hospital patients	**11,141**	5,294
	229,157	227,371

(a) It represents the prepayments received from sales of medical examination cards, which will be recognized in profit or loss when medical examination services are rendered to the relevant customers.

13 TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables due to third parties	**142,207**	136,522
Payables for purchase of property and equipment	**135,337**	121,597
Staff salaries and welfare payables	**103,537**	97,393
Loans from non-controlling interests of subsidiaries (a)	**60,982**	17,185
Deposits payable	**6,100**	2,246
Accrued taxes other than income tax	**5,101**	3,977
Accrued advertising expenses	**2,657**	2,004
Accrued professional service fees	**2,260**	2,570
Interest payables	**873**	1,306
Consideration payable to non-controlling interests for equity transfer (b)	**—**	33,103
Others	**56,486**	45,480
	515,540	463,383

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

(b) According to an agreement signed between the Group and non-controlling interests, Mr. Wang Dejun, the Group agreed to acquire equity interest of certain subsidiaries held by Mr. Wang Dejun at a total fixed price of RMB68,000,000. By the end of 2019, the Group has paid the total amount.

14 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 corporate planning, 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 operation of segments. Certain assets and liabilities related to some companies with corporate function are not allocated into segments. Elimination of revenue are mainly inter-segment service charges, including RMB21,197,000 related to general hospital business, and RMB518,000 related to medical examination business.

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

- **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**") and hemodialysis services provided by Nantong Rich Hemodialysis Center Co., Ltd. ("**Nantong Rich Hemodialysis Center**").

- **Medical Examination Centers**

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

- **Specialty Hospitals**

  The business of this segment is in Shanghai city and Jiangsu Province. Revenue from this segment is to be derived from specialty hospital services and maternal and child nursing services.

(a) Revenue

Revenue of the Group consists of the following:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
General Hospital		
Outpatient pharmaceutical revenue	**49,413**	41,814
Outpatient service revenue	**62,999**	51,813
Inpatient pharmaceutical revenue	**222,373**	157,250
Inpatient service revenue	**166,402**	123,785
Medical Examination Centers		
Examination service revenue	**1,164,161**	988,078
Management service revenue and others	**5,817**	482
Specialty Hospitals		
Outpatient pharmaceutical revenue	**1,688**	512
Outpatient service revenue	**10,688**	2,677
Inpatient pharmaceutical revenue	**792**	30
Inpatient service revenue	**40,930**	7,495
Management service revenue and others	**943**	—
	1,726,206	1,373,936

(b) Segment information

The following table presents revenue and profit information regarding the Group's operation segments for the year ended 31 December 2019 and 2018, and the segment assets and liabilities at the respective balance sheet dates.

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the statement of profit or loss.

	General Hospital	Medical Examination Centers	Specialty Hospitals	Unallocated	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2019						
Revenue	522,384	1,170,496	55,041	—	(21,715)	1,726,206
Segment profit/(loss)	146,250	236,139	(126,117)	(7,091)	(2,774)	246,407
Administrative expenses						(305,449)
Net impairment reversals on financial assets						2,131
Interest income						11,989
Interest expenses						(159,351)
Net exchange gains						6,354
Total loss before income tax						(168,248)
Income tax expense						(2,250)
Loss for the year						(170,498)

	General Hospital RMB'000	Medical Examination Centers RMB'000	Specialty Hospitals RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at 31 December 2019						
Segment assets	1,245,870	3,415,155	830,397	859,934	(2,280,779)	4,070,577
Segment liabilities	740,765	3,115,817	843,248	113,615	(1,305,804)	3,507,641
Other information						
Addition to property and equipment, right-of-use assets and intangible assets	129,068	420,994	18,345	—	—	568,407
Depreciation and amortization	21,585	271,871	61,466	—	—	354,922

	General Hospital RMB'000	Medical Examination Centers RMB'000	Specialty Hospitals RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2018						
Revenue	389,923	989,114	10,714	2,647	(18,462)	1,373,936
Segment profit/(loss)	91,461	176,780	(108,714)	(49)	1,711	161,189
Administrative expenses						(328,917)
Net impairment losses on financial assets						(8,976)
Interest income						12,240
Interest expenses						(42,000)
Net exchange gains						18,683
Total loss before income tax						(175,747)
Income tax credit						39,470
Loss for the year						(136,277)

	General Hospital RMB'000	Medical Examination Centers RMB'000	Specialty Hospitals RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at 31 December 2018						
Segment assets	817,296	1,785,080	450,644	788,570	(1,478,914)	2,362,676
Segment liabilities	359,363	1,500,726	363,141	65,050	(632,666)	1,655,614
Other information						
Addition to property and equipment and intangible assets	75,668	179,368	133,538	6,588	—	395,162
Depreciation and Amortization	14,310	88,912	23,831	—	—	127,053

Impact of HKFRS 16 "Leases" on segment information

Segment depreciation for the year ended 31 December 2019, and segment assets and liabilities as at 31 December 2019 were all increased as a result of the adoption of HKFRS 16, and the impact is as follows:

	Depreciation *RMB'000*	Segment assets *RMB'000*	Segment liabilities *RMB'000*
Medical Examination Centers	**164,056**	**1,121,437**	**1,165,870**
Specialty Hospitals	**29,156**	**350,169**	**356,714**
General Hospital	**533**	**4,268**	**4,390**
	193,745	**1,475,874**	**1,526,974**

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items noted above is not entirely comparable to the information disclosed for the 2018 reporting period.

