RICI HEALTHCARE HOLDINGS LIMITED
瑞慈醫療服務控股有限公司

2017年報
ANNUAL REPORT

Contents

Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

"2018 AGM"	the AGM to be held on June 8, 2018
"AGM"	annual general meeting of the Company
"Articles of Association" or "Articles" or "Memorandum and Articles of Association"	our memorandum and articles of association, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board Committees"	the Audit Committee, the Remuneration Committee and the Nomination Committee
"Beijing Rich"	Beijing Rich Ruitai Clinic Co., Ltd. (北京瑞慈瑞泰綜合門診部有限公司), a company established in the PRC with limited liability on May 20, 2015 and an indirectly non-wholly-owned subsidiary of the Company
"Board of Directors" or "Board"	our board of Directors
"BVI"	British Virgin Islands
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"Chelsea Grace"	Chelsea Grace Holdings Limited (翠慈控股有限公司), a company established in the BVI with limited liability on July 11, 2014, which is entirely owned by Dr. Mei
"Chengdu Kangruiheng"	Chengdu Kangruiheng Commerce and Trade Co., Ltd. (成都康瑞恒商貿有限公司), a company established in the PRC with limited liability on December 28, 2016, an associate of Mr. Wang Dejun who is a substantial shareholder of certain Company's significant subsidiaries and a connected person of the Company
"Chengdu Rich"	Chengdu Jinjiang Rich Clinic Co., Ltd. (成都錦江瑞慈門診部有限公司), a company established in the PRC with limited liability on November 6, 2013, which is an indirectly wholly-owned subsidiary of our Company
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan

"Class III Hospital"	the largest and best regional hospitals in China designated as Class III hospitals by the National Health and Family Planning Commission of the PRC's hospital classification system, typically having more than 500 beds, providing high-quality professional healthcare services covering a wide geographic area and undertaking more sophisticated academic and scientific research initiatives
"Company", "our Company", "Rici", "Group", "our Group", "we" or "us"	Rici Healthcare Holdings Limited (瑞慈醫療服務控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on July 11, 2014 and except where the context indicated otherwise, (i) our subsidiaries and (ii) with respect to the period before our Company became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Company Secretary"	the secretary of the Company
"Controlling Shareholder(s)"	Dr. Mei and Chelsea Grace or any one of them
"Director(s)"	the director(s) of our Company or any one of them
"Dr. Fang"	Dr. Fang Yixin, our chairman, executive Director and the spouse of Dr. Mei
"Dr. Mei"	Dr. Mei Hong, our executive Director, our Controlling Shareholder and the spouse of Dr. Fang
"Grade A, Grade B and Grade C"	hospitals in China can be categorized into Class I, II and III in terms of service quality, management level, medical equipment, hospital size and medical technology. Each class can be further divided into Grade A, Grade B and Grade C. Class III Grade A hospitals are the top level hospitals in China
"Hangzhou Rich"	Hangzhou Rich Medical Clinic Co., Ltd. (杭州瑞慈醫療門診部有限公司), a company established in the PRC with limited liability on December 1, 2016 and an indirectly non-wholly-owned subsidiary of the Company
"Hefei Haoze"	Hefei Haoze Health Management Co., Ltd. (合肥浩澤健康管理有限公司), a company established in the PRC with limited liability on February 16, 2015 and an indirectly non-wholly-owned subsidiary of the Company
"Hefei Rich"	Hefei Shushan Rich Clinic Co., Ltd. (合肥蜀山瑞慈健康體檢門診部有限公司), a company established in the PRC with limited liability on June 29, 2015, which is a wholly-owned subsidiary of Hefei Haoze
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, each being the lawful currency of Hong Kong

Definitions

"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"IPO"	the initial public offering of the Company, having become unconditional in all aspects on October 6, 2016
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	October 6, 2016, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nanjing Rich"	Nanjing Rich Clinic Co., Ltd. (南京瑞慈門診部有限責任公司), a company established in the PRC with limited liability on December 1, 2008, which is an indirectly wholly-owned subsidiary of our Company
"Nantong Rich Hospital"	Nantong Rich Hospital Co., Ltd. (南通瑞慈醫院有限公司), a company established in the PRC with limited liability on August 14, 2000, which is an indirectly wholly-owned subsidiary of our Company
"Nantong Meidi"	Nantong Rich Meidi Nursing Home Co. Ltd. (南通 瑞慈美邸護理院有限公司), a company established in the PRC with limited liability on August 19, 2014, which is a joint venture of our Group
"Nomination Committee"	the nomination committee of the Board
"Ping An Cooperative Partners"	Ping An Good Doctor, Ping An Trust, Ping An Life Insurance
"Ping An Good Doctor"	Ping An Health Cloud Co., Ltd. (平安健康互聯網 股份有限公司), a joint stock company established in the PRC with limited liability on August 20, 2014

"Ping An Health Technology Fund"	Shenzhen Ping An Health and Technology Equity Investment LLP* (深圳市平安健康科技股權投資 合夥企業 (有限合夥)), a limited partnership incorporated in the PRC on October 9, 2015
"Ping An Life Insurance"	Ping An Life Insurance Company of China, Ltd. (中國平安人壽保險股份有限公司), a joint stock company established in the PRC with limited liability on December 17, 2002
"Ping An Trust"	Ping An Trust Co., Ltd. (平安信託有限責任公司), a company established in the PRC with limited liability on April 9, 1996
"Practice License"	For-profit Medical Institution Practice License (營利性醫療機構執業許可證)
"Prospectus"	the prospectus of the Company dated September 26, 2016
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on September 19, 2016
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"Rici Shuixian"	Shanghai Shuixian Obstetrics & Gynecology Hospital Co. Ltd. (上海瑞慈水仙婦產醫院有限公司), a company established in the PRC with limited liability on October 17, 2016 and an indirectly non-wholly-owned subsidiary of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Kuici"	Shanghai Kuici Health Consultancy Co., Ltd. (上海葵慈健康諮詢有限公司), a company established in the PRC with limited liability on February 8, 2018 pursuant to the investment agreement entered into by Shanghai Rich Medical and Ping An Health Technology Fund, and a indirectly non-wholly-owned subsidiary of the Company
"Shanghai Rich"	Shanghai Rich Clinic Co., Ltd. (上海瑞慈門診部有限公司), a company established in the PRC with limited liability on February 14, 2007, which is an indirectly wholly-owned subsidiary of our Company
"Shanghai Rich Medical"	Shanghai Rich Medical Investment Group Co., Ltd. (上海瑞慈醫療投資集團有限公司), a company established in the PRC with limited liability on August 25, 2014, which is an indirectly wholly-owned subsidiary of the Company

Definitions

"Share(s)"	ordinary share(s) of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on September 19, 2016
"Shenzhen Rich Medical Exam"	Shenzhen Rich Medical Examination Management Co., Ltd. (深圳瑞慈健康體檢管理有限公司), a company established in the PRC with limited liability on September 17, 2010, which is an indirectly wholly-owned subsidiary of our Company
"Sichuan Rich"	Sichuan Rich Medical Technology Co., Ltd. (四川瑞慈醫療科技有限公司), a company established in the PRC with limited liability on August 31, 2016 and an indirectly non-wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Wuhan Rich"	Wuhan Rich Clinic Co., Ltd. (武漢瑞慈門診部有限公司), a company established in the PRC with limited liability on January 29, 2015, which is an indirectly wholly-owned subsidiary of our Company
"%"	per cent.

Corporate Profile

BOARD OF DIRECTORS

Executive Directors

Dr. Fang Yixin *(Chairman)*
Dr. Mei Hong
Mr. Lu Zhenyu *(Chief Executive Officer)*
Dr. Wang Weiping

Non-executive Directors

Ms. Jiao Yan
Mr. Yao Qiyong

Independent Non-executive Directors

Dr. Wang Yong
Ms. Wong Sze Wing
Mr. Jiang Peixing

COMPANY SECRETARY

Ms. Chau Hing Ling *(LLM, FCIS, FCS)*

AUTHORISED REPRESENTATIVES

Dr. Fang Yixin
Ms. Chau Hing Ling *(LLM, FCIS, FCS)*

AUDIT COMMITTEE

Ms. Wong Sze Wing *(Chairlady)*
Ms. Jiao Yan
Dr. Wang Yong

REMUNERATION COMMITTEE

Mr. Jiang Peixing *(Chairman)*
Ms. Wong Sze Wing
Mr. Lu Zhenyu

NOMINATION COMMITTEE

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

AUDITOR

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

19/F, Catic Mansion
No. 212 Jiangning Road
Jingan District
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

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

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

COMPLIANCE ADVISER

BOSC International Company Limited
34th Floor, Champion Tower
3 Garden Road, Central
Hong Kong

HONG KONG LEGAL ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE AND BOARD LOT

Stock Code: 1526
Board Lot: 1,000

WEBSITE

www.rich-healthcare.com

INVESTOR RELATIONS

Email: ir@rich-healthcare.com

Milestones

Year	Events
2000	• We established our first operating entity, Nantong Rich Hospital
2002	• Nantong Rich Hospital came into operation
2007	• Our first medical examination center, Shanghai Rich, was established
2008	• We expanded our medical examination business into Jiangsu Province by establishing Nanjing Rich
2010	• We expanded our medical examination business into Guangdong Province by establishing Shenzhen Rich Medical Exam
2013	• We expanded our medical examination business into Sichuan Province by establishing Chengdu Rich
2015	• We expanded our medical examination business into Hubei Province, Anhui Province and Beijing by establishing Wuhan Rich, Hefei Rich and Beijing Rich, respectively
2016	• We are listed on the Main Board of the Stock Exchange on October 6, 2016 with stock code: 1526
2017	• We expanded our medical examination business into Zhejiang Province by establishing Hangzhou Rich
	• We established a comprehensive strategic cooperative partnership with Ping An Trust, Ping An Life Insurance and Ping An Good Doctor for joint development of high-end medical examination services business
	• We entered into an investment agreement with Ping An Health Technology Fund in relation to the establishment of Shanghai Kuici, for the purpose of newly establishing and acquiring medical examination centers
	• We have finished establishment of Changzhou Rici Obstetrics and Gynecology Hospital and Rici Shuixian

Financial Highlights

Revenue for the year ended December 31, 2017 amounted to approximately RMB1,080.1 million, representing an increase of 15.5% from approximately RMB935.4 million in 2016.

Gross profit for the year ended December 31, 2017 amounted to approximately RMB401.2 million, representing an increase of 13.3% from approximately RMB354.1 million in 2016.

Loss attributable to owners of the Company for the year ended December 31, 2017 amounted to approximately RMB62.2 million, as compared to profit attributable to owners of the Company of approximately RMB58.9 million in 2016.

Adjusted EBITDA for the year ended December 31, 2017 was approximately RMB153.7 million, representing a decrease of 38.5% from approximately RMB249.9 million in 2016.

Financial Summary

	For the Year Ended December 31,				
	2013	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	488,919	597,750	802,796	935,383	**1,080,149**
Gross profit	164,997	188,942	280,043	354,131	**401,154**
Profit/(loss) before income tax	48,828	5,933	49,587	90,982	**(108,914)**
Income tax (expenses)/credit	(8,974)	(265)	(20,471)	(36,593)	**6,234**
Profit/(loss) for the year	39,854	5,668	29,116	54,389	**(102,680)**
Profit/(loss) attributable to:					
Owners of the Company	36,520	8,319	28,982	58,924	**(62,166)**
Non-Controlling interests	3,334	(2,651)	134	(4,535)	**(40,514)**
Adjusted EBITDA[Note]	125,140	117,233	173,802	249,922	**153,721**

	As at December 31,				
	2013	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	894,269	1,374,961	891,110	1,579,792	**2,063,347**
Total liabilities	545,463	806,607	683,261	629,037	**1,133,293**
Equity attributable to the owners of the Company	266,898	557,318	207,160	947,301	**902,247**

Note:

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use adjusted EBITDA as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. Please refer to page 27 of this annual report for more details.

Chairman's Statement

To the Shareholders:

On behalf of the Board, I would like to present this annual report of the Group for the year ended December 31, 2017.

The year 2017 is an important year for the Group. The Group speeded up the layout of high-end medical examination market, and created a new model of embedded clinics in medical examination institutions, in order to strengthen the healthcare services of medical examination institutions. The Group gradually expanded its medical examination business nationwide, and the number of medical examination centers has nearly doubled as compared with that at the time of Listing. Meanwhile, the Group focused on the development of high-end obstetrics and gynecologic and pediatric healthcare services, gradually expanding the territory of the medical industry and extending the business to specialized hospitals, and further consolidating the strength in the Yangtze River Delta region.

With the continuous deepening of the medical reform in China, residents' demand for high-end medical services kept growing. In order to better seize the opportunities of developing business in the future, the Group implemented comprehensive strategic cooperation with Ping An Cooperative Partners to commence the business of high-end medical examination services, enhance the integration of medical health and insurance, create more opportunities for strategic development, and further explore the high-end medical examination market leveraging on this opportunity.

The business of medical examinations of the Group is now rapidly growing. Through intensifying the cooperation with Ping An Cooperative Partners, and using its own edges in medical operation and management system, the Group will open more medical examination centers over the country to attract more customers and strive to secure potential customers of Ping An Cooperative Partners for enjoying high-quality medical examination services, which will in turn expand the our Group's market coverage. Accurate examination technologies are the cornerstone for medical examination services, thus the Group will identify and cultivate more outstanding professional physician teams to increase its strength in the medical sector as well as its competitiveness, and strengthen the market position of the Group in the sector of medical examination.

Since 2010, the government has promulgated a series of laws and regulations to encourage private capital to participate in the development of healthcare industry. Hierarchical diagnosis and treatment is an important subject for the current healthcare reform. Private healthcare enterprises can take patients from Class III Grade A hospitals to gradually supplement the services of public hospitals and provide corresponding services in respect of the implementation of hierarchical diagnosis and treatment. The implementation of the physician multi-sited practice policy has enabled an increasing number of high-level healthcare specialists to practise in private healthcare institutions. Equipped with healthcare professionals, private healthcare institutions will satisfy the demand for high-end healthcare services to a greater extent. Under this policy, the Group has intensified its strategic cooperation with 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) to gain access to their strong healthcare technologies and high-quality experts, strengthen the professionalism of the internal medical institutions of the Group, and further enhance the level of comprehensive healthcare services of the Group.

With the launch of the "Two-child" Policy and the improvement of standard of living, the medical consumption of women and children has been upgraded firstly in the medical market. Therefore, the active layout of our high-end specialty hospital business and exploration of the domestic high-end healthcare services market are in line with the overall development strategy of the Group, and are the important development directions for the hospital sector of the Group from now on. The Group's Changzhou Rich Obstetrics & Gynecology Hospital has commenced operation in January 2018, and the high-end obstetrics and gynecology hospital in Jing'an District, Shanghai, will officially commence operation in the second quarter of 2018. Through the close cooperation with Obstetrics & Gynecology Hospital of Fudan University and Children's Hospital of Fudan University, we ensure that pregnant women and new-born babies are provided with top-notch obstetrics, gynecologic, pediatric and puerperium services. The Group is in hopes of making the comprehensive and professional medical services of its specialty hospitals the benchmark within the industry and applying this successful operational model to other planned specialty hospitals. In the future, the Group will intensify the promotion of specialty hospitals of the Group and establish recognition and build up branding effect for its obstetrics, gynecologic, pediatric and puerperium services. The Group will also actively prepare for the establishment of specialty hospitals in Wuxi, Shanghai (Baoshan District) and Nanjing, and look for suitable places in other regions of the Yangtze River Delta to expand the specialty hospital business, which will further increase our presence of obstetrics and gynecology services while safe and reliable obstetrics and gynecology and pediatrics services will be offered to more residents in the country.

While the Group continuously grows stronger, the Group keeps improving its management system. Meanwhile, the Group has also introduced the share option scheme in order to keep up the staff morale and strengthen team cohesion so as to let our staff grow together with the Group.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to the Shareholders, investors and cooperating partners of the Group for their continuous support and trust over the past year. At the same time, thanks to the dedication and joint efforts of the management team and all the staff for keeping, the Group growing steadily. In the future, all parties will put active efforts and be dedicated to providing more quality medical services in order to protect the health and well-being of more families and realize the maximum value for the shareholders.

Chairman of the Board
Fang Yixin

March 29, 2018

Profiles of Directors and Senior Management

Below are the brief profiles of the current Directors and senior management of the Group.

DIRECTORS

The Board currently consists of nine Directors, comprised of four executive Directors, two non-executive Director and three independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment as Director
Executive Directors			
Dr. Fang Yixin (方宜新)	53	Chairman and executive Director	February 3, 2016
Dr. Mei Hong (梅紅)	53	Executive Director	July 11, 2014
Mr. Lu Zhenyu (盧振宇)	48	Chief executive officer and executive Director	February 3, 2016
Dr. Wang Weiping (王衛平)	66	Executive Director	June 23, 2016 (re-designated on June 6, 2017)
Non-executive Director			
Ms. Jiao Yan (焦焱)	40	Non-executive Director	February 3, 2015
Mr. Yao Qiyong (姚其湧)	54	Non-executive Director	June 6, 2017
Independent non-executive Directors			
Dr. Wang Yong (王勇)	51	Independent non-executive Director	June 23, 2016
Ms. Wong Sze Wing (黃斯穎)	39	Independent non-executive Director	June 23, 2016
Mr. Jiang Peixing (姜培興)	50	Independent non-executive Director	June 6, 2017

Executive Directors

Dr. Fang Yixin (方宜新), aged 53, is the chairman and an executive Director of our Company. Dr. Fang is responsible for managing the overall business operations and strategic planning of our Group. Dr. Fang has over 24 years of experience in the healthcare industry and is a founder of our Group. Prior to establishing our Group, Dr. Fang served as a medical doctor in the Affiliated Hospital of Nantong University (南通大學附屬醫院) from September 1986 to July 1992. In 1992, Dr. Fang first ventured into the healthcare industry and set up Jiangsu Tayoi Cosmetics Co., Ltd. (江蘇東洋之花化妝品股份有限公司) and has been its director since then. Dr. Fang established the first company of our Group, Nantong Rich Hospital, in August 2000. He has also served as an executive director of the majority of our Group companies. Dr. Fang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Dr. Fang graduated from Yangzhou College of Medicine (揚州醫學院) (currently known as Yangzhou University School of Medicine) majoring in medicine in August 1986 and an EMBA from Tsinghua University in July 2006. Dr Fang is the spouse of Dr. Mei.

Dr. Mei Hong (梅紅), aged 53, is a vice president and an executive Director of our Company. Dr. Mei is responsible for supply chain management, project management, chain store development and internal audit of our Group. Prior to establishing our Group, Dr. Mei served as a medical doctor in Nantong Women and Children Health Clinic (南通市婦幼保健院) from September 1986 to December 1999. Dr. Mei, as a co-founder of our Group, has been a director of Nantong Rich Hospital since its inception and as director of the majority of our Group companies. Dr. Mei is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Dr. Mei graduated from Yangzhou College of Medicine (揚州醫學院) (currently known as Yangzhou University School of Medicine) majoring in clinical medicine in August 1986. Dr. Mei is the spouse of Dr. Fang.

Mr. Lu Zhenyu (盧振宇), aged 48, is the chief executive officer and an executive Director of our Company. Mr. Lu is responsible for medical examination business, e-commerce and customer services of our Group. Prior to joining our Group in November 2013, Mr. Lu joined Amoi Technology Co., Ltd. (夏新電子股份有限公司) (a company listed on Shanghai Stock Exchange and now known as Xiangyu Co., Ltd. (廈門象嶼股份有限公司) and its stock code is 600057) as the president in charge of research and development, production and sales in December 2007 and served concurrently as a director and the president from September 2008 to February 2010, after which, he worked freelance until joining our Group. Between June 2004 to December 2007, Mr. Lu worked as an executive vice president in charge of research and development, production and sales of computer products for China Great Wall Computer Shenzhen Co., Ltd (中國長城計算機深圳股份有限公司) (currently known as China Greatwall Technology Group Co Ltd (中國長城科技集團股份有限公司) (a company listed on Shenzhen Stock Exchange and its stock code is 000066). Mr. Lu is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Mr. Lu received a bachelor's degree in computer science and engineering from Southeast University (東南大學) in July 1991 and subsequently an EMBA from Tsinghua University (清華大學) in July 2006.

Dr. Wang Weiping (王衛平), aged 66, is the consultant to the president and an executive Director of our Company. Dr. Wang is responsible for operation and management of specialty hospitals. Dr. Wang was appointed as an independent non-executive Director in June 2016, being responsible for supervising and providing independent judgment to the Board, and was re-designated to the current position in June 2017. Dr. Wang has been serving at Children's Hospital of Fudan University (復旦大學附屬兒科醫院) since 1982. Dr. Wang has over 35 years of experience in clinical pediatrics care. In addition to providing medical care, Dr. Wang is a professor specializing in clinical education and research in the area of pediatrics. Dr. Wang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Dr. Wang received a bachelor's degree in medicine from Norman Bethune University of Medicine (白求恩醫科大學) (currently known as Norman Bethune Health Science Center of Jilin University (吉林大學白求恩醫學部)) in August 1978, and subsequently a doctor of philosophy in pediatrics from Shanghai Medical University (上海醫科大學) in December 1988. Dr. Wang was recognized as a senior professor by Shanghai Medical University in December 1994.

Non-executive Directors

Ms. Jiao Yan (焦焱), aged 40, was appointed as a non-executive Director of our Company in February 2015. Ms. Jiao is responsible for overseeing the corporate development and strategic planning of our Group. Ms. Jiao was an analyst of Credit Suisse First Boston, LLC from July 1999 to June 2001, and subsequently a corporate strategy and development associate of Borden Chemical, Inc. from August 2001 to July 2002. Between September 2004 and November 2005, Ms. Jiao was a consultant of the Boston Consulting Group. Ms. Jiao joined Baring Private Equity Asia Limited in November 2005 and is currently holding a position as a managing director. Ms. Jiao is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Ms. Jiao received a bachelor of science in economics and a bachelor of science in chemical engineering, from Massachusetts Institute of Technology in June 1999 and subsequently an MBA from the Wharton School of the University of Pennsylvania in May 2004.

Mr. Yao Qiyong (姚其湧), aged 54, was appointed as a non-executive Director of our Company in June 2017. Mr. Yao is responsible for overseeing the corporate development and strategic planning of our Group. Mr. Yao has been the chairman of the board of directors of Jumbo Sheen Group (宏兆集團), a company incorporated in the PRC and principally engaged in equity investment and fund management, since 2002. Dr. Yao is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Mr. Yao received a bachelor's degree in economic and administrative management from Chinese People's Liberation Army Nanjing Political College (中國人民解放軍南京政治學院) in 2006 and an executive master of business administration degree from Cheung Kong Graduate School of Business (長江商學院) in 2009.

Independent Non-executive Directors

Dr. Wang Yong (王勇), aged 51, was appointed as an independent non-executive Director of our Company in June 2016. Dr. Wang is responsible for supervising and providing independent judgment to our Board. Dr. Wang has extensive experience in EMBA education research, particularly in the area of innovation and business growth management. Dr. Wang served as the project director of the Institute of Mechanical and Electrical, and the manager of Water and Power Equipment Plant and Exhibition Model Plant of China Institute of Water Resources and Hydropower Research (中國水利水電科學研究院) in charge of scientific research and operation management from July 1988 to July 2002. Since August 2002, Dr. Wang has been the executive deputy director, executive director and director of Tsinghua University School of Economics and Management EMBA Center (清華大學經濟管理學院EMBA教育中心) in succession. Dr. Wang served as an independent director of Shenzhen Clou Electronics Co., Ltd. (深圳市科陸電子科技股份有限公司) (stock code: 002121) and Ocean's King Lighting Science and Technology Co., Ltd. (海洋王照明科技股份有限公司) (stock code: 002724), both of which are listed on the Shenzhen Stock Exchange, from November 2009 to February 2013, and from August 2011 to August 2014, respectively. Save as disclosed above, Dr. Wang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Dr. Wang received a bachelor of science degree in hydraulic machinery from Huazhong University of Science and Technology (華中科技大學) in July 1988, a master of business administration and a doctor of business administration degree from Tsinghua University in January 2001 and January 2009, respectively.

Ms. Wong Sze Wing (黃斯穎), aged 39, was appointed as an independent non-executive Director of our Company in June 2016. Ms. Wong is responsible for supervising and providing independent judgment to our Board. Prior to joining our Group, Ms. Wong was an associate and later an audit manager of PricewaterhouseCoopers from September 2001 to December 2006. From January 2007 to April 2008, Ms. Wong was the chief finance director of Orange Sky Golden Harvest Entertainment (Holdings) Limited (橙天嘉禾娛樂(集團)有限公司) (stock code: 1132), a company listed on the Stock Exchange, and has been its independent non-executive director since April 2010, responsible for advising on strategic and financial planning in the China market. Ms. Wong was also previously the chief finance director of Avex Music and Imaging Production (China) Co., Ltd. (艾迴音樂影像製作(中國)有限公司), a joint venture company under Orange Sky Entertainment (International) Holdings Limited, from January 2007 to April 2008. Ms. Wong was the deputy chief financial officer of Yingde

Gases Company Limited (盈德氣體集團有限公司), a company which was listed on the Stock Exchange (stock code: 2168) until 21 August 2017, from July 2008 to February 2009 and the joint company secretary from July 2008 to March 2017, and has been the chief finance officer since February 2009, responsible for its investor relations, financial, investment and internal control. Ms. Wong Sze Wing was appointed as an independent director of Wangsu Science & Technology Co., Ltd. (網宿科技股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300017) in April 2017, and an independent director of Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002236) in May 2017. Save as disclosed above, Ms. Wong is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Ms. Wong received a bachelor's degree in business administration from the University of Hong Kong in November 2001 and an EMBA from the China Europe International Business School (中歐國際商學院) in July 2012. Ms. Wong has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2005.

Mr. Jiang Peixing (姜培興), aged 50, was appointed as an independent non-executive Director of our Company in June 2017. Mr. Jiang is responsible for supervising and providing independent judgment to our Board. Mr. Jiang has been the chairman of the board of directors of Huade Capital Management Co., Ltd. (華德資本管理有限公司) since May 2017, an independent non-executive director of Hebei Tangshan Rural Commercial Bank Co., Ltd. (河北唐山農村商業銀行股份有限公司) since 2015 and an independent non-executive director of Sinvo Fund Management Co., Ltd. (新沃基金管理有限公司) since 2017. Mr. Jiang has extensive experience in corporate finance. Mr. Jiang served as the chief executive officer of Zhong De Securities Company Limited (中德證券有限責任公司) from August 2011 to April 2017 and the managing director thereof from June 2011 to April 2017. Mr. Jiang served as the deputy chief executive officer of CCB International (Holdings) Limited (建銀國際 (控股) 有限公司) from July 2009 to June 2011. Mr. Jiang served as the general manager of the investment management department of the head office of China Merchant Bank Co., Ltd. (招商銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600036) and the Main Board of the Stock Exchange (stock code: 3968), from September 2008 to July 2009, and the general manager of the investment bank department thereof from 2006 to 2007. Mr. Jiang acted as the president of CMB International Capital Corporation Limited (招銀國際金融有限公司) from January 2005 to September 2008. Mr. Jiang served as an assistant of the president of China Galaxy Securities Co., Ltd. (中國銀河證券有限責任公司), a company listed on the Shanghai Stock Exchange (stock code: 601881) and the Main Board of the Stock Exchange (stock code: 6881), from July 2000 to January 2005, and the general manager of its Shanghai headquarters from October 2002 to April 2004. Mr. Jiang acted as the general manager of Shenzhen Yangguang Fund Management Co., Ltd. (深圳陽光基金管理有限公司) from March 1996 to February 2000. Mr. Jiang was a deputy general manager of futures business department of PICC Trust Investment Corporation (中國人保信託投資公司) from January 1994 to March 1996. Save as disclosed above, Mr. Jiang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Mr. Jiang received a bachelor's degree in information system management from Tsinghua University (清華大學) in July 1991, a master's degree in business administration from Tsinghua University in July 1999 and a master's degree in public administration from Columbia University in June 2002.

Senior Management

Ms. Wang Yan (王燕), aged 38, has been our chief finance officer since May 5, 2017. Ms. Wang is responsible for supervising the financial operations of our Group. Ms. Wang was the financial controller of the Company from January 2017 to May 2017. Prior to joining the Group in January 2017, Ms. Wang served as the financial controller of Shanghai Smart Arena Network

Technology Co., Ltd. (上海慧體網絡科技有限公司) from October 2015 to November 2016, the financial controller and enterprise resource planning director of Touch Media Group (觸動傳媒集團) from July 2010 to October 2015 and a senior internal auditing manager of Shanghai The 9 Computer Consulting Co., Ltd. (上海第九城市計算機諮詢有限公司) from May 2006 to July 2010. Ms. Wang is not and has not been a director of any listed company in Hong Kong or overseas in the past three years. Ms. Wang received her bachelor's degree in economics from Fudan University (復旦大學). Ms. Wang is a member of the Chinese Institute of Certified Public Accountants, a certified internal auditor granted by the China Institute of Internal Audit and a Middle-Level Accountant granted by the Ministry of Finance of the People's Republic of China.

Ms. Lin Xiaoying (**林曉穎**), aged 40, is a vice president of our Company and the general manager of administrative and legal affairs center and human resources center, and is responsible for the strategic investment of our Group. Ms. Lin joined our Group in July 2017 as the assistant to president and the general manager of human resources center and the director of the president's office, and was appointed as a vice president of our Company in January 2018. Prior to joining our Group, Ms. Lin served as the chief of operation management department and commerce department of ZTE handset division, the chief of commercial department of ZTE international sales division and other positions from July 1999 to July 2017. Ms. Lin is not and has not been a director of any listed company in Hong Kong or overseas in the past three years. Ms. Lin received a bachelor's degree in international economics from the Renmin University of China in 1999 and an MBA from the University of Management and Technology in June 2006.

Mr. Lin Hefei (**林鶴飛**), aged 51, is a vice president of our Company. He joined our Group in July 2012 and successively served as a general manager of the medical examination business department of Shenzhen Branch, general manager of the Southern area and deputy general manager of the medical examination business department, and is currently responsible for managing chain store development center, project management center and visual design center. Prior to joining our Company, Mr. Lin worked as an engineer of Nantong Jinghua Pharmaceutical (南通精華製藥) from July 1989 to July 1996. Mr. Lin was a sales manager, marketing director, deputy general manager and executive vice president of Jiangsu Tayoi Cosmetics Co., Ltd.*(江蘇東洋之花化妝品股份有限公司) from July 1996 to July 2012. Mr. Lin is not and has not been a director of any listed company in Hong Kong or overseas in the past three years. Mr. Lin received a bachelor's degree in engineering from Nanjing Tech University (南京工業大學) in 1989.

Dr. Zhaolin (**趙林**), aged 63, is a vice president of our Company and general manager of Nantong business department. Dr. Zhao is responsible for operation and management of hospital business, hemodialysis business and elderly care business of our Group in Nantong. Dr. Zhao acted as a vice president of our Group and general manager of hospital construction business department from June 2017 to December 2017, the vice president of our Group and general manager of hospital business department from December 2014 to June 2017, and a president of Nantong Rich Hospital from April 2000 to June 2017. Prior to joining our Group, Dr. Zhao was the director of traumatology department and emergency surgery department of the hospital affiliated to Nantong Medical School (南通醫學院) from December 1982 to April 2000. Dr. Zhao is not and has not been a director of any listed company in Hong Kong or overseas in the past three years. Dr. Zhao received a bachelor's degree in medicine and a master's degree in surgery from Nantong Medical School in 1982 and 1988, respectively, and a doctoral degree in business administration from American University in California (加利福利亞美洲大學) in September 2010.

Management Discussion and Analysis

BUSINESS REVIEW

Year 2017 marks another new milestone for the Group following the completion of our IPO in October 2016. Since our IPO, the Group has striven to expand its medical examination business, and over the past year, we established 16 new medical examination centers and rapidly expanded our service network. During the year under review, the Group established strategic cooperation with Ping An Cooperative Partners with details set out in the announcement and the circular of the Company dated November 8, 2017 and December 7, 2017, respectively, aiming to establish and operate medical examination centers, speed up the development of the layout of high-end medical examination market and promote high-quality medical services to a broad customer base, and therefore increase the market share of the Group and reinforce our reputation in the medical examination industry.

During the year under review, the Group vigorously developed its hospital business and planned to set up specialty hospitals, in particular, actively deploying in the field of obstetrics and gynecology hospitals and expanding its existing principal businesses to three core segments: medical examination, specialty hospital and general hospital. In response to consumption upgrade and market demand, the Group actively developed its specialty hospitals, introduced five-star obstetrics and gynecology and postpartum care services, and strengthened the expertise of specialty hospitals through the strategic cooperation with Obstetrics and Gynecology Hospital of Fudan University (復旦大學附屬婦產科醫院).

The Group continuously optimized its procurement system to effectively enhance its cost-effectiveness.

Medical Examination Business

In 2017, the medical examination business of the Group developed rapidly, and the number of medical examination centers almost doubled as compared with the number at the time of the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date. As of December 31, 2017, the Group had 44 medical examination centers (2016: 28) across the country, among which, 30 medical examination centers have commenced operation (2016: 22). During the year under review, the medical examination centers under the Group served 1,542,577 individuals in total (2016: 1,302,410), representing a year-on-year increase of 18.4%, among which, corporate customers were the principal customer base of the medical examination services of the Group. During the year under review, we served 1,281,013 individuals under corporate customers (2016: 1,082,998) and 261,564 individual customers (2016: 219,412), representing a year-on-year increase of 18.3% and 19.2%, respectively.

In November 2017, the Group established cooperative relationship with Ping An Cooperative Partners, for synergetic development of high-end medical examination services business and promotion of synergy between insurance and healthcare industries in order to maximize effectiveness. Through this cooperation, the Group planned to establish or acquire no less than 35 medical examination centers with Practice License through Shanghai Kuici established by Shanghai Rich Medical and Shenzhen Ping An Health Technology Fund in China by the end of 2019 to further expand the medical examination network and regional coverage of the Group. Besides, to tap into the large customer base of Ping An Cooperative Partners, our Group will provide the high net worth clients of Ping An Cooperative Partners with high-end medical examination services, which will effectively help to increase the market share of medical examination services of the Group and improve its brand reputation.

Management Discussion and Analysis

During the year under review, the Group further enhanced the team's execution capability, and effectively implemented the strategies of the medical examination business with the edges of its own operation and brand, and thus the number of medical examination centers increased significantly as compared with 2016. Meanwhile, the Group enhanced the capabilities in administration, procurement, customer-supporting system and services, which not only allowed us to better control the Group's medical examination business but also deepened our understanding of demands from different customer bases. Furthermore, the Group further strengthened the sales and marketing teams to better support the newly established medical examination centers. In addition, the Group also actively improved the service process of medical examination, such as implementing a service reservation system, under which we encouraged customers to reserve medical examination services through the mobile application "Medical Helper" (幫忙醫) or service hotlines to reduce waiting time for each examination session and delivered better customer experiences.

Due to the increasingly aging Chinese population and unreasonable allocation of healthcare resources, along with the economic development and income growth, the demand for healthcare services has become increasingly diversified. Clinics are the connection between hospital and medical examination, and is also one of the sites for medical referral system. Since the establishment of outpatient clinic in Shanghai in 2016, the Group currently has 8 clinics across the country. Leveraging on its advanced internet healthcare technologies, the Group has established cooperative relationship with public hospitals and hospitals of traditional Chinese medicine in third-tier regions. This has formed the medical referral system of "RICI Medical Alliance", in which reputable physicians from clinics can be introduced to people across the country. The clinics of the Group currently provide 23 types of specialty medical services including internal medicine, surgery, gynecology, pediatrics, dermatology, rehabilitation medicine, ophthalmology, otolaryngology, dentistry and traditional Chinese medicine. The Group has also established an extensive technological cooperative relationship with the Children's Hospital of Fudan University (復旦大學附屬兒科醫院) and Guang'anmen Hospital of China Academy of Chinese Medical Sciences (中國科學院廣安門中醫院) to ensure green channel services such as follow-up hospitalization, surgery and complex examinations for all patients.

Specialty Hospital Business

Along with the increase of residential disposable income, the rise of social consumption level and the upgrade of consumption structure, the specialty medical market of the PRC continued to expand. Together with the implementation of "Two-child" Policy, the obstetrical and gynecological market had urgent demand for high-quality medical services. In regard of this, our Group has been actively planning the layout of specialty hospital business in order to better seize the opportunities for rapid market growth. During the year under review, the Group actively set up a high-end obstetric and gynecology hospital in each of Shanghai (Jing'an District) and Changzhou, which respectively had 96 and 268 registered beds, mainly providing professional medical services in gynecology, obstetrics, pediatrics, as well as post-delivery services. In January 2018, our Changzhou Rich Obstetrics & Gynecology Hospital obtained Practice License and commenced operation, and in March 2018 Rici Shuixian obtained the Practice License and is expected to commence business and operate in the second quarter of 2018.

In addition, during the year under review, the Group actively prepared for the establishment of a specialty hospital in each of Wuxi, Shanghai (Baoshan District) and Nanjing.

General Hospital Business

Nantong Rich Hospital is a Class III Grade B private general hospital with 520 registered beds and a total floor area of approximately 72,084 square meters. As of December 31, 2017, Nantong Rich Hospital had 241 doctors, 78 healthcare technical staff and 372 nurses. During the year under review, Nantong Rich Hospital served a total of 324,487 out-patients (2016: 281,853), and 20,157 in-patients (2016: 18,006), representing an increase of 15.1% and 11.9% as compared with last year, respectively.

Nantong Rich Hospital has a number of clinical departments, among which pediatric surgery is a National Key Clinical Discipline Construction Project (國家臨床重點專科建設項目) awarded by National Health and Family Planning Commission of the PRC. In November 2017, Pediatric International Department (兒科國際部) of Nantong Rich Hospital had completed its renovation work and commenced operation, providing a comfortable, safe and modern diagnosis environment for pediatric patients to satisfy the residential demand in Nantong for high-quality medical services.

Meanwhile, the Group also actively planned expansion projects of Nantong Rich Hospital to meet its demand for future development.

PROSPECTS

It is proposed in the "13th Five-Year" Plan and the "Plan of Health China 2030" to advance the establishment of China's health industry and prioritize the development of hygiene and health industries in the overall economic development. Meanwhile, with the continuous improvement of living standards, people's demand for health has become increasingly diversified. The healthcare services industry has embraced a rare historical opportunity.

The Group attaches the greatest importance to the development of healthcare quality, further implements a diversified health development strategy and actively promotes the layout of healthcare industry chain. Leveraging on its precise and extensive professional services, effective management system and its leading edges in the Yangtze River Delta region, the Group will further strengthen the development of its medical examination business, specialty hospital business and general hospital business.

For the medical examination business, the Group will continue to take advantage of its professional medical examination services and highly effective management system to improve the layout of the service network of medical examinations across the country. The Group plans to establish or acquire 30 medical examination centers with business license in 2018 to further improve the network layout of medical examination business and the total number of medical examination centers is expected to reach 74 by end of 2018.

Through the strategic cooperation with Ping An Cooperative Partners, the Group will implement the cooperative projects of new medical examination centers as soon as possible. On one hand, the Group has been cooperating and exploring the local business of medical examinations with the branches of Ping An Cooperative Partners, and providing medical examination services to the local employees and customers of Ping An Cooperative Partners; on the other hand, the Group will provide staff training, add machinery and update operating systems for the new medical examination centers to ensure the high operational capability and high service quality of the newly established institutions.