15 EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Employee benefit expenses	**782,279**	653,623
Depreciation and amortization	**354,922**	127,053
Pharmaceutical costs	**149,810**	107,174
Medical consumable costs	**133,372**	98,690
Outsourced testing expenses	**105,235**	72,535
Utility expenses	**66,092**	51,672
Advertising expenses	**49,887**	46,314
Office expenses	**38,021**	37,756
Professional service charges	**27,388**	24,392
Entertainment expenses	**16,414**	17,857
Maintenance expenses	**8,735**	7,841
Travel expenses	**8,415**	13,008
Short-term or low-value (2018: all) operating lease rentals and property management expenses	**3,325**	228,456
Labour union dues	**3,170**	2,692
Stamp duty and other taxes	**3,109**	2,667
Auditor's remuneration		
— Audit services	**2,362**	2,643
— Non-audit services	**451**	529
Washing charges	**2,418**	1,929
Medical risk insurance	**1,027**	1,035
Security costs	**1,006**	930
Working meals	**277**	253
Net impairment (reversals)/losses on financial assets	**(2,131)**	8,976
Impairment of goodwill	**—**	7,447
Donations	**—**	5,000
Deferred income amortization	**—**	29
Other expenses	**27,533**	30,139
	1,783,117	1,550,640

16 OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Net income from medical equipment sales	**12,201**	—
Government grants	**8,938**	11,647
Rental income	**1,064**	771
Gain on disposal of a subsidiary	**420**	—
Others	**7,696**	2,148
	30,319	14,566

17 OTHER LOSSES

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Losses on disposal of property and equipment	**293**	339
Others	**554**	2,090
	847	2,429

18 FINANCE COSTS — NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Interest on lease liabilities	**(104,610)**	—
Interest on borrowings	**(43,342)**	(38,351)
Interest on other financial liabilities	**(12,278)**	(3,649)
	(160,230)	(42,000)
Amount capitalised (a)	**879**	—
Finance costs	**(159,351)**	(42,000)
Net exchange gains	**6,354**	18,683
Interest income	**11,989**	12,240
Finance income	**18,343**	30,923
Finance costs — net	**(141,008)**	(11,077)

(a) The amount capitalised is the borrowing costs of the specific borrowings for the expansion project of Nantong Rich Hospital Phase II during the year.

19 INCOME TAX EXPENSE/(CREDIT)

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax		
— Current year	**37,836**	20,890
— Adjustments for current tax of prior periods	**1,298**	369
Deferred income tax *(Note 5)*	**(36,884)**	(60,729)
Income tax expense/(credit)	**2,250**	(39,470)

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

20 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the net loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year 2019 and 2018, respectively.

	Year ended 31 December	
	2019	2018
Net loss attributable to owners of the Company *(RMB'000)*	**(69,163)**	(53,836)
Weighted average number of ordinary shares in issue	**1,591,183,000**	1,592,079,000
Basic loss per share *(RMB)*	**(0.04)**	(0.03)

(b) Diluted

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

	Year ended 31 December	
	2019	2018
Net loss attributable to owners of the Company *(RMB'000)*	**(69,163)**	(53,836)
Weighted average number of ordinary shares for diluted loss per share, adjusted for share options	**1,448,012,000**	1,516,358,295
Diluted loss per share *(RMB)*	**(0.05)**	(0.04)

In determining the weighted average number of ordinary shares in issue during the year ended 31 December 2019, the 1,755,000 ordinary shares bought back by the Company in 2019 which were cancelled in July 2019 were excluded since they were bought back.

21 DIVIDEND

No dividend had been declared or paid during the year (2018: Nil) and the Board has resolved not to propose any final dividend for the year ended 31 December 2019 (2018: Nil).

ACCOUNTING IMPLICATIONS OF ADOPTION OF HKFRS 16 — LEASES

The Group has applied HKFRS 16 since 1 January 2019, but has not restated comparatives for the year ended 31 December 2018 as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments as a result of the adoption of HKFRS 16 are recognised in the opening balance sheet on 1 January 2019. HKFRS 16 supersedes HKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Accordingly, the Board is of the view that the adoption of HKFRS 16 effectively accelerates the related expenses charged at an early stage of the leasing period.

For further details, please refer to Note 2(d) titled "Changes in accounting policies" to the consolidated financial statements in this announcement.

A comparison of results reflecting the impacts from the adoption of HKFRS 16 on the results of the Group for year ended 31 December 2019 is set out below:

	For the year ended 31 December		
	2019(1)	**2019**(2)	2018(3)
	RMB'000	***RMB'000***	*RMB'000*
Key Items from the Consolidated Statement of Profit or Loss			
Revenue	**1,726,206**	**1,726,206**	1,373,936
Gross profit	**483,982**	**445,237**	386,203
Loss for the year	**(170,498)**	**(139,887)**	(136,277)
Loss attributable to the owners of the Company	**(69,163)**	**(46,337)**	(53,836)
Loss per share for loss attributable to owners of the Company			
— Basic	**RMB(0.04)**	**RMB(0.03)**	RMB(0.03)
— Diluted	**RMB(0.05)**	**RMB(0.03)**	RMB(0.04)

	As at 31 December		
	2019(1)	**2019(2)**	2018(3)
	RMB'000	***RMB'000***	*RMB'000*
Key Items from the Consolidated Balance Sheet			
Total assets	**4,070,577**	**2,587,932**	2,362,676
Total liabilities	**3,507,641**	**1,994,384**	1,655,614
Total equity attributable to owners of the Company	**644,235**	**667,061**	694,501

Note:

(1) Taking into account the adoption of HKFRS 16.