The Group will also commence business cooperation through the Ping An Good Doctor platform, vigorously promote individual medical examination packages and marketing services of medical examinations, and provide medical examinations across the country to customers, including full offline high-quality services on pre-examination, mid-examination and post-examination stages, to increase sales contributions from medical examinations offered to individual customers. Customers of medical examinations can also undergo outpatient medical consultations through such platform and enjoy immediate online services, which will encourage communications, strengthen the loyalty of users and expand the user base of Ping An Good Doctor. In addition, the Group's high-end medical examination services will also attract more customers of Ping An Cooperative Partners to upgrade consumption, which will in turn be beneficial for increasing the market share of the Group and solidify our position in the industry.

Through the cooperation with members of Ping An Cooperative Partners, the Group believes that it will promote synergy between healthcare insurance products and medical services and achieve complementarity of advantages. The Group expects that in 2018, the scale of the medical examination business will be further expanded and service capacity will be further improved, realizing the mutual benefits of the partnership.

For the general hospital business, the Group will make plans on the expansion project of Nantong Rich Hospital to upgrade the hardware equipment of the hospital. The Group intends to build a new annex in the recreational space of Nantong Rich Hospital and increase the number of registered beds to deal with the situation of overloading capacity for inpatient accommodation and registered beds. Meanwhile, the Group will continue to improve the services for out-patients to provide better medical and waiting environment for patients, which will further solidify the competitive edges of the Group.

For the specialty hospital business, Rici Shuixian and the specialty hospital in Wuxi are expected to commence operation in the first half and the second half of 2018, respectively to provide high-quality obstetrical and gynecological, pediatric and post-delivery care services for the residents. As "Two-child" Policy has been fully implemented and driven by demand and favorable policies, specialty hospitals, especially the high-end obstetrics and gynecology services, will become the Group's new driving force for growth. In the future, the Group will enhance the marketing promotion of its specialty hospitals. Apart from the promotion on WeChat platform, the Group will conduct a series of promotional activities, including seminars in relation to obstetrics and gynecology, early-bird discount, hospital open day and etc., with a focus on promoting the high-end obstetrics and gynecology services of the Group, to attract more pregnant women to choose our delivery services of the two new hospitals under the Group. The Group will also actively increase the puerperium service standard, in hopes of providing the most attentive and suitable care for each mother.

The Group will continue to increase the brand value of Rici, persist the key strategy of optimization of structure and resources, improve the internal synergies and solidify the leading position of the Group in the healthcare service industry. The Group will continue to pay close attention to the changes in the market, and carefully formulate and adjust strategies where appropriate in order to get best prepared to seize opportunities in the future.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Group is exposed to related potential risks that are inherent to the provision of healthcare services from the Group. In recent years, physicians, hospitals and other healthcare service providers in China have become subject to an increasing number of medical disputes or legal actions alleging malpractice or other causes of action. The Group purchased medical liability insurance for our clinics and Nantong Rich Hospital. However, the Group did not purchase medical liability insurance for our medical examination business which the Group believes is consistent with industry practice. The Group has implemented stringent internal operating procedures to monitor the physicians and other medical staff of the Group regarding their professional responsibilities in examining and treating our customers. Please refer to page 44 of this annual report for more details.

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 segment for the years indicated:

	Year ended December 31,		
	2017	2016	**% of Change**
	(RMB'000)	(RMB'000)	
General hospital business	**346,825**	313,035	10.8%
Medical examination business	**764,443**[1]	651,098[1]	17.4%
Inter-segment	**(31,119)**	(28,750)	8.2%
Total	**1,080,149**	935,383	15.5%

Note:

(1) Included the revenue from our clinic business.

Our revenue increased by 15.5% from RMB935.4 million in 2016 to RMB1,080.1 million in 2017, mainly due to an increase in revenue from both our general hospital business and medical examination business.

Revenue from our general hospital business in 2017 amounted to approximately RMB316.3 million, representing an increase of 10.9% from approximately RMB285.2 million in 2016, excluding inter-segment revenue of RMB30.5 million and RMB27.8 million in 2017 and 2016, respectively. The increase was mainly attributable to an increase in the number of visits of our patients as we further improve our operational efficiency. The outpatient and inpatient pharmaceutical income amounted to RMB168.9 million (2016: RMB154.3 million), while the outpatient and inpatient service income amounted to RMB147.4 million (2016: RMB130.9 million). The proportion of outpatient and inpatient pharmaceutical income in revenue from our general hospital business decreased from 54.1% in 2016 to 53.4% in 2017 while the proportion of outpatient and inpatient service income in revenue from our general hospital business increased from 45.9% in 2016 to 46.6% in 2017, indicating our efforts for less dependence on pharmaceutical income to further fulfil our commitment to premium service quality.

Revenue from our medical examination business in 2017 amounted to approximately RMB763.9 million, representing an increase of 17.5% from approximately RMB650.2 million in 2016, excluding inter-segment revenue of RMB0.6 million and RMB0.9 million in 2017 and 2016, respectively. The increase in revenue from our medical examination business is mainly attributable to the operation of eight new medical examination centers in 2017 and the further expansion of the branding effects, which caused an increase in the number of visits for medical examination services. The number of individuals who used our services was 1,542,577 and 1,302,410 in 2017 and 2016, respectively, representing a year-on-year increase of 18.4%. The average spending per individual in our medical examination business was RMB489.0 and RMB493.0 in 2017 and 2016, respectively, which remained relatively stable.

The medical examination business includes a portion of clinic business. Revenue from our clinic business in 2017 amounted to approximately RMB6.7 million (2016: RMB2.4 million), mainly from diagnostic income. As the operation sites for clinics have officially expanded and been in operation since July 2016, the number of patient visits increased significantly in 2017 as compared to that of last year. The number of clinic visits was 5,908 and 2,683 in 2017 and 2016, respectively, representing a year-on-year increase of 120.2%. The average spending per individual in our clinic business also increased. The average spending per individual in our clinic business was RMB1,130.1 and RMB899.6 in 2017 and 2016, respectively, representing a year-on-year increase of 25.6%.

Cost of Sales

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

	Year ended December 31,		
	2017	2016	**% of Change**
	(RMB'000)	(RMB'000)	
General hospital business	**242,415**	219,764	10.3%
Medical examination business	**467,699[(1)]**	390,238[(1)]	19.8%
Inter-segment	**(31,119)**	(28,750)	8.2%
Total	**678,995**	581,252	16.8%

Note:

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

Our cost of sales increased by 16.8% from RMB581.3 million in 2016 to RMB679.0 million in 2017.

Cost of sales of our general hospital business in 2017 amounted to approximately RMB242.4 million, representing an increase of 10.3% from approximately RMB219.8 million in 2016. The increase was generally in line with the growth in revenue.

Cost of sales of our medical examination business in 2017 amounted to approximately RMB467.7 million, representing an increase of 19.8% from approximately RMB390.2 million in 2016. The increase was mainly attributable to the adjustment of remuneration system of medical staff by the Group during the year under review, causing an increase of the remuneration expenses of medical staff. In addition, the variable cost of our medical examination centers including medical consumable costs and outsourcing testing expenses increased, which was generally in line with the revenue growth of our medical examination business. Meanwhile, some fixed cost, such as rental expenses, increased, due to the operation of new medical examination centers.

Gross Profit

Our gross profit increased by 13.3% from approximately RMB354.1 million in 2016 to approximately RMB401.2 million in 2017. The gross profit margin slightly decreased from 37.9% in 2016 to 37.1% in 2017, which was primarily attributable to the slight decrease of gross profit margin of our medical examination business. The gross profit margin of our general hospital business in 2017 was 30.1%, which remained stable as compared to that of 29.8% in 2016. The gross profit margin of our medical examination business slightly decreased to 38.8% in 2017 from 40.1% in 2016, primarily as a result of the eight newly-operated medical examination centers with initially lower gross profit margins.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses increased by 129.6% from approximately RMB76.4 million in 2016 to approximately RMB175.3 million in 2017. The increase was mainly attributable to the increase in sales staff costs, given that the Group adjusted the remuneration system of sales staff in order to increase the basic salary of sales staff, and established a better rewarding scheme for sales staff for the boost of sales performance of the medical examination business and maintaining a stable sales team to satisfy the need for rapid expansion of medical examination centers. In addition, the Group strengthened sales promotion in order to enhance branding effects, which resulted in an increase in promotion expenses.

Administrative Expenses

Our administrative expenses increased by 45.8% from approximately RMB200.8 million in 2016 to approximately RMB292.8 million in 2017. The increase was mainly due to (i) the increase of pre-opening expenses, such as the rental expenses, for the pre-operation of new medical examination centers and specialty hospitals; (ii) the increase in the number of administrative employees due to the expansion of medical examination centers, and the increase of salary and improvement of welfare; and (iii) the increase in share option expenses as a result of the inclusion of options granted on September 19, 2016 into the annual expenses of 2017 and the grant of new options on November 24, 2017.

Other Income

Other income was mainly generated from government grants. Our other income decreased by 17.2% from approximately RMB14.2 million in 2016 to approximately RMB11.8 million in 2017.

Other Losses

Other losses was generated from losses on disposal of equipment and other miscellaneous losses. Our other losses increased from approximately RMB0.9 million in 2016 to approximately RMB2.5 million in 2017.

Finance (Expenses)/Income — net

The Group had net finance expenses of RMB51.4 million in 2017, compared to net finance income of RMB1.6 million in 2016, mainly due to exchange loss of RMB33.6 million in 2017 arising from the bank deposits denominated in Hong Kong dollars and US dollars mainly resulting from the appreciation of Renminbi, while the exchange gain of RMB20.7 million in 2016 arising from the bank deposits denominated in Hong Kong dollars and US dollars.

Share of Results

For the year ended December 31, 2017, the Group recognized a profit of RMB0.2 million (2016: loss of approximately RMB1.0 million) in its consolidated statement of profit or loss, mainly due to the operating profit/loss of Nantong Meidi a joint venture of the Group and a company primarily engaged in providing elderly care services. The business of Nantong Meidi has been stable since the establishment in the second half of 2014, resulting in small earnings in 2017.

Income Tax Credit/(Expense)

For the year ended December 31, 2017, income tax credit amounted to approximately RMB6.2 million (2016: income tax expenses of approximately RMB36.6 million), mainly because the new medical examination centers and specialty hospitals incurred more loss in 2017, which was recognized as the deferred income tax assets, and therefore decreased the income tax expenses.

(Loss)/Profit for the Year

For the foregoing reasons, we recorded net loss of RMB102.7 million in 2017 (2016: net profit of RMB54.4 million), mainly attributable to the pre-opening expenses of the new medical examination centers and specialty hospitals, the increase of staff costs due to the change of remuneration system and the exchange loss due to the fluctuations of foreign exchange.

Adjusted EBITDA

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

	Year ended December 31,	
	2017 (RMB'000)	2016 (RMB'000)
Adjusted EBITDA calculation		
(Loss)/Profit for the year	**(102,680)**	54,389
Adjusted for:		
Income tax (credit)/expenses	**(6,234)**	36,593
Finance expenses/(income) — net	**51,449**	(1,633)
Depreciation and amortization	**84,795**	81,617
Pre-opening expenses and EBITDA loss of soft-opening[1]	**114,136**	37,846
Listing expenses[2]	**—**	37,966
Share option expenses	**12,255**	3,144
Adjusted EBITDA	**153,721**	249,922
Adjusted EBITDA margin[3]	**14.2%**	26.7%

Notes:

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

(2) A total of RMB38.0 million listing expense was incurred in 2016.

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

We recorded an adjusted EBITDA of RMB153.7 million in 2017, representing a decrease of 38.5% from RMB249.9 million in 2016, which was mainly attributable to the increase in staff costs as a result of changes in remuneration system.

FINANCIAL POSITION

Property and Equipment

Property and equipment primarily consist of buildings, medical equipment, general equipment, leasehold improvement and construction in progress. As of December 31, 2017, the property and equipment of the Group amounted to approximately RMB778.3 million, representing an increase of approximately RMB385.1 million as compared to approximately RMB393.2 million as of December 31, 2016. The increase was primarily due to acquisition of equipment and renovation by the new medical examination centers and specialty hospitals.

Inventories

Inventories increased from approximately RMB19.1 million as of December 31, 2016 to approximately RMB24.0 million as of December 31, 2017.

Trade Receivables

As of December 31, 2017, the trade receivables of the Group were approximately RMB195.5 million, representing an increase of approximately RMB64.5 million as compared to approximately RMB131.0 million as of December 31, 2016, which was mainly attributable to (i) the increase of revenue during 2017; and (ii) the income from examination service of certain large customers completed in the peak season of the industry (the second half of the year) of the Group's medical examination business was still within the payment term and was not available for collection at the end of the year. Such receivables were settled in January 2018.

Net Current Assets Position

As of December 31, 2017, the Group's net current assets were RMB44.7 million, representing a decrease of RMB429.3 million as compared with net current assets of RMB474.0 million as of December 31, 2016. The decrease in net current assets position was mainly due to the increase of current liabilities incurred by the Group for the investment in construction of new medical examination centers and specialty hospitals.

Liquidity and Capital Resources

The Group had cash and bank balance of RMB812.2 million as of December 31, 2017. As of December 31, 2017, the Group had outstanding bank borrowings of RMB594.7 million. The Board is of the opinion that the financial position of the Group is strong and healthy, and the Group has sufficient resources to support its operations and meet its foreseeable capital expenditures. For the currency in which cash and bank balance are denominated, please refer to Note 16 to the consolidated financial statements.

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

	Year ended December 31,	
	2017	2016
	(RMB'000)	(RMB'000)
Net cash generated from operating activities	**27,280**	173,283
Net cash used in investing activities	**(407,241)**	(127,264)
Net cash generated from financing activities	**129,106**	579,667
Net (decrease)/increase in cash and cash equivalents	**(250,855)**	625,686

Net Cash Generated from Operating Activities

For the year ended December 31, 2017, the net cash generated from operating activities was RMB27.3 million. Cash inflow generated from operating activities was approximately RMB88.8 million for the year ended December 31, 2017, representing a decrease of RMB153.2 million as compared with that of RMB242.0 for the year ended December 31, 2016, mainly due to the increase in pre-opening expenses of the new medical examination centers and specialty hospitals which was offset by the interest paid of approximately RMB24.8 million and the income tax paid of RMB36.7 million.

Net Cash Used in Investing Activities

For the year ended December 31, 2017, the net cash used in investing activities was RMB407.2 million, primarily attributable to (i) the purchases of property and equipment and intangible assets of RMB409.6 million; (ii) the investment in an associate of RMB1.0 million; and (iii) the acquisition of interest in a subsidiary at a consideration of RMB1.1 million, partially offset by the proceeds from disposal of equipment of RMB0.1 million and the interest received from bank deposits of RMB4.3 million.

Net Cash Generated from Financing Activities

For the year ended December 31, 2017, the net cash generated from financing activities was RMB129.1 million, primarily attributable to (i) the capital contribution of RMB59.0 million from owners of the Company or non-controlling interests of subsidiaries; (ii) the net proceeds from bank borrowing of RMB280.1 million; and (iii) the loan from non-controlling interests of a subsidiary of RMB6.0 million, partially offset by payment of listing expenses of RMB0.3 million and increase in restricted cash of RMB215.6 million.

Significant Investments, Acquisitions and Disposals

For the year ended December 31, 2017, the Group did not have any significant investments, acquisitions or disposals, except (i) the proposed investment of RMB65.0 million for the establishment of a company which will become an indirectly wholly-owned subsidiary of the Company for operating a healthcare industry park in Nanjing, the PRC, principally engaged in specialty hospital business according to the cooperation agreement dated March 28, 2017 entered into between Shanghai Rich Medical and Nanjing South New City Health Industry Development Co., Ltd. (南京南部新城健康產業發展有限公司); (ii) Shanghai Rich Medical's investment in Sichuan Rich by acquiring 55% equity of Sichuan Rich from Ms. Zhou He according to the equity transfer agreement dated June 16, 2017; (iii) the proposed investment of RMB143.0 million for establishing a company which will become an indirectly non-wholly-owned subsidiary of the Company for establishment of an obstetrics and gynecology and pediatrics specialty hospital according to the cooperation agreement dated September 1, 2017 entered into between Shanghai Rich Medical and Shanghai Jiangyang Industry Company (上海江楊實業有限公司); and (iv) the investment agreement dated November 8, 2017 entered into between the Company, Shanghai Rich Medical, Chelsea Grace Holding Limited, Dr. Fang Yixin, Dr. Mei Hong and Ping An Health Technology Fund in relation to the establishment of a subsidiary for establishing or acquiring medical examination centers, pursuant to which Shanghai Rich Medical agreed to make a cash contribution of RMB400 million to the entity, and Ping An Health Technology Fund agreed to make a cash contribution of RMB150 million to the entity and subscribe for the convertible bonds with a total principal amount of RMB150 million to be issued by the entity. For details, please refer to the announcements of the Company dated March 28, 2017, June 16, 2017, September 4, 2017 and November 8, 2017, respectively.

Use of Proceeds from IPO

After the partial exercise of the Over-allotment Option (as defined in the Prospectus) and after deducting underwriting commissions and all related expenses, the net proceeds from issuance of ordinary shares of the Company in connection with the IPO amounted to RMB682.7 million. As of the date of this annual report, 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.

From the Listing Date to December 31, 2017, 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.
- RMB13.5 million used for payment of listing-related expenses and other general business use.

Capital Expenditure and Commitments

For the year ended December 31, 2017, the Group incurred capital expenditure of RMB479.8 million, primarily due to purchases of medical equipment for our new medical examination centers and specialty hospitals.

As of December 31, 2017, the Group had a total capital commitment of approximately RMB702.8 million (2016: RMB26.4 million), mainly comprising the related contracts of capital expenditure in newly built medical examination centers and specialty hospitals.

Borrowings

As of December 31, 2017, the Group had total bank and other borrowings of RMB594.7 million (2016: RMB314.6 million). Further details are set out in Note 22 to the consolidated financial statements.

Contingent Liabilities

The Group had no material contingent liability as of December 31, 2017 (2016: nil).

Financial Instruments

The Group did not have any financial instruments as of December 31, 2017 (2016: nil).

Gearing Ratio

As of December 31, 2017, on the basis of net debt divided by total share capital, the Group's gearing ratio was -0.2% (2016: -147.4%). The increase in gearing ratio mainly resulted from the Group's use of cash on hand and increase in bank borrowings for the establishment of new medical examination 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. We did not hedge our cash flow and fair value interest rate risk during the year.

Foreign Exchange Risk

For year ended December 31, 2017, 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 raise.

Credit Risk

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

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

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

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

Liquidity Risk

Our finance department monitors rolling forecasts of our liquidity requirements to ensure we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn committed borrowing facilities at all times so that we do not breach borrowing limits or covenants (where applicable) on any of our borrowing facilities. We expect to fund the future cash flow needs through cash flows generated from operations, borrowings from financial institutions and if necessary, issuing debt instruments or capital injection from shareholders of the Company. Based on contractual undiscounted payments, our financial liabilities were RMB928.0 million as of December 31, 2017 (2016: RMB495.2 million).

Pledge of Assets

As of December 31, 2017, the Group had property assets with a total carrying amount of RMB80,944,000 (2016: property assets of RMB43,103,000 and land use rights of RMB3,498,000) and restricted deposits with an amount of USD33,000,000 (2016: nil) pledged for bank borrowings.

Corporate Governance Report

The Board is pleased to present this corporate governance report in this annual report of the Company for the year ended December 31, 2017.

1. CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. The Company has complied with the code provisions as set out in the CG Code for the year ended December 31, 2017. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

2. THE BOARD

(1) Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. All Board Committees are provided with sufficient resources to perform their duties.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

(2) Directors' and Senior Management's Liability Insurance and Indemnity

The Company has arranged appropriate liability insurance to indemnify the Directors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage shall be reviewed on an annual basis and the Board has reviewed the insurance coverage for the 12 months ended December 31, 2017.

(3) Board Composition

As at the date of this annual report, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors.

Eexecutive Directors

Dr. Fang Yixin *(Chairman)*

Dr. Mei Hong

Mr. Lu Zhenyu *(Chief Executive Officer)*

Dr. Wang Weiping (re-designated from an independent non-executive Director on June 6, 2017)

Non-Executive Directors
Ms. Jiao Yan
Mr. Yao Qiyong (appointed on June 6, 2017)

Independent Non-Executive Directors
Dr. Wang Yong
Ms. Wong Sze Wing
Mr. Jiang Peixing (appointed on June 6, 2017)

Except that Dr. Fang is the spouse of Dr. Mei, no other relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

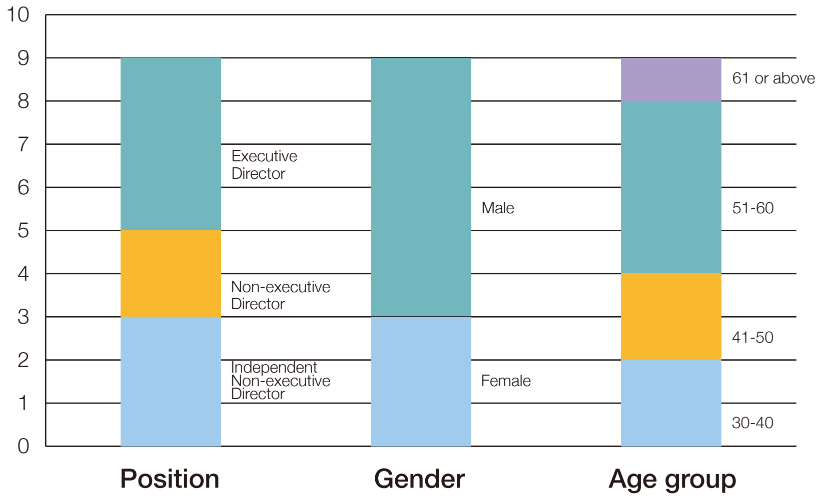
For the year ended December 31, 2017 and up to the date of this annual report, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of independent non-executive Directors representing at least one-third of the Board. Among the three independent non-executive Directors, Ms. Wong Sze Wing has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

(4) Board Diversity Policy

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The policy specifies that in designing the composition of the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. The appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills.

The composition of the Board shall be disclosed in the Corporate Governance Report every year and the Nomination Committee will supervise the implementation of this policy. The Nomination Committee will review the effectiveness of this policy, as appropriate, discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this annual report, the diversity of the Board is illustrated as below. Further details on the biographies and experience of the Directors are set out on page 14 to page 18 of this annual report.



The Nomination Committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

(5) Confirmation of Independence by the Independent Non-executive Directors

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their respective identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose, and already disclosed, their commitments to the Company in a timely manner.

(6) Induction and Continuous Professional Development

Pursuant to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Pursuant to the code provision A.6.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. For the year ended December 31, 2017, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year of 2017, all Directors participated in continuous professional development to develop and refresh their knowledge and skills. The Company's external lawyers have also facilitated directors' training by the provision or recommendation of presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company director. The Directors are asked to submit a signed training record to the Company on an annual basis.

(7) Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organization structure of the Company, Dr. Fang Yixin is the chairman of the Board and Mr. Lu Zhenyu is the Chief Executive Officer of the Company.

The Board and the senior management, which comprises experienced and high calibre individuals, can ensure the balance of power and authority. As at the date of this report, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors.

(8) Appointment and Re-Election of Directors

Each of the executive Directors (except for Dr. Wang Weiping) has entered into a service contract with the Company on June 23, 2016 for a term of three years commencing from their respective appointment date and may be terminated by not less than three months' notice in writing served by either of the executive Director or the Company. Dr. Wang Weiping entered into a service contract with the Company with respect to the re-designation from an independent non-executive Director to an executive Director which effect from June 6, 2017. His initial term of appointment is three years commencing from June 6, 2017, which may be terminated by either party by serving not less than 90-days' written notice to the other party.

Each of the non-executive Directors (except for Mr. Yao Qiyong) and the independent non-executive Directors (except for Mr. Jiang Peixing) has signed an appointment letter with the Company on June 23, 2016 for an initial term of three years commencing from their respective appointment date, which may be terminated by not less than three months' notice in writing served by either of the Director or the Company. Each of Mr. Yao Qiyong and Mr. Jiang Peixing entered into a letter of appointment with the Company and their initial term of appointment is three years commencing from June 6, 2017, which may be terminated by either party by serving not less than three-months' written notice to the other party.

Save as disclosed above, none of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy shall submit himself/herself for election by the Shareholders at the first general meeting of the Company after appointment and any new Director appointed as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring and make recommendations to the Board on the appointment, re-election and succession planning of Directors, in particular the Chairman and the Chief Executive Officer.

(9) Board Meetings and Committee Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Both the Nomination Committee and the Remuneration Committee shall meet at least once every year and the Audit Committee shall meet at least twice a year. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying papers are dispatched to the Directors or committee members at least three days before the intended date of the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board or the committee members prior to the meeting. Minutes of meetings are kept by the Company Secretary with copies circulated to relevant Board or Board Committee for comment and records.

Minutes of the Board meetings and the committee meetings are recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Board or committee members and dissenting views expressed. Draft minutes of each Board meeting and committee meeting are sent to the relevant Board or committee members for comments within a reasonable time after the date on which the meeting is held. The minutes of the board meetings are open for inspection by any Directors.

Apart from the regular Board Meetings, the Chairman also held a meeting on December 14, 2017 with all independent non-executive Directors without the presence of executive Directors.

For the year ended December 31, 2017, 10 board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

Directors	Attended/Eligible to attend
Dr. Fang Yixin (Chairman and Executive Director)	10/10
Dr. Mei Hong (Executive Director)	9/10
Mr. Lu Zhenyu (Chief Executive Officer and Executive Director)	10/10
Dr. Wang Weiping (Executive Director)	10/10
Ms. Jiao Yan (Non-executive Director)	10/10
Mr. Yao Qiyong (Non-executive Director)	5/5
Dr. Wang Yong (Independent Non-executive Director)	10/10
Ms. Wong Sze Wing (Independent Non-executive Director)	10/10
Mr. Jiang Peixing (Independent Non-executive Director)	5/5

(10) Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made of all Directors and each of the Directors has confirmed that he/she has complied with the Model Code for the year ended 31 December 2017.

(11) Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. The Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board to ensure that they remain appropriate to the Company's needs. Approval has to be obtained from the Board prior to any significant transactions entered into by the management on the Company's behalf.

(12) Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors and has delegated the corporate governance duties to the Audit Committee which include:

(a) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;

(c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees of the Group; and

(e) to review the Group's compliance with the CG Code from time to time adopted by the Group and the disclosure in the Corporate Governance Report to be contained in the Company's annual reports.

3. BOARD COMMITTEES

(1) Nomination Committee

As at the date of this report, the Nomination Committee comprises three members, namely Dr. Fang Yixin (an executive Director), Dr. Wang Yong and Mr. Jiang Peixing (each being an independent non-executive Director). The majority of the committee members are independent non-executive Directors. Dr. Fang is the chairman of this committee.

The principal duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board and make recommendations regarding any proposed changes;
- To identify suitable candidates for appointment or re-appointment as Directors for the Board;
- To make recommendations to the Board on appointment or re-appointment of and succession planning for Directors;
- To assess the independence of independent non-executive Directors; and
- To regularly review and report to the Board on the performance and suitability of the senior management and make recommendations to the Board on the re-appointment or replacement of any senior management.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. Their written terms of reference are available on the respective website of the Stock Exchange and the Company.

Two meetings of the Nomination Committee were held for the year ended December 31, 2017 and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Dr. Fang Yixin (Chairman)	2/2
Dr. Wang Yong	2/2
Dr. Wang Weiping (ceased to be a member from June 6, 2017)	2/2
Mr. Jiang Peixing (appointed on June 6, 2017)	1/1

In the meeting held on March 31, 2017, the Nomination Committee reviewed and discussed the policy, procedure and criteria for nomination of the Directors, reviewed and discussed the Board diversity policy and discussed all measurable objectives set for implementing the policy, assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the non-executive Director and fulfilled duties as required aforesaid.

In the meeting held on June 6, 2017, the Nomination Committee selected and recommended to the Board on the re-designation of Dr. Wang Weiping from independent non-executive Director to an executive Director and the appointment of Mr. Yao Qiyong as a non-executive Director and Mr. Jiang Peixing as an independent non-executive Director.

(2) Procedure for Nomination of Directors

When there is a vacancy in the Board, the Nomination Committee evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy. The Nomination Committee will then identify suitable candidates and convene a Nomination Committee meeting to discuss and vote on the nomination of Directors and make recommendation to the Board on the candidate(s) for directorship.

(3) Criteria for Nomination of Directors

The Nomination Committee will consider candidates who possess the particular skills, experience and expertise that will best complement the Board's effectiveness at that time.

In considering the overall balance of the Board's composition, the Nomination Committee will give due consideration to the Board diversity policy of the Company as disclosed under the paragraph "2. THE BOARD — (4) Board Diversity Policy" above.

(4) Remuneration Committee

As at the date of this report, the Remuneration Committee comprises three members, namely Mr. Jiang Peixing (an independent non-executive Director), Mr. Lu Zhenyu (an executive Director) and Ms. Wong Sze Wing (an independent non-executive Director), the majority of whom are independent non-executive Directors. Mr. Jiang Peixing is the chairman of this committee.

The Remuneration Committee has adopted the second model described in paragraph B.1.2(c) under Appendix 14 to the Listing Rules (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management member).

The principal duties of the Remuneration Committee include making recommendations to the Board on and approving the Company's remuneration policy and structure and the remuneration packages of the executive Directors and the senior management of the Company. The Remuneration Committee is also responsible for establishing transparent procedures for formulating such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. It also makes recommendation to the Board on the remuneration of non-executive Directors including independent non-executive Directors.

Their written terms of reference are available on the respective website of the Stock Exchange and the Company.

Three meetings of the Remuneration Committee were held for the year ended December 31, 2017 and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Dr. Wang Weiping (ceased to be a member and the Chairman from June 6, 2017)	1/1
Mr. Jiang Peixing (Chairman) (appointed on June 6, 2017)	1/1
Mr. Lu Zhenyu	3/3
Ms. Wong Sze Wing	3/3

In the meeting held on March 31, 2017, the Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, assessed performance of executive Directors, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management and fulfilled duties as required aforesaid.

In the meeting held on June 6, 2017, the Remuneration Committee recommended to the Board on the remuneration packages of Dr. Wang Weiping, Mr. Yao Qiyong and Mr. Jiang Peixing for their respective re-designation and appointment.

In the meeting held on August 31, 2017, the Remuneration Committee further discussed and reviewed the remuneration policy for Directors and senior management of the Company, assessed performance of executive Directors, made recommendations to the Board on the remuneration packages of individual executive Directors and fulfilled duties as required aforesaid.

Details of the remuneration by band of the members of the senior management of the Company for the year ended December 31, 2017 are set out below:

Remuneration band (in HKD)	Number of individual
1,000,000 and below	4

(5) Audit Committee

As at the date of this report, the Audit Committee comprises three members, namely Ms. Wong Sze Wing (an independent non-executive Director), Ms. Jiao Yan (a non-executive Director) and Dr. Wang Yong (an independent non-executive Director), the majority of whom are independent non-executive Directors. Ms. Wong Sze Wing is the chairlady of this committee. The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditor before submission to the Board;

- To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor;

- To review the adequacy and effectiveness of the Group's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, risk management and internal control and financial reporting functions, on an annual basis;

- To review the adequacy and effectiveness of the Company's and its subsidiaries' internal control systems, covering all material controls, including financial, operational and compliance controls and risk management functions including financial, business, operational and other risks of the Company and its subsidiaries, and to undertake any related investigations; and

- To perform the Company's corporate governance functions with details set out in the paragraph ended "2. THE BOARD — (12) Corporate Governance Function" above.

Three meetings of the Audit Committee were held for the year ended December 2017. The attendance record of the Audit Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Ms. Wong Sze Wing (Chairlady)	3/3
Ms. Jiao Yan	3/3
Dr. Wang Yong	3/3

For the year ended December 31, 2017, the Audit Committee reviewed the Group's policies on corporate governance and discussed the same with the Board, reviewed the financial reporting system, compliance procedures, internal control and risk management systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions) and associated processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

The Audit Committee also reviewed the interim results for the six months ended June 30, 2017, the annual results of the Company and its subsidiaries for the year ended December 31, 2017 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit.

There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. Their written terms of reference are available on the respective website of the Company and the Stock Exchange.

4. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2017 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the external auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report in this annual report.

5. RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the effectiveness of risk management and internal control systems of the Group. The Company defines risk as effects of different uncertainties to the achievement of strategic, operating and governance goals in the course of operation and development. The Company adopts comprehensive risk management and internal control structure to manage risk proactively. The structure is developed by the Board and the Audit Committee in order to assist the Board to monitor risk management and internal control conditions, design and enhance the efficiency of related risk management and internal control systems.

Risk Management and Internal Control Structure

Responsible Parties	Principal Responsibilities
The Board	• As the leading body of comprehensive risk management and internal control of the Group, the Board is responsible for assessing and determining the nature of risks that the Company is willing to take or averse from to ensure that the risk management and internal control systems of the Company is maintained appropriately and efficiently. The Board supervises the management's work on the design, implementation and inspection of risk management and internal control systems through the Audit Committee.
Audit Committee	• Assists the Board in oversight of the risk management and internal control systems of the Group.
Management	• Responsible for the establishment and overall operation of the risk management and internal control systems and provides confirmation to the Board on the efficiency and effectiveness of the risk management and internal control systems. • Appoints responsible persons in-charge of relevant risk and be responsible for identifying risks and assessing and carrying out corresponding contingency measures to address the risks of their respective areas.
Internal Audit Department	• Conducts independent assessment of risk management and internal control systems.

Through the above risk management and internal control structure, the Audit Committee assists the Board and the management in the identification, assessment, response, monitoring and reporting of relevant risks. These systems aim to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, rather than absolute, assurance against material Risk.

Risk Management

The Company has adopted comprehensive risk management system, delineated roles and duties, developed risk management strategies and preferences in accordance with five risk categories, namely strategic, market, financial, operation and legal risks, identified and assessed major risks that the Group was exposed to and developed corresponding risk contingency measures and formulated risk control duties undertaken by risk responsible persons. The Company also completed an annual risk management report and submitted for the approval of the Audit Committee and the Board.

The following were the major risks of the Company identified during the annual risk review in 2017. The Board held strategic meetings with responsible persons in-charge of risks to discuss and review the management measures of relevant risks and record major risks and changes into a list of risks.

The annual risk assessment is mainly conducted in two aspects: the possibility of occurrence (extremely high, high, medium, low, or extremely low) and the impact of risks (huge, big, medium, small, or minimal).

Description on Major Risks, Risk Changes and Risk Control Measures of the Company

Number	Major Risk	Main Description of Risk	Changes after 2016	Major Monitoring Measures and Risk Control Strategies
1	Business Expansion and Standardization Risk	Headquarters provide newly expanded business with insufficient support due to business overexpansion of the Company. The lack of adequate expansion plan that promotes corporate control system and standardized operational procedures would result in the risk of decline in quality of the newly expanded business and incapability to meet corporate standard.	• Unchanged	• The Company has established management and control mechanism and standardized operating procedures for business expansion, and will further rationalize the standardization procedures within the Group; • To increase manpower, material and financial resources allocation in order to carry out and supervise the implementation of the expansion plans.

Number	Major Risk	Main Description of Risk	Changes after 2016	Major Monitoring Measures and Risk Control Strategies
2	Competition Risk	Low entry barrier for products/services of the Company, severe homogeneousness with products/services of competitors as well as the risk of failure to develop products that cannot replicated with competitive advantages (for example, mid-to-high end customer orientation).	• Unchanged	• To allocate further resources to enhance product development and develop heterogeneous products; • To categorize product market to carry out centralized marketing; • To allocate further resources to enhance customer services in order to provide medium-to-high end quality services.
3	Investment Risk	Unscientific investment decision making and insufficient investment assessment would result in the outweighing of investment scale over the enterprise capacity or lack of investment effectiveness.	• Increased	• The Company has formulated investment management measures to regulate investment approval, project budget, project management, and post-investment evaluation procedures; • Return of investment is considered as one of the indicators for management performance evaluation.
4	Informatization Construction Risk	The failure of IT construction and planning to meet future operation development requirements of the Company which may cast limitations to the development of the Company and impact the achievement of the Company's strategic goals.	• Unchanged	• To enhance staffing of related personnel and further rationalize the workflow standardization of the Group; • To integrate business workflow and internal control into information system in order to achieve management goals.

Number	Major Risk	Main Description of Risk	Changes after 2016	Major Monitoring Measures and Risk Control Strategies
5	Human Resources Risk	The future of the structure of staffing/quality of staff to satisfy the Company's requirements for its current development, as evidenced by the failure to timely adjust staffing structure and to timely adjust the appraisal system and update the training content to satisfy the Company's requirement for its current development, or the failure of the Company to timely acquire talents (through internal training or external recruitment) that satisfy the requirements for the Company's current stage of development, which may result in the slowdown of the overall development scale of the Company and the failure of the achievement of expected strategic planning and gradual loss of industry position. The high turnover rate of personnel may result in the increase of operating costs, leakage of trade secrets and vacancies in key positions of the Company, and may harm the overall image of the Company.	• Unchanged	• To enhance the establishment of a diversified recruitment channel system, especially the recruitment channels of medical personnel that are closely related to the Group's business; to develop scientific channel with respect to supplier assessment and management system in order to ensure the satisfaction of personnel demand for business development; to enhance the training and education of administrators and other professional medical personnel (including physicians, nurses and pharmacists, etc.) and to improve their occupational skills and administration quality and provide customers and patients with services of better quality; • To provide competitive remuneration and benefits, enhance the sense of belonging of staff, and provide different promotion opportunities based on the performance of employees; • To formulate comprehensive assessment systems in accordance with different business units and occupation, regularly carry out staff assessment and to determine staff remuneration based on the assessment results in order to incentivize their work enthusiasm and potential; • To reasonably forecast and arrange the staffing of the Company, reduce redundancies in different department and provide personnel with clear definitions of their functions in order to improve their work efficiency.

Number	Major Risk	Main Description of Risk	Changes after 2016	Major Monitoring Measures and Risk Control Strategies
6	Capital Management Risk	The unauthorized transactions of capital business would affect the safety and integrity of the Company's capital; unreasonable capital holdings, inappropriate capital occupations or capital backlogs would not exert the advantages of centralized capital management and result in a decrease in profitability of the Company or insufficient capital and payment difficulties, which would affect the reputation of the Company or damage the Company's interests.	• Increased	• The Company has formulated and issued a management system for capital business, and will further rationalize the standardization procedures within the group; • To establish relevant approval authority and separation of duties for the capital business to ensure the safety and integrity of capital; • To establish capital plans and analyze the plans regularly to forecast and trace the status of capital, improve the efficiency of capital use, and avoid the lack of funds; • To consider the use of capital pools or direct connection between banks and enterprises for the unified management of the capital of subordinate companies.