(2) Adjusted figures without taking into account the adoption of HKFRS 16 and for illustrative purpose only.

(3) Without taking into account the adoption of HKFRS 16.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND STRATEGIC OUTLOOK

Industry Overview

In 2019, while the growth of GDP in China continued to slow down, with the rising residential income level and the increasing demands for high-quality medical services, the healthcare industry of China still demonstrated a good momentum. The investment and financing market for healthcare sector remained active in 2019. According to a report issued by Zero2IPO Research Center (清科研究中心), for the first three quarters of 2019, under the general background of cooldown of equity investment and financing, equity investments in healthcare sector remained the third among equity investments in different sectors in China in terms of number of transactions and total amount of investments, after information technology and Internet sectors.

With respect to general hospitals business, according to the statistics released by National Health Commission (國家衛生健康委員會) (“**NHC**”) of the People’s Republic of China (the “**PRC**”), as of the end of November 2019, there were approximately 34,000 hospitals in China, comprising 12,000 public hospitals and 22,000 private hospitals, representing a decrease of 181 public hospitals and an increase of 1,677 private hospitals, respectively, as compared to the end of November 2018. From January to November 2019, the number of patient visits in China reached 3,400 million, representing a year-on-year increase of 5.4%, among which 2,890 million and 520 million visits took place in public and private hospitals, respectively, representing a year-on-year increase of 4.8% and 9.0%, respectively. In terms of the number of patient visits, private hospitals saw a faster growth as compared to public hospitals. In 2019, more policies aiming to promote the development of private medical institutions were implemented, including the Opinions on Promoting Sustainable, Healthy and Standardized Development of Private Medical Institutions (《關於促進社會辦醫持續健康規範發展的意見》) jointly promulgated by ten authorities in June 2019, which specified that the government would strengthen its support on private medical institutions by limiting the number of public hospitals, so as to leave sufficient room for the development of private medical institutions.

With respect to medical examination business, along with the improvement of the level of consumption of the Chinese people and the strengthening of their public health awareness, the Chinese people have higher demands for medical examination. Penetration rate of medical examination in China still has relatively large growth potential as compared to developed countries. Besides, the current market size of private professional medical examination institutions is still small as compared to public medical examination institutions.

With respect to specialty hospital business, although the birth rate in many cities in China declined as a result of the continuously weakened effects from "Two-child" policy and the further declined fertility willingness of the Chinese people, there is still room for a growth in the demands for mid- to high-end obstetrics services, given increase of income and demand for quality birth experience under the background of overall sub-replacement fertility. On the other hand, considering shortage of medical resources in gynecology and pediatrics persists in public sector, mid- to high-end private maternal and childcare hospitals still have sufficient market demands and competitiveness. As a large amount of capital flew into the gynecology and pediatrics in recent years and private maternal and child care hospitals sector recently entered into the reshuffling stage, some competitors with only mediocre doctors pool and poor management might exit the market in the future.

In the long run, the market players in healthcare industry need long time to establish reputations. It is only by focusing on improving medical technology, service quality and operation and management standards can the healthcare services providers survive the competitions in the industry for a long time.

General Hospital Business

Nantong Rich Hospital is the medical center in the southeast area of Nantong and the only high-graded general hospital in Nantong Economic and Technological Development Zone. The expansion project of its Phase II is progressing as scheduled in an orderly manner.

Nantong Rich Hospital commenced operation in 2002, and it has been a Class III Grade B private general hospital (one of the three Class III hospitals in Nantong), a designated hospital for medical insurance reimbursement and a National Standardized Medical Residency Training Coordination Bases (國家級住院醫師規範化培訓協同基地). As of 31 December 2019, it had 268 doctors, 116 medical technicians and 434 nurses. Nantong Rich Hospital attaches importance to clinical research and development, and has one National Key Clinical Discipline (pediatric surgery) (國家臨床重點專科(小兒外科)), five Municipal Key Clinical Disciplines (市級臨床重點專科) (including pediatrics, orthopedics, cardio-thoracic surgery, cardiovascular medicine and nursing (pediatrics)), one Municipal Key Discipline Under Construction (市級重點建設專科) (obstetrics and gynecology) and one Municipal Key Discipline under Construction (市級重點建設學科) (pediatrics general medicine). In 2019, Nantong Rich Hospital vigorously carried out 15 new technology researches and new projects at national, provincial and municipal levels, 19 ongoing research projects and published 15 papers in Science Citation Index journals, international journals and core journals. During 2019, it also continuously encouraged in-depth cooperation with top scientific laboratories and professional groups in China.