Number	Major Risk	Main Description of Risk	Changes after 2016	Major Monitoring Measures and Risk Control Strategies
7	Medical Dispute Risk	The Company is exposed to inherent risks of medical disputes and legal proceedings against the Company arising from its operation which may result in significant cost and have material adverse impact on our business operation and reputation.	• Unchanged	• The Company formulates standardized operational procedures for business workflow and enhances the training, education and monitoring of current medical staff (including physicians, nurses and pharmacists, etc.) in accordance with laws and regulations and industry norms in order to reduce the risk of medical disputes between the Company and customers due to the failure of strict compliance with internal control procedures; • The Company has purchased liability insurance for Nantong Rich Hospital; • The Company has set up relevant departments to deal with medical disputes to protect the Company's interests from the greatest extent, and analyze the causes and ensure accountability on responsible person after the occurrence of incidents, which will be improved in future operations.

Number	Major Risk	Main Description of Risk	Changes after 2016	Major Monitoring Measures and Risk Control Strategies
8	Control and Compliance Risk	The defective standardized operation procedure of the Company and the failure of strict compliance operation staff to the operation requirements to result in the failure of business undertaken to satisfy the workflow settings of the Company that in turn would affect the operation efficiency of the Company and hinder the completion of transformation from "the rule of man" to "rule of law".	• Unchanged	• The Company established a specialized function unit, being responsible for collecting laws and regulations and industry standards, and formulating operation procedures of various operating business and regularly conducting training and monitoring of operation staff. In respect of non-compliance, the Company should formulate subsequent follow-up procedures and measures, appoint related responsible persons and set up corresponding reward and punishment measures; • To promulgate compliance system and regularly conduct inspection on medical hygiene and healthcare safety conditions.

Number	Major Risk	Main Description of Risk	Changes after 2016	Major Monitoring Measures and Risk Control Strategies
9	License Management Risk	The Company conducts business in a heavily regulated industry. If the Company fails to obtain or renew any licenses, permits, approvals and certificates required for our operations, or are found to be non-compliant with such licenses, permits, approvals and certificates or any applicable laws or regulations, the Company may face penalties, suspension of operations or even revocation of such licenses, depending on the results of such events. Any of such events could materially and adversely affect the results of operations of the Company.	• Decreased	• The Company has duly obtained and renewed the licenses required for our operations and none of our hospitals, medical examination centers and clinics have been notified of involving in any material non-compliance with such licenses, permits, approvals and certificates or applicable laws or regulations; and • The Company particularly focuses on the requirements of industry operation according to laws and regulations, timely handle or remind the management to handle the licenses, permits, approvals and certificates required for operation and has established a specialized functional department responsible for sorting and monitoring the Company's existing licenses in order to prevent the business situation of the Company from being affected due to untimely manner of handling relevant licenses.
10	Litigation Risk	The non-compliance in respect of fraud caused by the practice of the Company would result in risks of legal sanctions, regulatory penalties or material financial loss or reputation loss.	• Decreased	• The Company has established anti-fraud systems and conduct staff training in order to enhance anti-fraud awareness; • The Company has set up whistle-blowing channels including mailbox and direct line in order to encourage whistleblowing from staff against fraudulent practices and provide protection for whistleblowers.

Internal Control

The Company has set up an internal audit department as its department for internal audit that is responsible for conducting audit for the Company and its subsidiaries. Such duties of the department are with the aim of ensuring the normal operation of internal monitoring and its due effectiveness. The Company attaches full importance to the reports from external auditors on their findings regarding the deficiencies and inadequacies of the internal monitoring and accounting procedures of the Group and makes respective improvements. The internal audit department directly reports to the Audit Committee on all audit matters.

The internal control system of the Company is established in accordance with the principles of the Committee of Sponsoring Organizations of the Treadway Commission. In the meantime. The internal audit department conducted independent audit (including interviews, walkthrough tests and risk-oriented testing on sample basis) during the year ended December 31, 2017 on the business segments that had material impact on corporate strategies and internal control and monitoring and prepared the internal control and monitoring report submitted for the approval of the Audit Committee and the Board. During the year under review, under the assistance of the Audit Committee and taking into consideration of the confirmation of evaluation on the efficiency and effectiveness of the risk management and internal control systems conducted by the management and the Audit Committee and the assessment results, the Board confirmed that the risk management and internal control systems of the Company were effective and adequate.

Inside Information

The investors relationship department is responsible for establishing standards to assess and identify inside information pursuant to Rules 13.09 and 13.10 of the Listing Rules and the provisions in relation to inside information under Part XIVA of the Securities and Futures Ordinance, communicating to all relevant staff on the policies of inside information reporting and disclosure and providing related training and timely disclosing inside information in accordance with the requirements set out in the Securities and Futures Ordinance and the Listing Rules.

6. AUDITOR'S REMUNERATION

Audit fees of the Group for the year ended December 31, 2017 payable to the external auditors were approximately RMB4.3 million. And the Group incurred approximately RMB1.1 million in 2017 for non-audit services related to the provision of consultation services in respect to internal control systems pursuant to the CG Code and tax planning, etc..

7. COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

The Company engaged Ms. Chau Hing Ling, the director of Corporate Services of Vistra Corporate Services (HK) Limited (a company secretarial service provider), as the company secretary of the Company. Her primary contact at the Company is Ms. Wang Yan, the chief finance officer of the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. Chau Hing Ling undertook not less than 15 hours of relevant professional training to update her skills and knowledge during the year ended December 31, 2017.

8. GENERAL MEETING

For the year ended December 31, 2017, one extraordinary general meeting and one annual general meeting of the Company were held. The attendance record of the Directors is set out in the table below:

Directors	Attended/Eligible to attend
Dr. Fang Yixin	2/2
Dr. Mei Hong	2/2
Mr. Lu Zhenyu	2/2
Dr. Wang Weiping	2/2
Ms. Jiao Yan	1/2
Mr. Yao Qiyong (Note)	0/1
Dr. Wang Yong	1/2
Ms. Wong Sze Wing	1/2
Mr. Jiang Peixing (Note)	1/1

Note:

Mr. Yao Qiyong and Mr. Jiang Peixing were appointed as non-executive Director and independent non-executive Director on June 6, 2017.

Ms. Jiao Yan, Mr. Yao Qiyong, Dr. Wang Yong and Ms. Wong Sze Wing did not attend the relevant general meeting due to other business commitments. The Directors who did not attend the relevant general meeting have followed-up with the other Directors to understand and discuss the subject matters.

9. COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Shareholders and potential investors on the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The AGM provides opportunity for Shareholders to communicate directly with the Directors. The Chairman of the Board, the chairman/chairlady of the Board Committees will attend the AGM to answer Shareholders' questions. The external auditors of the Company will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor independence.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at http://www.rich-healthcare.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. The Board will review the Shareholders' communication policy regularly to ensure its effectiveness.

10. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed by the chairman of that meeting for each substantially separate issue at Shareholder meetings, including nomination and election of individual directors.

All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the respective website of the Company and the Stock Exchange in a timely manner after each Shareholder meeting in accordance with the Listing Rules.

(1) Procedures for Shareholders to convene an extraordinary general meeting

In accordance with Article 17.3 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(2) Procedures for putting forward proposals at general meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law of the Cayman Islands. However, Shareholders who wish to propose resolutions may follow Article 17.3 of the Articles for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 17.3 are set out above.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

(3) Enquiries to the Board

Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: 19/F, Catic Mansion, No. 212 Jiangning Road, Jingan District, Shanghai, PRC

Attention: Board of Directors office

Tel: 021-68865390

Fax: 021-68865390

Enquiries will be dealt with in a timely and informative manner.

11. CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has been amended and restated with effect from the Listing Date, and are available on the respective website of the Stock Exchange and the Company. No changes were made to the Company's Articles of Association during the year ended December 31, 2017.

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2017.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on July 11, 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company is an investment holding company, and its subsidiaries established in the PRC are primarily engaged in the operating general hospital, specialty hospital, medical examination centers and clinics in the PRC.

The activities and particulars of the Company's subsidiaries are shown under Note 39 to the consolidated financial statements. An analysis of the Group's revenue and net results for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. In addition, a discussion on relationships with its key stakeholders is included in the sections headed "Management Discussion and Analysis". The review and discussion form part of this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended December 31, 2017 to be published in due course.

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended December 31, 2017 are set out on pages 83 of this annual report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2017.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from June 5, 2018 to June 8, 2018, 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 2018 AGM. In order to be eligible to attend and vote at the 2018 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, 17^{th} Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on June 4, 2018.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 11 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended December 31, 2017 are set out in Note 7 to the consolidated financial statements on page 117 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended December 31, 2017 are set out in Note 18 to the consolidated financial statements on page 129 of this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended December 31, 2017 are set out in Note 20 to the consolidated financial statements on page 131 and Note 40 to the consolidated financial statements on page 167 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2017, the Company's distributable reserves were RMB774.9 million.

BORROWINGS

As at December 31, 2017, the Group had outstanding bank borrowings of RMB594.7 million. Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 22 to the consolidated financial statements.

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 year ended December 31, 2017.

PRE-EMPTIVE RIGHTS

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

USE OF NET PROCEEDS FROM THE IPO

The net proceeds from the IPO amounted to HK$790.6 million after deducting share issuance costs and listing expenses. As at December 31, 2017, the proceeds raised by the Company from the IPO have not been fully utilized. During the year ended December 31, 2017, such net proceeds were applied in accordance with the proposed applications as set out in the section headed "Future Plan and Use of Proceeds" in the Prospectus. In 2018, the Company will use the proceeds raised from the IPO in accordance with its development strategies, market conditions and intended use of such proceeds. Detailed information is set out under "Use of Proceeds from IPO" in the section headed "Management Discussion and Analysis" in this annual report.

DIRECTORS

The Board currently consists of the following nine Directors:

Executive Directors

Dr. Fang Yixin *(Chairman)*
Dr. Mei Hong
Mr. Lu Zhenyu *(Chief Executive Officer)*
Dr. Wang Weiping

Non-executive Directors

Ms. Jiao Yan
Mr. Yao Qiyong

Independent Non-executive Directors

Dr. Wang Yong
Ms. Wong Sze Wing
Mr. Jiang Peixing

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 14 to 18 in the section headed "Profiles of Directors and Senior Management" to this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Dr. Fang Yixin, Dr. Mei and Mr. Lu Zhenyu has entered into a service contract with the Company dated June 23, 2016 under which he/she agreed to act as an executive Director for an initial term of three years commencing from his/her respective appointment date. Dr. Wang Weiping entered into a service contract with the Company under which he agreed to act as an executive Director for an initial term of three years commencing from June 6, 2017. The term of office of each executive Director may be terminated by not less than three months' notice in writing served by either of the executive Director or the Company.

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company for an initial term of three years commencing from his/her respective appointment date, which may be terminated by not less than three months' notice in writing served by either of the Director or the Company. Under the respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while non-executive Directors are not entitled to any remuneration.

The appointment of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of the Directors has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the sections headed "— Connected Transaction", "— Related Party Transactions" and "Management Discussion and Analysis" and Note 38 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended December 31, 2017 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended December 31, 2017 or subsisted at the end of the year.

DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than disclosed in the sections headed "— Connected Transaction", "— Related Party Transactions" and "Management Discussion and Analysis" and Note 38 to the consolidated financial statements contained in this annual report, no transaction, arrangement or contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2017.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 30 to the consolidated financial statements on pages 143 to 146 of this annual report.

For the year ended December 31, 2017, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the year ended December 31, 2017.

The Company has also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" in this annual report and in Note 19 to the consolidated financial statements on pages 129 to 130 of this annual report.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2017, by our Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

During the year ended December 31, 2017, there was no pledge of Shares by the Controlling Shareholders.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

DEED OF NON-COMPETITION

On June 23, 2016, Dr. Mei, the Company's ultimate Controlling Shareholder, and Chelsea Grace, through which Dr. Mei holds equity interest in the Company, entered into the deed of non-competition **("Deed of Non-competition**") in favor of the Company, pursuant to which the Controlling Shareholders have irrevocably, jointly and severally given certain non-competition undertakings to the Company. Details of the Deed of Non-competition are set out in the section headed "Relationship with our Controlling Shareholders — Deed of Non-competition" in the Prospectus.

The Controlling Shareholders confirmed that they have complied with the Deed of Non-competition for the year ended December 31, 2017. The independent non-executive Directors have conducted such review for the year ended December 31, 2017 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters as disclosed in the section headed "— Directors' service contracts" in this annual report, no other contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended December 31, 2017.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2017.

LOAN AND GUARANTEE

During the year ended December 31, 2017, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective associates (as defined in the Listing Rules).

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

The Company conditionally approved and adopted the Pre-IPO Share Option Scheme pursuant to the resolutions of the Shareholders passed on September 19, 2016.

The purpose of the Pre-IPO Share Option Scheme is to attract, retain and motivate employees and Directors, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees and Directors to participate in the growth and profitability of the Group.

On September 19, 2016, options (exercisable for 10 years subject to vesting schedule as set out below to subscribe for an aggregate of 47,710,500 Shares were conditionally granted by the Company under the Pre-IPO Share Option Scheme to a total of three grantees, including two executive Directors. Such options were granted based on the performance of the grantees that have made important contributions or are important to the long term growth and profitability of the Group. The exercise price is HK$1.60 per Share as determined by the Board taking into account of the grantees' contribution to the development and growth of the Group. Apart from the above share options, no options were granted under the Pre-IPO Share Option Scheme. In addition, no further options can be granted under the Pre-IPO Share Option Scheme on or after the Listing Date. The total number of Shares currently available for issue under the Pre-IPO Share Option Scheme is 47,710,500 Shares, representing approximately 3% of the issued share capital of the Company as at the date of this annual report.

Subject to the Pre-IPO Share Option Scheme, each option shall be vested in the following manner:

Tranche	Vesting Date
five percent (5%) of the Shares subject to an option so granted	third (3rd) anniversary of the offer date for an option
ten percent (10%) of the Shares subject to an option so granted	fourth (4th) anniversary of the offer date for an option
fifteen percent (15%) of the Shares subject to an option so granted	fifth (5th) anniversary of the offer date for an option
seventy percent (70%) of the Shares subject to an option so granted	sixth (6th) anniversary of the offer date for an option

Details of movement of the share options granted under the Pre-IPO Share Option Scheme for the year ended December 31, 2017 are set out below:

	Number of options					
Name of option holders	Outstanding as at January 1, 2017	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at December 31, 2017	Exercise Price
Directors of the Company						
Dr. FANG Yixin	15,903,500	–	–	–	15,903,500	HK$1.60
Dr. MEI Hong	15,903,500	–	–	–	15,903,500	HK$1.60
Other employee of the Group						
CAO Ying	15,903,500	–	–	–	15,903,500	HK$1.60
Total	**47,710,500**	**–**	**–**	**–**	**47,710,500**	

The Directors, who have been granted options under the Pre-IPO Share Option Scheme, have undertaken to the Company that they will not exercise the options granted to them under the Pre-IPO Share Option Scheme if as a result of which the Company would not be able to comply with the public float requirements of the Listing Rules.

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

The Pre-IPO Share Option Scheme does not fall within the ambit of, and are not subject to, the regulations under Chapter 17 of the Listing Rules. Details of the impact of the options granted under the Pre-IPO Share Option Scheme on the consolidated financial statements since the date of grant of such options and the subsequent financial periods are set out under Note 19 to the consolidated financial statements in this annual report.

Share Option Scheme

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

The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of the Listing Rules are applicable) shall not exceed 79,517,500 Shares, (i.e. 5% of the aggregate of the Shares in issue on the Listing Date ("**Scheme Mandate Limit**")). Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating this Scheme Mandate Limit.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The Share Option Scheme will remain in force for a period of 10 years from September 19, 2016 and the options granted have a 10-year exercise period. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

The exercise price of the option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option), but in any case the subscription price shall not be less than the higher of (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day, (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) business days immediately preceding the date of grant, and (c) the nominal value of a Share.

On November 24, 2017, the Company granted share options to the Directors and certain employees of the Company and its subsidiaries to subscribe for a total of 79,517,500 ordinary shares in the share capital of the Company, at the price of HK$2.42 per Share. The closing price of the Shares before the date of grant of such options was HK$2.35 per Share. Among the options granted as described above, options in respect of a total of 11,657,500 Shares were granted to a Director and an associate (as defined under the Listing Rules) of another Director and acceptance letters have been signed. The list of the options granted to the Director and the associate of another Director is set out as follows:

Name of Director/ Director's Associate	Position	Number of options granted
Mr. Lu Zhenyu	Executive Director and the Chief Executive Officer of the Company	10,957,500
Mr. Mei Ye *(Note)*	General Manager of Chain Store Development Department	700,000
Total		**11,657,500**

Note:

Mr. Mei Ye is an associate of Dr. Mei.

Details of the options granted under the Share Option Scheme and those remained outstanding as at December 31, 2017 are as follows:

		Number of options						
Name and class of grantees	Date of grant	Outstanding as at January 1, 2017	Granted during the year ended December 31, 2017	Exercised during the year ended December 31, 2017	Cancelled during the year ended December 31, 2017	Lapsed during the year ended December 31, 2017	Outstanding as at December 31, 2017	Exercise Price
(1) Director								
Mr. Lu Zhenyu	November 24, 2017	–	10,957,500	–	–	–	10,957,500	HK$2.42
(2) Associate of Director								
Mr. Mei Ye[1]	November 24, 2017	–	700,000	–	–	–	700,000	HK$2.42
(3) Other Employees	November 24, 2017	–	67,860,000				67,860,000	HK$2.42
Total			**79,517,500**	**–**	**–**	**–**	**79,517,500**	

Note:

(1) Mr. Mei Ye is an associate of Dr. Mei.

20% of the options granted will be exercisable from the date falling on the 3rd anniversary of the date of grant of such options; 20% of the options granted will be exercisable from the date falling on the 4th anniversary of the date of grant of such options; 20% of the options granted will be exercisable from the date falling on the 5th anniversary of the date of grant of such options; and the remaining 40% of the options granted will be exercisable from the date falling on the 6th anniversary of the date of grant of such options.

Details of the impact of the options granted under the Share Option Scheme on the consolidated financial statements since the date of grant of such options and the subsequent financial periods are set out under Note 19 to the consolidated financial statements in this annual report.

A summary of the terms of the Share Option Scheme has been set out in the section headed "F. Share Option Scheme" in Appendix IV of the Prospectus.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at December 31, 2017, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Long position in ordinary Shares

Name of Director	Long/short position	Capacity	Number of ordinary shares interested[(1)(3)]	Approximate percentage[+] of the Company's issued share capital
Dr. Mei Hong[(4)]	Long position	Interest in controlled corporation	872,550,000 (L)	54.81%
Dr. Fang Yixin[(5)]	Long position	Interest of spouse	872,550,000 (L)	54.81%

(B) Long position in share of the associated corporation

Name of Director	Associated corporation	Number of share	Nature of Interest	Approximate percentage interest in the associated corporation
Dr. Mei Hong[(4)]	Chelsea Grace Holdings Limited	1	beneficial owner	100%
Dr. Fang Yixin[(5)]	Chelsea Grace Holdings Limited	1	Interest of spouse	100%

(C) Long position in underlying Shares — physically settled unlisted equity derivatives

Name of Director	Capacity	Number of underlying shares in respect of the share options granted(1)(3)	Approximate percentage+ of the Company's issued share capital
Dr. Mei Hong(4)	Beneficial owner; Spouse	31,807,000 (L)	2.00%
Dr. Fang Yixin(5)	Beneficial owner; Spouse	31,807,000 (L)	2.00%
Mr. Lu Zhenyu(6)	Beneficial owner	10,957,500 (L)	0.69%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Such number of shares are subject to certain security arrangement.

(3) Details of the above share options granted by the Company are set out in the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" in this annual report.

(4) Chelsea Grace was beneficially interested in the 872,550,000 Shares as at December 31, 2017. Under the SFO, Dr. Mei is deemed to be interested in all the Shares held by Chelsea Grace by reason of her 100% interest in its issued share capital and is also deemed to be interested in all the interests held by Dr. Fang as she is the wife of Dr. Fang. Dr. Mei is granted options to subscribe for 15,903,500 Shares under the Pre-IPO Share Option Scheme.