For 2019, the numbers of outpatient and inpatient visits in Nantong Rich Hospital were 366,821 (2018: 335,552) and 26,352 (2018: 22,528), respectively, representing an increase of 9.3% and 17.0% as compared with last year, respectively.

The Group established Nantong Rich Hemodialysis Center and Nantong Rich Meidi Elderly Care Center Co., Ltd. (南通瑞慈美邸護理院有限公司) ("**Rich Meidi Elderly Care Center**"), leveraging on the medical resources of Nantong Rich Hospital. Featuring "a combination of medical treatment and elderly care", Rich Meidi Elderly Care Center focuses on providing high-end elderly care services to the elderly with disability and dementia. As of 31 December 2019, Rich Meidi Elderly Care Center served 106 elderly people with full occupancy. The customer composition was further optimized as compared with 2018. Nantong Rich Hemodialysis Center commenced operation in September 2018, with an aim at providing customized and scientific dialysis solutions as well as independent and professional healthcare management services to patients with nephropathy, so as to improve their life quality and survival rate. During 2019, the business of the hemodialysis center recorded rapid growth and it provided dialysis treatment 13,469 times (as of 31 December 2018: 1,998).

Medical Examination Business

Our medical examination business focuses on optimizing its medical technology and management to heighten the barrier. Through technical modification, equipment upgrading, joint training and medical supervision and monitoring, medical technical level, customer service satisfaction level and operation quality of the medical examination centers were improved significantly. In 2019, the brand for ultra-high net worth individuals that adopted the highest standard equipment, "MEDIC International Medical Examination (幸元會國際健康體檢)" under our medical examination business was launched, marking the start of dual-brand operation of our chain medical examination business. Nanjing MEDIC (南京幸元會) commenced operation in the fourth quarter of 2019.

As of 31 December 2019, the Group had 59 medical examination centers in China (as of 31 December 2018: 55), representing a year-on-year growth of 7.3%, among which 51 centers were in operation (as of 31 December 2018: 44), representing a year-on-year growth of 15.9%, covering 28 cities. Their presence mainly concentrated on first tier and second tier cities.

During 2019, the total number of visits of customers under our medical examination business was 2,306,195 (2018: 1,948,973), representing a year-on-year increase of 18.3%. During 2019, the numbers of corporate and individual customers increase 17.2% and 24.0%, respectively. The average spending per capita of individual customers experienced successive growth through 2017 to 2019, increased by 3.3% compared to 2018 in 2019.

Specialty Hospital Business

Our specialty hospital business ("**Rici OGP Segment**") is the youngest segment of the Group's business. The three Obstetrics, Gynecology and Pediatric ("**OGP**") hospitals under the segment are currently located in Shanghai, Changzhou and Wuxi, respectively, all of which are situated at prime locations. Leveraging on the established medical experience of the Group, the hospitals aim at providing high-end professional OGP services. Rici OGP Segment established strategic cooperations with the Children's Hospital of Fudan University (復旦大學附屬兒科醫院), the Obstetrics and Gynecology Hospital of Fudan University (復旦大學附屬婦產科醫院) and Children's Hospital of Shanghai (上海市兒童醫院), with three main specialties in gynecology, obstetrics and pediatrics as well as medical-graded maternity care center which is rare in the market, achieving a 24-hour medical linkage and providing attentive N-to-1 services to customers.

Changzhou Rich OGP Hospital provides OGP, general medicine and Chinese medicine services, and is qualified as a designated medical institution for public medical insurance reimbursement. In 2019, Changzhou Rich OGP Hospital served a total of 1,182 inpatients and 22,265 outpatients. There are obstetrics, gynecology and pediatrics departments and an international department with an ancillary maternity care center in Shanghai Shuixian Obstetrics, Gynecology and Pediatric Hospital Co., Ltd. (上海瑞慈水仙婦兒醫院有限公司) ("**Shanghai Shuixian OGP Hospital**"). In 2019, the numbers of outpatient visits and inpatient visits amounted to 5,887 and 279, respectively, in Shanghai Shuixian OGP Hospital. Wuxi Rich Obstetrics, Gynecology and Pediatric Hospital Co., Ltd. (無錫瑞慈婦兒醫院有限公司) ("**Wuxi Rich OGP Hospital**") commenced operation in June 2019 and provides OGP services with an ancillary maternity care center. In 2019, Wuxi Rich OGP Hospital served a total of 950 outpatients and 95 inpatients.

Prospects

As Nantong Rich Hospital enters its 20th anniversary, its expertise continues to strengthen. The hospital establishes close cooperations with various top hospitals and professional teams in China to provide more advanced medical services to its patients. On top of improving its predominant disciplines, the hospital will focus on establishing six centers in geriatrics, encephalopathy, cardiology, oncology, orthopedics and OGP, in order to combine medical treatment, scientific research and education. The core competitive strength of Rich Meidi Elderly Care Center is its high-quality care services and unique advantage on medical resources. It will continue to focus on care of elderly with disability and dementia, achieving maximum economic benefits per bed by ongoing optimization of customer composition. Nantong Rich Hemodialysis Center will further leverage on the synergy with Nantong Rich Hospital to provide patients with kidney diseases with customized vascular access maintenance solutions. Moreover, advantage of Nantong Rich Hospital on its location has become apparent. The Shanghai-Nantong railway, the construction of which is expected to be completed in the near future, will connect Nantong to Shanghai's one-hour living circle, and the new airport in Nantong will become an important integral part of the global aviation hub of Shanghai. As a pioneer of private general hospitals in China, Nantong Rich Hospital will closely follow the national medical system reform to provide the people with better medical treatment experience.

Private medical examination still has substantial growth potential in the future, as the penetration rate of medical examination in China still has relatively large room for growth compared to that in developed countries. Besides, the current market size of private professional medical examination institutions is still small compared to public medical examination institutions. Furthermore, as the supervision on the medical examination industry from the public strengthened in recent years, the public now has higher requirements on medical safety and quality control, leading to enhanced entry barriers and providing better development environment for medical examination institutions with strict quality control systems. Medical examination is also an entry point in the offline medical market with huge development potential.

In 2020, the examination centers under our medical examination business will continue their plan of focusing on the Yangtze River Delta and developing the Greater Bay Area market, periodically extending their presence in the key cities located in the regional centers. Rici will strictly control the quality of its medical examination services, strive to increase the productivity of each medical examination center and improve working efficiency of its employees, in order to become the leading brand of mid- to high-end medical examination in China.

Despite the overall decrease of birth rate in China, the increase of residential income level has led to rising demands for high-end OGP services in first and second tier cities. Rici OGP Segment will, on one hand, continue to cooperate with well-known domestic and foreign hospitals, providing a service platform for patients to receive healthcare services provided by renowned local and foreign OGP doctors, and on the other hand, introduce advanced clinical technology and technique and selectively provide treatments for hard-to-treat diseases. Among the three hospitals under Rici OGP Segment, Shanghai Shuixian OGP Hospital will become the flagship hospital, providing a talent nurturing platform and a technical support platform for OGP. In 2020, the Group will continue to facilitate the three OGP hospitals in various ways to rapidly increase their revenue and steadily cultivate their brand reputation.

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 period indicated:

	Year ended 31 December		
	2019	2018	% of Change
	(RMB'000)	*(RMB'000)*	
General hospital business	**522,384**[(1)]	389,923[(1)]	34.0%
Medical examination business	**1,170,496**[(2)]	989,114[(2)]	18.3%
Specialty hospital business	**55,041**[(3)]	10,714[(3)]	413.7%
Unallocated	**—**	2,647	—
Inter-segment	**(21,715)**	(18,462)	17.6%
Total	**1,726,206**	1,373,936	25.6%

Notes:

(1) Included the revenue from hemodialysis business.

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

(3) Included the revenue from maternal and child nursing service business.

Our revenue increased by 25.6% from RMB1,373.9 million in 2018 to RMB1,726.2 million in 2019, mainly due to an increase in revenue from all of our general hospital business, medical examination business and specialty hospital business.

Our revenue from general hospital business in 2019 amounted to RMB501.2 million, representing an increase of 33.8% from RMB374.6 million in 2018, excluding inter-segment revenue of RMB21.2 million and RMB15.3 million in 2019 and 2018, respectively. The increase was mainly attributable to our active improvement of operational efficiency, which led to an increase of 3,824 in the number of inpatient visits, an increase in the revenue per inpatient by 18.3%, and an increase of the revenue from inpatients by RMB107.7 million. Meanwhile, the number of outpatient visits in 2019 increased by 42,740 and the revenue per outpatient increased by 6.6%, which led to an increase in outpatient revenue of RMB18.8 million.

Revenue from medical examination business in 2019 amounted to RMB1,170.0 million, representing an increase of 18.3% from RMB988.6 million in 2018, excluding the inter-segment revenue of RMB0.5 million and RMB0.5 million in 2019 and 2018, respectively. The improvement of our service quality and the people's strengthening awareness on demand of high-end medical examination services brought an increase in the number of visits for medical examination service. In 2019, the number of visits for our medical examination services was 2,306,195, representing an increase of 18.3% from 1,948,973 in 2018.

In 2019, our revenue from specialty hospital business amounted to RMB55.0 million (2018: RMB10.7 million) as a result of the expansion of our speciality hospital business. In 2019, the numbers of outpatient visits and inpatient visits for our specialty hospital services were 29,102 and 1,556, respectively. Revenue generated from outpatient visits and inpatient visits was RMB12.4 million and RMB41.7 million, respectively.

Cost of Sales

Cost of sales mainly consists of pharmaceuticals and medical consumable costs, staff costs, and depreciation and amortization expenses. The following table sets forth an analysis of the cost of sales by operating segments for the periods indicated:

	Year ended 31 December		
	2019	2018	% of Change
	(RMB'000)	*(RMB'000)*	
General hospital business	**370,143**[(1)]	291,558[(1)]	27.0%
Medical examination business	**723,044**[(2)]	601,092[(2)]	20.3%
Specialty hospital business	**167,978**[(3)]	112,608[(3)]	49.2%
Inter-segment	**(18,941)**	(17,525)	8.1%
Total	**1,242,224**	987,733	25.8%

Note:

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

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

(3) Included the cost of sales of maternal and child nursing service business.

Our cost of sales increased by 25.8% from RMB987.7 million in 2018 to RMB1,242.2 million in 2019.