(5) Dr. Fang is the husband of Dr. Mei. Therefore, Dr. Fang is deemed to be interested in Dr. Mei's interests in our Company. Dr. Fang is granted options to subscribe for 15,903,500 Shares under the Pre-IPO Share Option Scheme.

(6) Mr. Lu Zhenyu was granted an option to subscribe for 10,957,000 Shares under the Share Option Scheme on 24 November 2017.

\+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at December 31, 2017.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2017, none of the Directors or the chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at December 31, 2017, the following corporations/persons (other than Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Long position in ordinary Shares

Name	Capacity	Number of ordinary shares interested(1)	Approximate percentage+ of the Company's issued share capital
Chelsea Grace	Beneficial owner	872,550,000 (L)	54.81%
Renaissance Healthcare Holdings Limited ("**Baring Investors**")	Beneficial owner	268,286,800 (L)	16.85%
The Baring Asia Private Equity Fund V, L.P.(2)	Interest of a controlled corporation	268,286,800 (L)	16.85%
Baring Private Equity Asia GP V, L.P.(2)	Interest of a controlled corporation	268,286,800 (L)	16.85%
Baring Private Equity Asia GP V Limited(2)	Interest of a controlled corporation	268,286,800 (L)	16.85%
Jean Eric Salata(2)	Interest of a controlled corporation	268,286,800 (L)	16.85%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Baring Investor is held as to 99.35% by The Baring Asia Private Equity Fund V, L.P. Baring Private Equity Asia GP V, L.P. is the general partner of The Baring Asia Private Equity Fund V, L.P. Jean Eric Salata is the sole shareholder of Baring Private Equity Asia GP V Limited (the general partner of Baring Private Equity Asia GP V, L.P.). Jean Eric Salata disclaims beneficial ownership of such Shares, except to the extent of his economic interest in such entities. Each of The Baring Asia Private Equity Fund V, L.P., Baring Private Equity Asia GP V, L.P., Baring Private Equity Asia GP V Limited and Jean Eric Salata is therefore deemed to be interested in the Shares held by Baring Investors under the SFO.

\+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at December 31, 2017.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2017, no person (other than the Directors or the chief executive of the Company) had registered an interest or a short position in the Shares or underlying Shares of the Company as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Pre-IPO Share Option Scheme and the Share Option Scheme as disclosed under the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" in this annual report, at no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares of, or debt securities including debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customer accounted for 4.9% of the Group's total revenue, and the Group's five largest customers accounted for 7.4% of the Group's total revenue.

In the year under review, the Group's largest supplier accounted for 7.0% of the Group's total purchase, and the Group's five largest suppliers accounted for 20.7% of the Group's total purchase.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their respective holding of the Company's securities.

HUMAN RESOURCES

The Group had 4,734 employees as of December 31, 2017, as compared to 3,579 employees as of December 31, 2016. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension obligations of the Company are set out in Note 2.22 to the consolidated financial statements in this annual report.

EQUITY-LINKED AGREEMENTS

During the year ended December 31, 2017, other than the Pre-IPO Share Option Scheme and the Share Option Scheme as set out in the section under "Pre-IPO Share Option Scheme and Share Option Scheme" and Note 19 to the consolidated financial statements, the Company has not entered into any equity-linked agreement.

CONNECTED TRANSACTION

On June 16, 2017 (after trading hours), Shanghai Rich Medical, an indirectly wholly-owned subsidiary of the Company, and Ms. Zhou He (an independent third party of the Company and its connected persons) have entered into an equity transfer agreement, pursuant to which Shanghai Rich Medical agreed to acquire and Ms. Zhou He agreed to sell 55% equity interests of Sichuan Rich at a consideration of RMB1.1 million. The rest of the equity interests of the Sichuan Rich is held by Chengdu Kangruiheng, which is an associate of a connected person of the Company. Upon the completion of such transaction, Sichuan Rich became an indirectly non-wholly-owned subsidiary of the Company, and it is held as to 55% by Shanghai Rich Medical and 45% by Chengdu Kangruiheng. An announcement was made on the same date in accordance with Chapter 14A of the Listing Rules.

Save as disclosed above, during the year ended December 31, 2017, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

Save as disclosed under the section headed "Related Party Transactions" stated in Note 38 to the consolidated financial statements contained in this annual report, no contract of significance in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during the year ended December 31, 2017.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended December 31, 2017 are set out in Note 38 to the consolidated financial statements contained herein.

None of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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.

EVENT AFTER REPORTING PERIOD

Pursuant to the investment agreement dated November 8, 2017 entered into, among others, by the Company and Ping An Health Technology Fund, the parties agreed to establish Shanghai Kuici for the purpose of newly establishing or acquiring medical examination center. The entity was incorporated on 8 February 2018.

The Group has signed an agreement with Shanghai Rii Web Technology Co., Ltd. on 19 March, 2018 to acquire 51% equity interests in Shanghai Ruiyi Xiaoyingtao Clinic Co., Ltd. at an aggregate consideration of RMB 4.9 million.

Save as disclosed above, there are no important events after the reporting period and up to the date of this annual report.

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 annual report, the Company has maintained the public float as required under the Listing Rules.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the director's and officer's liability insurance is currently in force and was in force during the year.

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 CG Code as its own code to govern its corporate governance practices.

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

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

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on page 33 to 55 of this annual report.

DONATIONS

During the year ended December 31, 2017, the Group did not make any charitable donations (2016: nil).

AUDITOR

The Shares were listed on the Stock Exchange on October 6, 2016, and there has been no change in auditors since the Listing Date and up to the date of this annual report. The consolidated financial statements for the year ended December 31, 2017 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire in 2018 AGM and be eligible to offer themselves for re-appointment.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2017, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

There was no change in the Board and the information of Directors since the date of the Company's 2017 interim report.

On behalf of the Board

Fang Yixin
Chairman

Hong Kong, March 29, 2018

Independent Auditor's Report

To the Shareholders of Rici Healthcare Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Rici Healthcare Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 81 to 168, which comprise:

- the consolidated balance sheet as at December 31, 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Recognition of deferred tax assets arising from tax losses
- Impairment provision for trade receivables
- Impairment assessment of property and equipment

Key Audit Matter	How our audit addressed the Key Audit Matter

Recognition of deferred tax assets arising from tax losses

Refer to Note 5(b) (Critical accounting estimates and judgements – Current and deferred income tax) and Note 12 (Deferred income tax) to the consolidated financial statements.

As at December 31, 2017, the Group had deferred tax assets amounting to RMB54.7 million in respect of recoverable tax losses. Meanwhile, the Group did not recognise deferred tax assets of RMB27.2 million in relation to tax losses of RMB108.8 million incurred by certain subsidiaries within the Group.

In assessing the amounts of deferred tax assets arising from tax losses that should be recognised, management exercised significant judgements to assess the probability that future taxable profit would be available against which the tax losses could be utilized. These included judgements on the amount and timing of future taxable profits to be generated by those subsidiaries that are currently recording tax losses.

We focused on this area due to the significance of the amount and the judgement involved, especially in assessing the reasonableness of the profit forecasts for the relevant subsidiaries, which form the bases to assess whether future taxable profit would be available and eligible to utilise against these tax losses.

We tested the deferred tax assets calculation schedule for mathematical accuracy, and agreed the future taxable profit projection and available tax loss information to underlying supporting evidence.

In regard of the availability and eligibility of tax losses already incurred, we tested on a sample basis the tax loss information (including the respective expiry periods) to accounting records and supporting evidence including the tax filings and correspondence with the tax authorities.

In regard of the taxable profit to be generated in the future periods, we obtained the profit forecasts of the relevant subsidiaries prepared by management and checked the mathematical accuracy. We tested on a sample basis management's reconciliation of the profit forecasts to taxable profit calculations.

With regards to the above profit forecasts:

- We assessed the reasonableness of the key input data and the underlying assumptions adopted in the profit forecasts, especially the long-term revenue growth rates (which are the most significant assumption in the forecasts), by comparing them with management's approved budgets, recent actual performances and future business plans;
- We challenged management on the adequacy of their sensitivity calculations as these calculations were most sensitive to assumptions of the revenue growth rates. We calculated the degree to which these assumptions would need to move in order to result in future taxable profits being insufficient to utilize the current tax losses, and assessed management's assertions that such a movement is unlikely.

We found that the Group's key estimates and judgements used in recognizing deferred tax assets arising from tax losses were supported by the evidence we gathered.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment provision for trade receivables	
Refer to Note 2.15 (Trade receivables and other receivables), 5(c) (Critical accounting estimates and judgements – Impairment of trade receivables) and Note 14 (Trade receivables) to the consolidated financial statements. As at December 31, 2017, the Group's gross trade receivables amounted to RMB207.3 million, against which an impairment provision of RMB11.8 million was provided. Management calculated the impairment provision at the end of each period, by performing specific recoverability assessment and collective assessment based on risk characteristics. Management performed those assessments based on the debtors' historical credit experience, ageing profile and assessment of the debtors' financial strengths. We focused on this area mainly due to the magnitude of the balances, and significant management judgements were required in the assessment of the recoverable amounts of trade receivables, especially in relation to its assessment of the debtors' financial strength and the amount and timing of future cash collections.	We obtained an understanding of and evaluated management's processes and controls over the assessment of the recoverability of trade receivables. In respect of the aging profile of trade receivables, which is one of the key factors used by management in assessing recoverability, we tested the accuracy of the aging profile by tracing on a sample basis to supporting documents, including contracts with the customers, and the related sales and payment records. We also obtained direct confirmations from sampled customers and tested reconciliation of the confirmed balances and the Group's recorded balances. We evaluated management's assessment of the expected cash collection of significant trade receivables by examining the payment and credit history, post-year end settlements, and credit search and other available external information. With respect to management's collective assessment of impairment of trade receivables, we assessed the appropriateness of grouping of the receivables based on their risk characteristics and management's evaluation of bad debt patterns within different aging groups by reference to the historical records of the Group and the bad debt provision policies and practices of other public companies in the similar industry. Based on the work performed above, we considered that the management's assessment over adequacy of impairment provision for trade receivables was supported by the evidence we gathered.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property and equipment	
Refer to 5(e) (Critical accounting estimates and judgements – Impairment of property and equipment) and Note 7 (Property and equipment) to the consolidated financial statements. As at 31 December 2017, the carrying amount of property and equipment of the Group was RMB778.3 million. Management is required to perform impairment review if a potential impairment is indicated. Management concluded that there was no indication of impairment of property and equipment of the Group other than those related to certain medical examination centers which have been in operation for more than two years as at 31 December 2017 but incurred operating losses in recent years. For the purpose of performing the recoverability assessment on the property and equipment for these medical examination centers, as these property and equipment do not generate cash flow independently, management identified each of medical examination center as a Cash Generating Unit ("CGU"). The recoverable amount of the underlying CGU was determined based on the value-in-use calculations. No provision for impairment was made based on management's assessment. We focused on this area as these assets are significant to the consolidated financial statements of the Group and management's assessment involved significant estimates and judgement including revenue growth rate and discount rate.	We obtained an understanding of and evaluated the management's procedures in identifying the CGUs having impairment indicators. With regard to calculation of the recoverable amounts obtained from management: • we worked with our in-house valuation specialist to assess the appropriateness of the valuation methodology adopted by management. We also evaluated the appropriateness of the discount rate adopted by management by comparing it with the costs of capital of comparable companies as well as considering territory specific and other factors. • we corroborated the key input data and major assumptions of the future cash flows projection adopted in the valuation model, including revenue growth rate, by comparing them with historical actual operating results, budgets approved by management and future business projections. • we tested the mathematical accuracy of the underlying value-in-use calculations. • we also evaluated management's sensitivity analysis around the key assumptions adopted to ascertain the extent of changes in these assumptions required to trigger an impairment of the relevant assets, and considered the likelihood of such changes in those key assumptions. Based on our work performed, we considered the valuation methodology used by the management was appropriate and the key assumptions applied in the value-in-use calculations were supported by the evidence we gathered.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis sections of the Annual Report 2017 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, Corporate Profile, Milestones, Financial Highlights, Financial Summary, Profiles of Directors and Senior Management, Corporate Governance Report, and Directors' Report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Statement, Corporate Profile, Milestones, Financial Highlights, Financial Summary, Profiles of Directors and Senior Management, Corporate Governance Report, and Directors' Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Esmond S.C. Kwan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 29, 2018

Consolidated Balance Sheet

As at December 31, 2017

	Note	As at December 31, 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property and equipment	7	**778,333**	393,223
Land use rights	8	**3,398**	3,498
Intangible assets	9	**17,528**	8,388
Investments accounted for using equity method	10	**5,166**	3,959
Deposits for long-term leases	11	**27,110**	18,955
Deferred income tax assets	12	**81,988**	47,077
Prepayments	17	**62,734**	52,500
		976,257	527,600
Current assets			
Inventories	13	**23,978**	19,131
Trade receivables	14	**195,462**	130,956
Other receivables	15	**26,625**	11,111
Prepayments		**27,225**	8,966
Amounts due from related parties	38	**1,627**	1,000
Cash and cash equivalents	16	**596,544**	881,028
Restricted cash	16	**215,629**	—
		1,087,090	1,052,192
Total assets		**2,063,347**	1,579,792
Equity attributable to owners of the Company			
Share capital	18	**1,066**	1,066
Reserves	20	**901,181**	946,235
		902,247	947,301
Non-controlling interests	21	**27,807**	3,454
Total equity		**930,054**	950,755

Consolidated Balance Sheet

As at December 31, 2017

	Note	As at December 31, 2017 RMB'000	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**15,667**	4,633
Other long-term liabilities	24	**75,280**	46,195
		90,947	50,828
Current liabilities			
Borrowings	22	**579,000**	309,932
Trade and other payables	25	**377,146**	208,809
Amounts due to related parties	38	**898**	—
Income tax payables		**8,864**	16,904
Deferred income	23	**74,345**	40,693
Current portion of other long-term liabilities	24	**2,093**	1,871
		1,042,346	578,209
Total liabilities		**1,133,293**	629,037
Total equity and liabilities		**2,063,347**	1,579,792

The notes on pages 87 to 168 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 81 to 168 were approved by the Board of Directors on March 29, 2018 and were signed on its behalf by:

Fang Yixin	**Mei Hong**
Director	Director

Consolidated Statement of Profit or Loss

For the year ended December 31, 2017

	Note	Year ended December 31, 2017 RMB'000	2016 RMB'000
Revenue	26	**1,080,149**	935,383
Cost of sales	29, 30	**(678,995)**	(581,252)
Gross profit		**401,154**	354,131
Distribution costs and selling expenses	29, 30	**(175,324)**	(76,350)
Administrative expenses	29, 30	**(292,818)**	(200,776)
Other income	27	**11,784**	14,229
Other losses	28	**(2,468)**	(859)
Operating (loss)/profit		**(57,672)**	90,375
Finance expenses	31	**(58,875)**	(20,795)
Finance income	31	**7,426**	22,428
Finance (expenses)/income — net	31	**(51,449)**	1,633
Share of results	10	**207**	(1,026)
(Loss)/profit before income tax		**(108,914)**	90,982
Income tax credit/(expenses)	32	**6,234**	(36,593)
(Loss)/profit for the year		**(102,680)**	54,389
(Loss)/profit attributable to:			
Owners of the Company		**(62,166)**	58,924
Non-controlling interests		**(40,514)**	(4,535)
(Loss)/profit for the year		**(102,680)**	54,389
(Losses)/earnings per share for (loss)/profit attributable to owners of the Company			
— Basic	33	**RMB(0.04)**	RMB0.04
— Diluted	33	**RMB(0.04)**	RMB0.04

The notes on pages 87 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2017

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
(Loss)/profit for the year	**(102,680)**	54,389
Other comprehensive income	**—**	—
Total comprehensive (loss)/income for the year	**(102,680)**	54,389
Attributable to:		
Owners of the Company	**(62,166)**	58,924
Non-controlling interests	**(40,514)**	(4,535)
Total comprehensive (loss)/income for the year	**(102,680)**	54,389

The notes on pages 87 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

		Attributable to Owners of the Company				
	Note	Share capital RMB'000 (Note 18)	Reserves RMB'000 (Note 20)	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2016		–	207,160	207,160	689	207,849
Comprehensive income						
Profit for the year		–	58,924	58,924	(4,535)	54,389
Total comprehensive income		–	58,924	58,924	(4,535)	54,389
Issuance of ordinary shares in connection with the Listing	20(c)	213	674,692	674,905	–	674,905
Capitalization issue	20(d)	852	(852)	–	–	–
Issuance of ordinary shares in connection with the exercise of overallotment option	20(c)	1	3,167	3,168	–	3,168
Share option scheme	19	–	3,144	3,144	–	3,144
Capital contribution by non-controlling interests of subsidiaries		–	–	–	7,300	7,300
Total transaction with owners, recognized directly in equity		1,066	680,151	681,217	7,300	688,517
Balance at December 31, 2016		1,066	946,235	947,301	3,454	950,755
Balance at January 1, 2017		**1,066**	**946,235**	**947,301**	**3,454**	**950,755**
Comprehensive income						
Loss for the year		**–**	**(62,166)**	**(62,166)**	**(40,514)**	**(102,680)**
Total comprehensive loss		**–**	**(62,166)**	**(62,166)**	**(40,514)**	**(102,680)**
Changes in ownership interests in subsidiaries without change of control	37	**–**	**5,177**	**5,177**	**7,473**	**12,650**
Acquisition of a subsidiary		**–**	**–**	**–**	**574**	**574**
Share option scheme	19	**–**	**11,935**	**11,935**	**320**	**12,255**
Capital contribution by non-controlling interests of subsidiaries	21(a)	**–**	**–**	**–**	**56,500**	**56,500**
Total transaction with owners, recognized directly in equity		**–**	**17,112**	**17,112**	**64,867**	**81,979**
Balance at December 31, 2017		**1,066**	**901,181**	**902,247**	**27,807**	**930,054**

The notes on pages 87 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	Note	Year ended December 31, 2017 RMB'000	2016 RMB'000
Cash flow from operating activities			
Cash generated from operations	34	**88,822**	241,964
Interest paid		**(24,825)**	(20,836)
Income tax paid		**(36,717)**	(47,845)
Net cash generated from operating activities		**27,280**	173,283
Cash flow from investing activities			
Purchases of property and equipment		**(396,825)**	(122,361)
Purchases of intangible assets		**(12,726)**	(4,808)
Proceeds from disposal of property and equipment	34	**71**	1,736
Temporary funding provided to related parties	38	**(1,000)**	(87)
Repayments received from related parties		**1,000**	87
Interest received		**4,318**	1,169
Investment in a joint venture/an associate	10	**(1,000)**	(3,000)
Acquisition of a subsidiary		**(1,079)**	—
Net cash used in investing activities		**(407,241)**	(127,264)
Cash flows from financing activities			
Loan from non-controlling interests of a subsidiary	25(a)	**6,000**	-
Capital contribution from non-controlling interests of subsidiaries		**58,950**	7,600
Capital contribution from owners of the Company		**-**	35,608
Proceeds from bank borrowings		**770,400**	432,050
Repayments of bank borrowings		**(490,298)**	(401,607)
Restricted bank deposits		**(215,629)**	-
Temporary funding from related parties	38	**4,000**	-
Repayments to related parties		**(4,000)**	(8,680)
Proceeds from issuance of ordinary shares in connection with the Listing – net		**-**	682,680
Payments for initial public offering fees		**(317)**	(44,064)
Dividends		**-**	(123,920)
Net cash generated from financing activities		**129,106**	579,667
Net (decrease)/increase in cash and cash equivalents		**(250,855)**	625,686
Cash and cash equivalents at beginning of the year		**881,028**	233,658
Exchange (loss)/gains on cash and cash equivalents		**(33,629)**	21,684
Cash and cash equivalents at end of the year		**596,544**	881,028

The notes on pages 87 to 168 are an integral part of these consolidated financial statements.