Cost of sales of our general hospital business in 2019 amounted to RMB370.1 million, representing an increase of 27.0% from RMB291.6 million in 2018, mainly attributable to the increase in pharmaceutical costs and medical consumable costs following the expansion of revenue scale in 2019.

Cost of sales of our medical examination business in 2019 amounted to RMB723.0 million, representing an increase of 20.3% from RMB601.1 million in 2018. The increase was mainly attributable to (i) the increase in variable costs of our medical examination centers, including medical consumable costs and outsourced testing expenses, which was generally in line with the growth of revenue of our medical examination business; and (ii) overall operation of new medical examination centers, resulting in an increase in certain fixed costs, such as depreciation and amortization expenses.

Cost of sales of specialty hospital business in 2019 amounted to RMB168.0 million, representing an increase of 49.2% from RMB112.6 million in 2018. The increase was mainly attributable to the increase in the remuneration expenses of medical staff, depreciation expenses, medical consumable costs and outsourced testing expenses as the specialty hospital business was at its early stage of development.

Gross Profit

Our gross profit increased by 25.3% from RMB386.2 million in 2018 to RMB484.0 million in 2019. Gross profit margin decreased by 0.1 percentage point from 28.1% in 2018 to 28.0% in 2019.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses amounted to RMB237.6 million in 2019, as compared to RMB225.0 million in 2018. The increase was mainly attributable to (i) the scale of medical examination business increased, and the distribution costs and selling expenses increased by RMB6.2 million compared with 2018; (ii) the distribution costs and selling expenses of our specialty hospital business at their early stage of development increased by RMB6.4 million as compared to 2018.

Administrative Expenses

Our administrative expenses amounted to RMB305.4 million in 2019, as compared to RMB328.9 million in 2018. The decrease was mainly attributable to the decrease of specialty hospitals' pre-opening expenses in 2019.

Other Income

Our other income, which mainly represented government subsidies, rental income and income from equipment sales, amounted to RMB30.3 million in 2019 (2018: RMB14.6 million).

Other Losses

Our other losses in 2019 amounted to RMB0.8 million, as compared to the other loss of RMB2.4 million in 2018. Other losses mainly represented the donation expense to charity fund, losses on disposal of equipment, and other miscellaneous losses.

Finance Costs — Net

We had net finance costs of RMB141.0 million in 2019, as compared to net finance costs of RMB11.1 million in 2018. The interest expenses incurred during 2019 amounted to RMB159.4 million, representing an increase of RMB117.4 million from RMB42.0 million in 2018, of which an increase of RMB101.9 million is due to the adoption of HKFRS 16. Interest income in 2019 amounted to RMB12.0 million, and exchange gain amount to RMB6.4 million.

Share of Results of Investments Accounted for Using Equity Method

For 2019, the Group recognized a share of profit of RMB0.2 million (2018: share of loss of RMB0.1 million) in its consolidated results, mainly from (i) the operating profit of RMB0.7 million of Rich Meidi Elderly Care Center, a subsidiary of a joint venture of the Group. Its business operation has been stable since its establishment in the second half of 2014; (ii) the operating loss of RMB0.5 million of Neijiang Rich Ruichuan Clinic Co., Ltd. (內江瑞慈瑞川門診部有限公司), an associate of the Group primarily engaged in providing medical examination services.

Income Tax Expense/Credit

For 2019, income tax expense amounted to RMB2.3 million (2018: income tax credit of RMB39.5 million). The increase in income tax expense was mainly because (i) the medical examination centers and specialty hospitals incurred less losses in 2019, which were recognized as the deferred income tax assets. Deferred income tax credit decreased from RMB60.7 million in 2018 to RMB36.9 million in 2019; (ii) profit before tax generated from Nantong Rich Hospital and medical examination centers in 2019 increased as compared to 2018.

Loss for the Year

For the foregoing reasons, in 2019, we recorded net loss of RMB170.5 million (2018: net loss of RMB136.3 million), due to the adoption of HKFRS 16, and the losses incurred from the new medical examination centers and specialty hospitals, which were at the early stage of operation.

Adjusted EBITDA

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

	Year ended 31 December		
	2019	2019	2018
	(RMB'000)	*(RMB'000)* (Hypothetical using HKAS 17)	*(RMB'000)*
Adjusted EBITDA calculation			
Loss for the year	**(170,498)**	(139,887)	(136,277)
Adjusted for:			
Income tax expense/(credit)	**2,250**	9,726	(39,470)
Finance costs — net	**141,008**	39,108	11,077
Depreciation and amortization	**354,922**	161,177	127,053
Pre-opening expenses and EBITDA loss of soft-opening[(1)]	**51,349**	100,689	182,507
Share option expenses	**25,634**	25,634	25,818
Adjusted EBITDA	**404,665**	196,447	170,708
Adjusted EBITDA margin[(2)]	**23.4%**	11.4%	12.4%

Notes:

(1) Primarily represents (a) pre-opening expenses, such as staff costs and rental expenses, incurred in the applicable period connection with medical examination centers and specialty hospitals under construction to commence operation in the subsequent years; and (b) EBITDA loss of newly-operated 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 RMB404.7 million in 2019, representing an increase of 137.1% from RMB170.7 million in 2018, mainly due to the effect of the adjustment of the recognition of operating leases arising from the adoption of HKFRS 16.