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, speciality hospital and medical examination services in the People's Republic of China ("**PRC**").

The Company has its primary listing on The Stock Exchange of Hong Kong Limited ("**the Listing**").

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

For a detailed discussion about the Group's performance and financial position please refer to our financial review on pages 23 to 32.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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.

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 5.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standard, amendments and improvements to existing standards have been adopted by the Group for the financial year beginning on January 1, 2017 and are relevant to the Group's operations:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendment to HKAS 12, and
- Disclosure initiative – Amendment to HKAS 7;
- Disclosure of interest in other entities – Amendment to HKFRS 12.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see Note 34(c).

The adoption of the above new standard, amendments and improvements did not have any significant impact on the current period or any prior period.

(b) New standards and amendments not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017 and have not been early adopted by the Group.

HKFRS 9, "Financial instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment, 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.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and amendments not yet adopted (continued)

HKFRS 9, "Financial instruments" (continued)

There will be 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.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost. While the Group has not yet completed the detailed assessment, the new model introduced by HKFRS 9 will not have any significant impact on the Group's consolidated financial statements of the future periods.

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

HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognized as an asset under HKFRS 15, and

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and amendments not yet adopted (continued)

HKFRS 15, "Revenue from contracts with customers" (continued)

- variable consideration – certain breakage amount which is currently not recognized until the customer actually exercise the right, will be recognised as revenue in proportion to the expected pattern of rights exercised by the customer.

HKFRS 15 is mandatory for financial years commencing on or after January 1, 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. While the Group has not yet completed the detailed assessment, the Group considers that the adoption of HKFRS 15 will not have a significant impact on the Group's financial position and results of operations.

Amendments to HKFRS 2, "Classification and Measurement of Share-based Payment Transactions"

The HKICPA has issued amendments to HKFRS 2, which is effective for annual periods beginning on or after January 1, 2018. These amendments clarify the measurement basis for cash-settled share-based payments and the accounting for modification from cash-settled awards to equity-settled awards. It also introduces an exception to the principles in HKFRS 2 that requires an award to be treated as if it is wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

HK (IFRIC) 22, 'Foreign Currency Transactions and Advance Consideration'

The HK (IFRIC) has issued amendments to HK (IFRIC) 22, which is effective for annual periods beginning on or after January 1, 2018. The interpretations clarified the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency.

HKFRS 16, "Leases"

HKFRS 16 was issued in 2016. It will result in almost all leases being recognised 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 recognised. The only exceptions are short-term and low-value leases.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) *New standards and amendments not yet adopted (continued)*

HKFRS 16, "Leases" (continued)

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 RMB1,934,023,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

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

HK(IFRIC) 23 "Uncertainty over Income Tax Treatments"

HK (IFRIC) has issued HK (IFRIC) 23, which is effective for annual periods beginning on or after January 1, 2019. The interpretations clarified how the recognition and measurement requirements of HKAS 12 Income taxes, are applied where there is uncertainty over income tax treatments.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that approach will be accepted by the tax authority. HK (IFRIC) 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Amendments to HKFRS 10 and HKAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"

The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The management is in the process of assessing the impact of the above new standards and amendments on the financial statements of the Group.

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see 2.2.4 below), after initially being recognised at cost.

2.2.3 Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated balance sheet.

2.2.4 Equity Accounting

Under the equity method of accounting, investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's equity-accounted investments include goodwill identified on acquisition. Upon the acquisition of the ownership interest, any difference between the cost of the investment and the Group's share of the net fair value of equity-accounted investment's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in an equity-accounted investment exceeds its investments, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.4 Equity Accounting (continued)

Unrealized gains on transactions between the Group and its equity-accounted investments are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity-accounted investments have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.2.5 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.6 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.2.7 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies (continued)

2.3 Business combinations

(i) Business combinations under common control

Business combinations under common control refers to combinations where the combining entities are controlled by the same party or parties before and after the combination and that control is not transitory.

The acquirer measures both the consideration paid and net assets obtained at their carrying amounts. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid is recorded in other reserve. Any direct transaction cost attributable to the business combination is recorded in the consolidated statement of profit or loss in the current period. However, the handling fees, commissions and other expenses incurred for the issuance of equity instruments or bonds for the business combination are recorded in the initial measurement of the equity instruments and bonds respectively.

The consolidated financial statements of the Group have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The consolidated statement of profit or loss, consolidated statements of comprehensive income, consolidated cash flow statements and consolidated statements of changes in equity of the Group for the year ended December 31, 2016 have been prepared using the financial information of the companies engaged in the business, under the common control of Dr. Fang and Dr. Mei and now comprising the Group as if the current group structure had been in existence throughout the year ended December 31, 2016 or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of Dr. Fang and Dr. Mei, whichever is a shorter period. The consolidated balance sheet of the Group as at December 31, 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were combined using the existing book values from the perspectives of Dr. Fang and Dr. Mei, the controlling shareholders.

(ii) Business combinations not under common control

The Group uses the acquisition method of accounting to account for business combinations not under common control regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

2 Summary of significant accounting policies (continued)

2.3 Business combinations (continued)

(ii) Business combinations not under common control (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts is less than the fair value of the net identifiable assets of the business acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial information is presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "finance income/(expenses) - net". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other gains/(losses)".

2 Summary of significant accounting policies (continued)

2.5 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

— all resulting currency translation differences are recognized in other comprehensive income.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2.6 Property and equipment

Property and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to statement of profit or loss during the financial period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.6 Property and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Expected useful life
Buildings	30-50 years
Medical equipment	5-8 years
General equipment	5-10 years
Leasehold improvements	Shorter of lease term of 2-20 years or useful life
Others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other losses" in the consolidated statement of profit or loss.

Construction in progress represents property and equipment under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property and equipment and depreciated in accordance with the policy as stated above.

2.7 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual ownership rights exist. Land use rights represent upfront payments made for the leasehold land in the PRC. It is stated at cost less accumulative amortization and accumulated impairment losses, if any. Amortization is calculated using the straight-line method to allocate the cost of land use rights over the remaining period of the lease.

2.8 Intangible assets

Computer software

Acquired computer software license are capitalized on the basis of the costs incurred to acquire the specific software. Computer software is carried at cost less accumulated amortization and impairment, if any. These costs are amortized over their estimated useful lives of 5 years.

2 Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "other receivables", "amounts due from related parties" and "cash and cash equivalents" in the consolidated balance sheet (Note 14, Note 15, Note 38 and Note 16).

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of profit or loss.

2.14 Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories include pharmaceuticals and medical and other consumables, the cost of which is measured at actual purchase price. It excludes borrowing costs. Inventory cost in the medical examination centers is determined using the weighted average method. Inventory cost in the hospital is determined using the first in, first out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies (continued)

2.15 Trade receivables and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2.11.2 for further information about the Group's accounting for trade receivables and other receivables and Note 2.13 for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.19 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in statement of profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings.

2 Summary of significant accounting policies (continued)

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the areas where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

2 Summary of significant accounting policies (continued)

2.21 Current and deferred income tax (continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to a certain ceiling.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

(b) Housing funds, medical insurances and other social insurances

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period and recognized as employee benefit expense when they are due.

2 Summary of significant accounting policies (continued)

2.23 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to equity.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2 Summary of significant accounting policies (continued)

2.24 Provisions and contingent liabilities

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the Group's consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

2.25 Leases

2.25.1 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2.25.2 Finance leases

Leases of property and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

2 Summary of significant accounting policies (continued)

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for service rendered and pharmaceuticals sold. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Revenue from general hospital service

The Group offers outpatient and inpatient hospital services to customers. The Group recognizes revenues when such services are provided to customers. Such services are often provided with sales of pharmaceuticals. Revenue from sales of pharmaceutical is recognized when the pharmaceutical are delivered.

(b) Revenue from medical examination service

The Group offers medical examination and renders such services at the request of its customers. The Group recognizes revenues when the examination reports are issued and passed to the local couriers if hard copy reports are required by its customers, or when the examination reports are uploaded on line and can be viewed by the customers on line if hard copy reports are not required. The Group notifies its customers when their examination reports are delivered to the local couriers or ready to be viewed and downloaded online.

For most of individual customers, fees are collected upon the completion of the medical examination while corporate customers prepay a portion of service fees upon signing of the master contract, which is recognized as advance from customers by the Group. The Group records accounts receivables from its corporate customers when the examination reports of the employees of corporate customers have been delivered or uploaded on line but the Group has not received remaining payments from the corporate customers. All fees for services rendered are first charged against the advances from customers until the balances are entirely exhausted before the Group starts to invoice the corporate customers.

(c) Dividend income

Dividend income is recognized when the right to receive payment is established.

2 Summary of significant accounting policies (continued)

2.27 Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

2.28 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as deferred income and are credited to the consolidated statement of profit or loss on a straight-line basis over the expected useful lives of the related asset.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group is engaged in the provision of general hospital service, specialty hospital services and medical examination services in the PRC with almost all transactions denominated in RMB. In addition, the majority of the Group's assets and liabilities are denominated in RMB. Accordingly, the Group is not exposed to significant foreign currency risk, except for the bank deposits from the Company's initial public offering, which are denominated in Hong Kong Dollar ("HKD"), and the bank deposits denominated in USD.

The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At December 31, 2017, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, post-tax profit for the year would have been RMB974,000 (2016: RMB17,199,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

At December 31, 2017, if RMB had weakened/strengthened by 5% against USD with all other variables held constant, post-tax profit for the year would have been RMB20,296,000 (2016: RMB12,883,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

(ii) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings from banks and other non-bank finance institutions.

Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group does not hedge its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 22.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

As at December 31, 2016 and 2017 if interest rates had risen/fallen by 50 basis points with all other variables held constant, the Group's net profit for the year would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Net profit increase/(decrease)		
— risen 50 basis points	**(1,772)**	(1,448)
— fallen 50 basis points	**1,772**	1,448

(b) Credit risk

The Group has no significant concentration of credit risk. The carrying amounts of cash and cash equivalents, trade receivables and other receivables, amounts due from related parties and deposits for long-term leases included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

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

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group expected to fund the future cash flow needs through internally generated cash flows from operations, borrowings from financial institutions and issuing debt instruments and capital injection from shareholders, as necessary.

The table below analyzes the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at December 31, 2017					
Borrowings, including interest	**593,888**	**4,649**	**12,482**	**—**	**611,019**
Other long-term liabilities	**2,093**	**2,075**	**27,873**	**45,332**	**77,373**
Amounts due to related parties	**898**	**—**	**—**	**—**	**898**
Trade and other payables	**238,729**	**—**	**—**	**—**	**238,729**
	835,608	**6,724**	**40,355**	**45,332**	**928,019**
As at December 31, 2016					
Borrowings, including interest	316,398	2,737	2,167	—	321,302
Other long-term liabilities	1,871	1,351	20,427	24,417	48,066
Trade and other payables	125,817	—	—	—	125,817
	444,086	4,088	22,594	24,417	495,185

The interest on borrowings is calculated based on borrowings held as at December 31, 2016 and 2017, respectively. Floating-rate interests are estimated using the current interest rate as at December 31, 2016 and 2017, respectively.

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net cash.

The gearing ratios at December 31, 2017 and 2016 are as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Total borrowings (Note 22)	**594,667**	314,565
Less: Cash and cash equivalents (Note 16)	**(596,544)**	(881,028)
Net cash	**(1,877)**	(566,463)
Total equity	**930,054**	950,755
Total capital	**928,177**	384,292
Gearing ratio (%)	**-0.2%**	-147%

The increase in gearing ratio during 2017 is resulted from the use of cash and cash equivalents and increase of borrowings to finance the opening and operation of the new medical examination center and obstetrics and specialty hospitals.

4 Fair value estimation

Financial assets and liabilities measured at amortized cost. Fair value of trade receivables, other receivables, trade and other payables and borrowings approximates their carrying amount.

5 Critical accounting estimates and judgements

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

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

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

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

(b) Current and deferred income tax

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

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

(c) Impairment of trade receivables

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

5 Critical accounting estimates and judgements (continued)

(d) Provision for medical dispute

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

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

(e) Impairment of property and equipment impairment

The Group assesses and analyzes whether property and equipment 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.

6 Segment information

Management has determined the operating segments based on the information reviewed by the 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.

6 Segment information (continued)

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

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

(i) General hospital

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

(ii) Specialty hospital

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

(iii) Medical examination centers

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

6 Segment information (continued)

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

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 RMB'000	Specialty Hospital RMB'000	Medical Examination Centers RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
For the year ended December 31, 2017						
Revenue	346,825	–	764,443	–	(31,119)	1,080,149
Segment profit	101,047	–	124,783	–	–	225,830
Administrative expenses						(292,818)
Interest income						6,372
Interest expenses						(25,246)
Exchange losses — net						(33,629)
Other finance income						1,054
Total loss before income tax						(108,914)
Income tax credit						6,234
Loss for the year						(102,680)

	General Hospital RMB'000	Specialty Hospital RMB'000	Medical Examination Centers RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at December 31, 2017						
Segment assets	541,637	303,693	1,594,495	736,724	(1,113,202)	2,063,347
Segment liabilities	210,929	165,918	1,138,574	61,219	(443,347)	1,133,293
Other information						
Addition to property and equipment, land use rights and intangible assets (Note 7, 8, 9)	31,072	204,347	244,352	–	–	479,771
Depreciation and amortization (Note 7, 8, 9)	14,562	1,347	68,886	–	–	84,795

6 Segment information (continued)

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

	General Hospital RMB'000	Specialty Hospital RMB'000	Medical Examination Centers RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at December 31, 2016						
Segment assets	472,340	112,720	1,055,937	754,479	(815,684)	1,579,792
Segment liabilities	188,572	17,247	679,780	62,069	(318,631)	629,037
Other information						
Addition to property and equipment, land use rights and intangible assets (Note 7, 8, 9)	36,575	1,245	58,124	—	—	95,944
Depreciation and amortization (Note 7, 8, 9)	14,585	—	67,032	—	—	81,617

7 Property and equipment

	Buildings RMB'000	Medical equipment RMB'000	General equipment RMB'000	Leasehold improvements RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
At January 1, 2016							
Cost	191,375	250,405	40,220	186,718	5,905	5,651	680,274
Accumulated depreciation	(43,021)	(136,583)	(24,033)	(87,600)	(4,551)	–	(295,788)
Net book amount	148,354	113,822	16,187	99,118	1,354	5,651	384,486
Year ended December 31, 2016							
Opening net book amount	148,354	113,822	16,187	99,118	1,354	5,651	384,486
Additions	–	16,157	7,417	–	34	67,528	91,136
Transfer	22,860	16,516	51	25,246	–	(64,673)	–
Disposals (Note 34(b))	–	(2,090)	(262)	–	–	–	(2,352)
Depreciation (Note 29)	(4,948)	(32,900)	(4,511)	(37,150)	(538)	–	(80,047)
Closing net book amount	166,266	111,505	18,882	87,214	850	8,506	393,223
At December 31, 2016							
Cost	214,235	276,302	46,318	211,964	5,914	8,506	763,239
Accumulated depreciation	(47,969)	(164,797)	(27,436)	(124,750)	(5,064)	–	(370,016)
Net book amount	166,266	111,505	18,882	87,214	850	8,506	393,223
Year ended December 31, 2017							
Opening net book amount	166,266	111,505	18,882	87,214	850	8,506	393,223
Additions	39,675	17,791	15,359	–	2,335	391,885	467,045
Acquisition of a subsidiary	–	–	27	–	–	–	27
Transfer	–	46,412	–	178,892	–	(225,304)	–
Disposals (Note 34(b))	–	(309)	(139)	–	–	(405)	(853)
Depreciation (Note 29)	(5,442)	(29,847)	(9,639)	(35,688)	(493)	–	(81,109)
Closing net book amount	200,499	145,552	24,490	230,418	2,692	174,682	778,333
At December 31, 2017							
Cost	253,910	328,763	56,329	390,856	7,930	174,682	1,212,470
Accumulated depreciation	(53,411)	(183,211)	(31,839)	(160,438)	(5,238)	–	(434,137)
Net book amount	200,499	145,552	24,490	230,418	2,692	174,682	778,333

7 Property and equipment (continued)

(a) Depreciation of property and equipment has been charged to the consolidated statements of profit or loss as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Cost of sales	**71,023**	71,961
Administrative expenses	**10,086**	8,086
	81,109	80,047

(b) As at December 31, 2017, buildings with a total carrying amount of RMB80,944,000 (2016: RMB43,103,000) were pledged for the Group's borrowings (Note 22).

8 Land use rights

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Cost	**4,698**	4,698
Accumulated amortization	**(1,300)**	(1,200)
Net book amount	**3,398**	3,498

8 Land use rights (continued)

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Opening net book value	**3,498**	3,598
Amortization charges (Note 29)	**(100)**	(100)
Closing net book value	**3,398**	3,498

(a) Amortization of the land use rights have been charged to administrative expenses in the consolidated statement of profit or loss.

9 Intangible assets

	Computer software
	RMB'000
At January 1, 2016	
Cost	6,477
Accumulated amortization	(1,427)
Net book amount	5,050
Year ended December 31, 2016	
Opening net book amount	5,050
Additions	4,808
Amortization (Note 29)	(1,470)
Closing net book amount	8,388
At December 31, 2016	
Cost	11,285
Accumulated amortization	(2,897)
Net book amount	8,388

9 Intangible assets (continued)

	Computer software RMB'000
Year ended December 31, 2017	
Opening net book amount	8,388
Additions	12,726
Amortization (Note 29)	(3,586)
Closing net book amount	17,528
At December 31, 2017	
Cost	24,011
Accumulated amortization	(6,483)
Net book amount	17,528

10 Investments accounted for using equity method

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Opening balance	3,959	1,985
Investment in Shanghai Rich Meidi Management Consulting Co.,Ltd. (上海瑞慈美邸管理諮詢有限公司) ("Shanghai Meidi")	—	3,000
Investment in Neijiang Ruichuan Clinic Co., Ltd. (內江瑞川門診部有限公司) ("Neijiang Ruichuan")	1,000	—
Share of results	207	(1,026)
Ending balance	5,166	3,959

10 Investments accounted for using equity method (continued)

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

Company name	Country/date of incorporation	Paid-in capital	Equity interests held As at December 31, 2017	2016	Principal activities	Nature of relationship
Shanghai Meidi (a)	October 29, 2013, Shanghai, the PRC	RMB15,000,000	**60%**	60%	Investment holding	Joint Venture
Neijiang Ruichuan (b)	March 29, 2017, Sichuan, the PRC	RMB5,000,000	**20%**	—	Examination service	Associate

(a) On October 29, 2013, the Group and Medical Care Service Company Inc., a company incorporated in Japan and a third party, jointly established Shanghai Meidi with a total paid-in capital of RMB10,000,000.

On August 19, 2014, Nantong Rich Meidi Nursing Home, Co., Ltd. (南通瑞慈美邸護理院有限公司) ("Nantong Meidi") was incorporated by Shanghai Meidi as its wholly-owned subsidiary, which is principally engaged in providing general hospital services.

The registered capital of Shanghai Meidi was increased from RMB10,000,000 to RMB15,000,000 upon approval by the board of directors and the local government in December 2015. The additional paid-in capital of RMB5,000,000 was subsequently injected to Shanghai Meidi by the Group and Medical Care Service Company Inc. in January 2016 in proportion to their respective equity interests.

(b) On March 29, 2017, the Group, Zhong hengji Investment Group Co., Ltd (中恒基投資集團有限公司) and Neijiang Yulinglong Property Co., Ltd (內江市玉玲瓏置業有限公司), both third parties, established Neijiang Ruichuan with a total paid-in capital of RMB5,000,000. The Group injected RMB1,000,000 in proportion to its respective equity interests.