Financial Position

Property and Equipment

Property and equipment primarily consist of buildings, medical equipment, general equipment, leasehold improvements and construction in progress. As at 31 December 2019, the property and equipment of the Group amounted to RMB1,160.5 million, representing an increase of RMB111.6 million as compared to RMB1,048.9 million as at 31 December 2018. The increase of property and equipment was primarily due to the expansion project of Nantong Rich Hospital Phase II, and the acquisition of equipment as well as the renovation for new medical examination centers and specialty hospitals.

Trade Receivables

As at 31 December 2019, the trade receivables of the Group were RMB290.0 million, representing an increase of RMB21.3 million as compared to RMB268.7 million as at 31 December 2018, mainly due to larger unsettled medical insurance receivables from social insurance bureau as a result of the scale expansion of our general hospital business.

Net Current Liabilities

As at 31 December 2019, the Group's current liabilities exceeded its current assets by RMB657.5 million (as at 31 December 2018: current liabilities exceeded its current assets by RMB234.3 million). The contract liabilities and the deferred income included in current liabilities of the Group as at 31 December 2019 amounting to RMB242.6 million will not require cash outflow from the Group. The increase of the Group's net current liabilities was mainly due to (i) the recognition of lease liabilities due within one year of RMB241.4 million arising from the adoption of HKFRS 16; (ii) the Group's consumption of current assets and increase in current liabilities for the construction and operation needs of the new medical examination centers, general hospital, and specialty hospitals.

Liquidity and Capital Resources

As at 31 December 2019, the Group had cash and cash equivalents of RMB329.6 million, with available unutilised bank facilities of RMB558.1 million. As at 31 December 2019, the Group had outstanding borrowings of RMB922.8 million, including non-current long-term borrowings of RMB259.3 million. Based on the Group's historical 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 cash equivalents is denominated, please refer to Note 8 to the consolidated financial information.

The following table sets forth the information extracted from our Group's consolidated statements of cash flows for the years indicated:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Net cash generated from operating activities	**165,026**	42,640
Net cash used in investing activities	**(336,260)**	(396,632)
Net cash (used in)/generated from financing activities	**(976)**	234,172
Net decrease in cash and cash equivalents	**(172,210)**	(119,820)

Net Cash Generated from Operating Activities

For the year ended 31 December 2019, the net cash generated from operating activities was RMB165.0 million, primarily attributable to the cash generated from operating activities of approximately RMB338.5 million, partially offset by the interest paid of approximately RMB143.8 million, and the income tax paid of RMB29.7 million.

Net cash Used in Investing Activities

For the year ended 31 December 2019, the net cash used in investing activities was RMB336.3 million, primarily attributable to (i) the purchases of property and equipment and intangible assets of RMB315.0 million; (ii) the acquisition of ownership interests in subsidiaries without change of control of RMB33.1 million; (iii) acquisition of the investment in financial assets at fair value through profit or loss of RMB1.5 million; and (iv) net outflow from the disposal of a subsidiary of RMB0.1 million, partially offset by the repayment of temporary funding provided to non-controlling interests of a subsidiary of RMB1.3 million, the proceeds from disposal of equipment of RMB0.1 million and the interest received from bank deposits of RMB12.0 million.

Net Cash (Used in)/Generated from Financing Activities

For the year ended 31 December 2019, the net cash used in financing activities was RMB1.0 million, primarily attributable to (i) the payments for leases of RMB138.7 million (ii) the buy-back of ordinary shares of RMB1.7 million; (iii) increase in restricted cash of RMB104.6 million, partially offset by the net proceeds from bank borrowings of RMB151.7 million, the net proceeds of other borrowings of RMB49.2 million, the net proceeds of loan from non-controlling interests of a subsidiary of RMB40.1 million, and the capital contribution of RMB3.0 million from non-controlling interests of subsidiaries.

Significant Investments, Material Acquisitions and Material Disposals

The Group did not have any significant investment, material acquisition or material disposal during the year ended 31 December 2019.

Capital Expenditures and Commitments

For the year ended 31 December 2019, the Group incurred capital expenditures of RMB568.4 million (for the year ended 31 December 2018: RMB395.2 million), primarily due to (i) purchases of medical equipment as well as renovation for our medical examination centers, general hospital and specialty hospitals; and (ii) leased business premises for medical examination centers.

As at 31 December 2019, the Group had a total capital commitments of RMB229.0 million (as at 31 December 2018: RMB274.4 million), mainly comprising the related contracts of capital expenditures for the expansion project of Nantong Rich Hospital Phase II, and newly built medical examination centers and specialty hospitals.

Borrowings

As at 31 December 2019, the Group had total bank and other borrowings of RMB922.8 million (as at 31 December 2018: RMB738.2 million). Please refer to Note 10 to the consolidated financial statements for more details.

Contingent Liabilities

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

Financial Instruments

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

Gearing Ratio

As at 31 December 2019, on the basis of net debt divided by total capital, the Group's gearing ratio was 80.1%. For comparison of results without taking into account the adoption of HKFRS 16, the Group's gearing ratio would be 51.9% (as at 31 December 2018: 25.6%). The increase in gearing ratio mainly resulted from the Group's use of its internal funding and the increase in bank borrowings for the fund required for the construction and operation of new medical examination centers and specialty hospitals, and the expansion project of Nantong Rich Hospital Phase II.

Cash Flow and Fair Value Interest Rate Risk

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

Borrowings obtained at variable rates expose us to cash flow interest rate risk. Borrowings obtained at fixed rates expose us to fair value interest rate risk. As at 31 December 2019, borrowings of RMB628.6 million were at floating interest rate. We did not hedge our cash flow and fair value interest rate risk during 2019.

Foreign Exchange Risk

For the year ended 31 December 2019, the Group was not exposed to significant foreign currency risk, except for the remaining bank deposits from the Company's initial public offering on 6 October 2016 (the "**IPO**"), which were denominated in Hong Kong dollar, and the bank deposits denominated in United States dollar. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign 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.

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, taking 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. We also consider 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 and maintain 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 contribution from the shareholders of the Company (the "**Shareholders**"), as necessary. Based on contractual undiscounted payments, our financial liabilities were RMB3,927.2 million as at 31 December 2019 (as at 31 December 2018: RMB1,517.4 million).

Pledge of Assets

As at 31 December 2019, the Group had assets with a total carrying amount of RMB123,160,000 (as at 31 December 2018: assets of RMB100,684,000) and restricted deposits with an amount of USD48,500,000 (as at 31 December 2018: restricted deposits of USD34,059,970) pledged for the Group's borrowings.

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

USE OF PROCEEDS FROM THE IPO

The net proceeds from the IPO amounted to RMB682.7 million after deducting share issuance costs and listing expenses. During the year 2019, the net proceeds from the listing were utilized in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 26 September 2016 (the "**Prospectus**"), with the balance amounted to RMB220.8 million. As disclosed in the announcement of the Company dated 18 February 2020, the remaining unutilized net proceeds from the IPO will be used in accordance with the Group's development strategies, market conditions and intended use of such proceeds, which has been changed by the Board from "establishment of our multi-function facility" to "establishment of new medical examination centers and upgrading and renovation of existing medical examination centers", and are expected to be fully utilized on or before 31 December 2022. Details are set out in the following table:

	Net amount available as at 31 December 2018 *RMB'000*	Actual amount utilized during the year 2019 *RMB'000*	**Unutilized amount as at 31 December 2019** ***RMB'000***
Establishment of new medical examination centers and upgrading and renovation of existing medical examination centers	220,808	—	**220,808**
Expansion of Nantong Rich Hospital	1,123	(1,123)	**—**
Total	221,931	(1,123)	**220,808**

HUMAN RESOURCES

The Group had 7,254 employees as at 31 December 2019, as compared to 5,687 employees as at 31 December 2018. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, allowances, bonus, share options 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.

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2019, the Company repurchased on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") a total of 1,755,000 Shares at a total consideration of HK$1,948,843.99. Such Shares were cancelled on 4 July 2019 and 30 July 2019, respectively. Details of the Share repurchases are summarized as follows:

Month of repurchase	Total number of Shares repurchased	Repurchase price per Share		Aggregate consideration
		Highest	Lowest	
		(HK$)	(HK$)	(HK$)
May 2019	467,000	1.097	1.036	504,693.99
July 2019	1,288,000	1.280	0.970	1,444,150.00

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019. The purchase of the Shares was made for the benefit of the Shareholders with a view to enhancing the net asset value per Share.

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the year ended 31 December 2019.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 June 2020 to 19 June 2020, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on 19 June 2020 (the "**2020 AGM**"). In order to be eligible to attend and vote at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 15 June 2020.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

CORPORATE GOVERNANCE

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The audit committee of the Board (comprising Ms. Wong Sze Wing (being an independent non-executive Director), Ms. Jiao Yan (being a non-executive Director) and Dr. Wang Yong (being an independent non-executive Director)) has reviewed with the management of the Company the consolidated financial statements of the Company for the year ended 31 December 2019, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year.

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

SUBSEQUENT EVENT

Since the outbreak of Coronavirus Disease 2019 (the "**COVID-19 Outbreak**") in January 2020, a series of precautionary and control measures have been implemented across China continuously. The COVID-19 Outbreak has certain impacts on the overall economy of the regions where our examination centers and hospitals locate and the Group's operation, the extent of which will depend on the duration of the epidemic and the implementation of the regulatory measures. The Company will pay close attention to the development of the COVID-19 Outbreak and evaluate its impacts on the Group's financial position and operating results. Notwithstanding the above, as at the date of this announcement, the Company was not aware of any material adverse effect on the Group's operation and financial position from the COVID-19 Outbreak.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (*www.hkexnews.hk*) and the Company's website (*www.rich-healthcare.com*). The annual report of the Company for the year ended 31 December 2019 will be despatched to the Shareholders and published on the aforesaid websites in due course.

APPRECIATION

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

By Order of the Board
Rici Healthcare Holdings Limited
Fang Yixin
Chairman and Chief Executive Officer

Shanghai, the PRC, 31 March 2020

As at the date of this announcement, Dr. Fang Yixin, Dr. Mei Hong, Ms. Lin Xiaoying and Mr. Fang Haoze 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.