11 Deposits for long-term leases

The Group paid deposits for operating leases of certain medical examination centers, which are due over 1 year from balance sheet date and are recoverable at the end of the lease term. The fair values of deposits for long-term operating lease are approximately RMB18,567,000 and RMB13,270,000 as at December 31, 2017 and 2016 respectively, which are determined using the expected future refunds discounted at market interest rates at each year end. The fair values are at level 2.

12 Deferred income tax

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	**12,372**	9,773
— to be recovered after more than 12 months	**69,616**	37,304
	81,988	47,077

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

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**47,077**	35,293
Credited to the statement of profit or loss	**34,911**	11,784
At ending of the year	**81,988**	47,077

12 Deferred income tax (continued)

Movement in deferred income tax assets for both years ended December 31, 2017 and 2016, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets	Tax losses carried forward RMB'000	Assets impairment RMB'000	Accruals and deferred income RMB'000	Share option scheme RMB'000	Other long-term liabilities RMB'000	Total RMB'000
At January 1, 2016	22,419	4,490	2,009	—	6,375	35,293
Credited/(charged) to the statement of profit or loss	6,641	(700)	2,158	760	2,925	11,784
At December 31, 2016	29,060	3,790	4,167	760	9,300	47,077
Credited/(charged) to the statement of profit or loss	25,682	(1,409)	728	2,976	6,934	34,911
At December 31, 2017	**54,742**	**2,381**	**4,895**	**3,736**	**16,234**	**81,988**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of RMB27,189,000 (2016: RMB9,420,000) in respect of tax losses amounting to RMB108,755,000 (2016: RMB37,681,000) as at December 31, 2017. All these tax losses will expire within five years.

13 Inventories

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Pharmaceuticals	**12,490**	12,311
Medical and other consumables	**11,488**	6,820
	23,978	19,131
Less: Write-down to net realizable value	**—**	—
	23,978	19,131

The cost of inventories recognized as expense and included in "cost of sales" amounted to RMB171,302,000 for the year ended December 31, 2017 (2016: RMB158,451,000).

14 Trade receivables

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Trade receivables	**207,311**	139,840
Less: Provision for impairment of trade receivables	**(11,849)**	(8,884)
	195,462	130,956

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

14 Trade receivables (continued)

The aging analysis of trade receivables are as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Trade receivables		
— Up to 3 months	**130,015**	79,652
— 3 to 6 months	**46,898**	33,975
— 6 months to 1 year	**20,890**	19,087
— 1 to 2 years	**6,203**	5,666
— 2 to 3 years	**2,288**	981
— 3 to 4 years	**697**	316
— 4 to 5 years	**207**	81
— Over 5 years	**113**	82
	207,311	139,840

As of December 31, 2017, trade receivables of RMB8,666,000 (2016: RMB16,797,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The aging analysis of these trade receivables is as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Trade receivables		
— 3 to 6 months	**4,426**	11,324
— 6 months to 1 year	**4,240**	5,473
	8,666	16,797

14 Trade receivables (continued)

As of December 31, 2017, trade receivables of RMB11,849,000 (2016: RMB8,884,000) were impaired. The aging of these receivables is as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Trade receivables		
— Up to 3 months	**620**	622
— 3 to 6 months	**—**	59
— 6 months to 1 year	**1,721**	1,077
— 1 to 2 years	**6,203**	5,666
— 2 to 3 years	**2,288**	981
— 3 to 4 years	**697**	316
— 4 to 5 years	**207**	81
— Over 5 years	**113**	82
	11,849	8,884

Movements of impairment of trade receivables are as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**8,884**	17,260
Provision/(reversal) for receivables impairment recognized during the year	**4,018**	(856)
Receivables written off as uncollectible	**(1,053)**	(7,520)
At the end of the year	**11,849**	8,884

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

15 Other receivables

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Deposits	10,200	5,495
Receivables from non-controlling interests (Note 37)	10,200	—
Staff advance	3,744	3,204
Interest receivable	2,054	—
Others	427	2,412
	26,625	11,111
Less: Provision for impairment of other receivables	—	—
	26,625	11,111

The carrying amounts of the Group's other receivables are denominated in the following currencies:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
RMB	24,571	10,883
USD	2,054	—
HKD	—	228
	26,625	11,111

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

Movements of impairment of other receivables are as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	—	944
Provision/(reversal) for receivables impairment	749	(944)
Receivables written off as uncollectible	(749)	—
At the end of the year	—	—

16 Cash and bank balance

(a) Cash and cash equivalents

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Cash at bank and on hand		
— Denominated in RMB	**388,831**	279,384
— Denominated in USD	**188,237**	257,663
— Denominated in HKD	**19,476**	343,981
	596,544	881,028

(b) Restricted Cash

As at December 31, 2017, fixed deposits of USD33,000,000 (December 31, 2016: nil) are pledged at bank for borrowings of RMB200,000,000.

17 Prepayments

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Prepayment for equipment	**60,574**	37,260
Prepayment for lease contract (a)	**2,160**	3,240
Prepayment for buildings	**—**	12,000
	62,734	52,500

(a) The balance represents the prepayment for lease contract relating to Guangzhou Rich Guojin Clinic Co., Ltd. acquired by the Group on the acquisition date in 2014. The costs incurred to acquire such prepayments are amortized over the estimated useful lives of 52 months. Amortization amounting to RMB1,080,000 for the year ended December 31, 2017 (2016: RMB1,080,000) have been charged to cost of sales in the consolidated statements of profit or loss.

18 Share capital

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital RMB'000
As at January 1, 2017 and December 31, 2017	**1,592,079,000**	**1,066**

19 Share-based payments

(a) The Group approved and launched a share option scheme on September 19, 2016. Pursuant to the share option scheme, two directors and one employee were granted the share options to subscribe for up to 47,710,500 shares of the Company. The share options will vest in four tranches at the third, the fourth, the fifth and the sixth anniversaries of the offer date and will only become exercisable from the respective vesting dates up to the tenth anniversary of the offer date. The subscription price payable upon the exercise of any share option is fixed at HKD1.60.

As at December 31, 2017, 47,710,500 outstanding options were not exercisable as they have not yet been vested. These options with an exercise price of HKD1.60 per share upon vesting will be expired on September 19, 2026.

The fair value of the options granted determined using the binomial tree model for option value was HKD65,573,946, which was subject to a number of assumptions and with regard to the limitation of the model. The options have been divided into four tranches according to different vesting periods.

(b) Another share option scheme was conditionally approved and adopted pursuant to a resolution of the shareholders of the Company passed on September 19, 2016. On and subject to the terms of the share option scheme, the board shall be entitled at any time within ten years after September 19, 2016 to offer to grant to any non-executive director or independent non-executive director of the Company or any eligible employees of the Company as the board may in its absolute discretion select, and subject to such conditions as the board may think fit, an option to subscribe for such number of shares as the board may determine at the subscription price. One director and ten employee were granted the share options to subscribe for up to 79,517,500 shares of the Company on November 24, 2017. The share options will vest in four tranches at the third, the fourth, the fifth and the sixth anniversaries of the offer date and will only become exercisable from the respective vesting dates up to the tenth anniversary of the offer date. The subscription price payable upon the exercise of the share options is fixed at HKD2.42.

19 Share-based payments (continued)

(c) As at December 31, 2017, 79,517,500 outstanding options were not exercisable as they have not yet been vested. These options with an exercise price of HKD2.42 per share upon vesting will be expired on November 24, 2027.

The fair value of the options granted determined using Black-Scholes model for option value was HKD86,674,075, which was subject to a number of assumptions and with regard to the limitation of the model. The options have been divided into four tranches according to different vesting periods.

The significant input to the model are summarized as below:

Spot price (HKD)	2.42
Strike price(HKD)	2.42
Volatility	40.46%
Dividend yield	—
Expected option life (years)	10.0
Annual risk-free interest rate	1.271%(3 years), 1.392%(5 years), 1.779%(10 years)

All available stock price since Listing are considered to calculate volatility. See Note 30 for the total expense recognized in the consolidated statement of profit or loss for share options granted to the selected directors and employee.

20 Reserves

	Share premium RMB'000	Merger and capital reserves RMB'000	Statutory reserves and other reserves RMB'000 (a)	Share option scheme RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
At January 1, 2016	40,000	46,554	161,319	–	(40,713)	207,160
Profit for the year	–	–	–	–	58,924	58,924
Appropriation to statutory reserves (b)	–	–	7,736	–	(7,736)	–
Issuance of ordinary shares in connection with the Listing (c)	674,692	–	–	–	–	674,692
Capitalization issue (d)	(852)	–	–	–	–	(852)
Issuance of ordinary shares in connection with the exercise of over-allotment option (c)	3,167	–	–	–	–	3,167
Share option scheme (Note 19)	–	–	–	3,144	–	3,144
At December 31, 2016	717,007	46,554	169,055	3,144	10,475	946,235
At January 1, 2017	**717,007**	**46,554**	**169,055**	**3,144**	**10,475**	**946,235**
Loss for the year	**–**	**–**	**–**	**–**	**(62,166)**	**(62,166)**
Appropriation to statutory reserves (b)	**–**	**–**	**11,335**	**–**	**(11,335)**	**–**
Share option scheme (Note 19)	**–**	**–**	**–**	**11,935**	**–**	**11,935**
Change in ownership interest in subsidiaries without loss of control (Note 37)	**–**	**5,177**	**–**	**–**	**–**	**5,177**
At December 31, 2017	**717,007**	**51,731**	**180,390**	**15,079**	**(63,026)**	**901,181**

20 Reserves (continued)

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

(b) In accordance with the Company Law of the PRC and the articles of association of the PRC subsidiaries, these subsidiaries registered in the PRC shall appropriate 10% of its annual statutory profit (after offsetting any prior years' losses) to the statutory surplus reserve ("SSR") account. When the balance of SSR reaches 50% of the registered capital/share capital of these subsidiaries, any further appropriation is optional. The SSR can be utilized to offset prior years' losses or to increase paid-in capital.

(c) On October 6, 2016, the Company issued 318,080,000 new ordinary shares of USD0.0001 each at HKD2.56 per share in connection with its global offering and commencement of the listing of its shares on the Stock Exchange on the same date and raised gross proceeds of approximately HKD814,285,000 (equivalent to RMB703,298,000). The excess over the par value of RMB213,000 for the 318,080,000 shares net of the transaction costs was credited to share premium account with an amount of RMB674,692,000.

On October 28, 2016, the Company issued 1,729,000 new ordinary shares of USD0.0001 each at HKD2.56 per share in connection with the exercise of over-allotment option and raised gross proceeds of approximately HKD4,426,000 (equivalent to RMB3,873,000). The excess over the par value of RMB1,000 for the 1,729,000 shares net of the transaction costs was credited to share premium account with an amount of RMB3,167,000.

(d) Pursuant to a shareholders' resolution dated June 23, 2016, the Company capitalized an amount of USD127,121 (approximately RMB852,000) on October 6, 2016, standing to the credit of its share premium account and to appropriate such amount as capital to pay up 1,271,209,775 shares in full at par to the then shareholders of the Company in proportion to their then respective shareholdings in the Company (the "Capitalization Issue").

All issued shares during the year rank pari passu with the then existing shares.

21 Non-controlling interests

	Non-controlling interests RMB'000
As at 31 December 2016	3,454
Loss for the year	(40,514)
Capital contributions by non-controlling interests of subsidiaries (a)	56,500
Changes in ownership interests in subsidiaries without change of control (Note 37)	7,473
Acquisition of a subsidiary (b)	574
share option scheme (Note 19)	320
As at 31 December 2017	27,807

21 Non-controlling interests (continued)

(a) Capital contributions by non-controlling interests of subsidiaries

	Year ended December 31, 2017 RMB'000
Shanghai Shuixian Obstetrics & Gynecology Hospital Co., Ltd. ("Rici Shuixian")	20,000
Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. ("Changzhou Hospital")	19,600
Wuxi Rich Women and Children's Hospital Co., Ltd.	2,900
Nanjing Rich Ruixiang Clinic Co., Ltd. ("Nanjing Ruixiang")	2,450
Xuzhou Rich Ruixu Clinic Co., Ltd.("Xuzhou Ruixu")	2,450
Chengdu Wenjiang Rich Ruiwen Clinic Co., Ltd.	2,000
Yangzhou Rich Ruiyang Integrated Chinese and Western Medicines Clinic Co., Ltd. ("Yangzhou Ruiyang")	1,500
Wuxi Rich Ruixi Clinic Co., Ltd. ("Wuxi Ruixi")	1,500
Nantong Rich Ruifeng Clinic Co., Ltd. ("Nantong Ruifeng")	1,500
Sichuan Medical Technology Co., Ltd.	1,450
Shenyang Rich Health-care Management Co., Ltd.	800
Nanjing South New town Maternal and Child Hospital Co., Ltd.	350
	56,500

21 Non-controlling interests (continued)

(b) In April 2017, the Group acquired 55% equity interests in Sichuan Medical from individual shareholder, Ms. Zhouhe at a consideration of RMB1,100,000.

(c) Subsidiaries that has non-controlling interests that are material to the Group

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Rici Shuixian		Changzhou Hospital	
Summarised balance sheet	**31 Dec 2017 RMB'000**	31 Dec 2016 RMB'000	**31 Dec 2017 RMB'000**	31 Dec 2016 RMB'000
Current assets	**43,503**	88,342	**4,607**	9,653
Current liabilities	**(22,708)**	(2,583)	**(107,086)**	(2,620)
Net current assets/(liabilities)	**20,795**	85,759	**(102,479)**	7,033
Non-current assets	**81,439**	12,267	**140,513**	2,458
Non-current liabilities	**(13,029)**	(12,044)	**(11,872)**	—
Net non-current assets	**68,410**	223	**128,641**	2,458
Net assets	**89,205**	85,982	**26,162**	9,491
Accumulated non-controlling interests	**4,476**	(8,807)	**12,757**	4,651

21 Non-controlling interests (continued)

(c) Subsidiaries that has non-controlling interests that are material to the Group (continued)

Summarised statement of comprehensive income	Rici Shuixian 2017 RMB'000	Rici Shuixian 2016 RMB'000	Changzhou Hospital 2017 RMB'000	Changzhou Hospital 2016 RMB'000
Revenue	—	—	—	—
Loss for the year	**(16,778)**	(22,019)	**(22,778)**	(509)
Other comprehensive income	—	—	—	—
Total comprehensive loss	**(16,778)**	(22,019)	**(22,778)**	(509)
Loss allocated to non-controlling interests	**(6,717)**	(8,807)	**(11,224)**	(249)

Summarised cash flows	Rici Shuixian 2017 RMB'000	Rici Shuixian 2016 RMB'000	Changzhou Hospital 2017 RMB'000	Changzhou Hospital 2016 RMB'000
Cash flows from operating activities	**(25,696)**	(18,841)	**(27,883)**	(1,277)
Cash flows from investing activities	**(42,572)**	(2,844)	**(116,609)**	333
Cash flows from financing activities	**20,000**	108,000	**137,900**	10,000
Net (decrease)/increase in cash and cash equivalents	**(48,268)**	86,315	**(6,592)**	9,056

22 Borrowings

	As at December 31, 2017 RMB'000	As at December 31, 2016 RMB'000
Non-current:		
Bank borrowings — secured and/or guaranteed (i)	**19,667**	31,190
Other borrowings (ii)	**—**	1,875
Less: Current portion of non-current borrowings	**(4,000)**	(28,432)
	15,667	4,633
Current:		
Bank borrowings — secured and/or guaranteed (i)	**575,000**	281,500
Add: Current portion of non-current borrowings	**4,000**	28,432
	579,000	309,932
Total borrowings	**594,667**	314,565

(i) The Group's bank borrowings are secured by property and equipment (Note 7), bank deposit (Note 16) and guaranteed by subsidiaries of the Company for each other.

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

The Group paid a deposit of RMB7,500,000 to Yuan Dong International Leasing Co., Ltd. in 2014, which has been used to net off the last two instalments of principal repayment in accordance with the loan agreement in 2017.

(a) The borrowings are all denominated in RMB and their fair value approximates their carrying amount.

22 Borrowings (continued)

(b) The maturity of borrowings is as follows:

	As at December 31, 2017 RMB'000	2016 RMB'000
Within 1 year	**579,000**	309,932
Between 1 and 2 years	**4,000**	2,557
Between 2 and 5 years	**11,667**	2,076
	594,667	314,565

(c) The weighted average effective interest rates as at December 31, 2017 and 2016 were as follows:

	As at December 31, 2017	2016
Bank borrowings	**4.47%**	5.37%
Other borrowings	**–**	5.20%
Short-term borrowings from a micro credit company	**–**	11.00%

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

	6 months or less RMB'000	6 – 12 months RMB'000	1 – 5 years RMB'000	Total RMB'000
Borrowings:				
As at December 31, 2016	267,779	45,786	1,000	314,565
As at December 31, 2017	**594,667**	**–**	**–**	**594,667**

23 Deferred income

	As at December 31, 2017 RMB'000	As at December 31, 2016 RMB'000
Sales of medical examination cards (a)	**68,711**	34,849
Government grants (b)	**5,634**	5,844
	74,345	40,693

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

(b) Government grants:

	Year ended December 31, 2017 RMB'000	Year ended December 31, 2016 RMB'000
At beginning of the year	**5,844**	6,161
Transfer to statement of profit or loss	**(210)**	(317)
At the end of the year	**5,634**	5,844

24 Other long-term liabilities

	As at December 31, 2017 RMB'000	As at December 31, 2016 RMB'000
Accrued rental expenses	**77,373**	48,066
Less: Current portion	**(2,093)**	(1,871)
	75,280	46,195

The operating rental expenses of the Group are amortized on a straight-line basis over the entire lease period, including the grace period granted by the lessors, if any. Differences between the operating rental expenses and cash payments are included in other long-term liabilities.

25 Trade and other payables

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Trade payables due to third parties	**102,825**	89,064
Payables for purchase of property and equipment	**91,925**	10,391
Advances from customers	**74,647**	58,832
Staff salaries and welfare payables	**62,939**	22,357
Loan from non-controlling interests of subsidiaries (a)	**10,500**	4,500
Accrued advertising expense	**5,366**	3,086
Accrued professional service fees	**4,612**	4,170
Deposits payable	**2,724**	1,985
Notes payable	**1,205**	—
Interest payables	**849**	428
Accrued taxes other than income tax	**831**	1,803
Accrued initial public offering fees	**—**	317
Others	**18,723**	11,876
	377,146	208,809

(a) Balance represents loan from the non-controlling interests of subsidiaries, which is unsecured and non-interest bearing.

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

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
RMB	**377,146**	208,708
HKD	**—**	101
	377,146	208,809

25 Trade and other payables (continued)

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

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
— Up to 3 months	**81,169**	73,755
— 3 to 6 months	**5,083**	3,826
— 6 months to 1 year	**8,592**	1,664
— 1 to 2 years	**1,056**	4,638
— 2 to 3 years	**2,769**	759
— Over 3 years	**4,156**	4,422
	102,825	89,064

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

26 Revenue

Revenue of the Group consists of the following:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Hospital		
Outpatient pharmaceutical income	**38,704**	34,836
Outpatient service income	**43,510**	39,328
Inpatient pharmaceutical income	**130,130**	119,482
Inpatient service income	**103,922**	91,538
Medical Examination		
Examination service	**760,365**	642,708
Management service fee and others	**3,518**	7,491
	1,080,149	935,383

27 Other income

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Government grants (a)	**9,841**	9,690
Rental income	**771**	771
Others	**1,172**	3,768
	11,784	14,229

(a) The government grants mainly represent (1) allowance from Nantong Economic and Technological Development Zone Management Committee of RMB5 million during the year ended December 31, 2017 (2016: RMB5 million), as an encouragement for companies to expand and develop private hospital and healthcare institutes in Nantong. Pursuant to the approval by Nantong Economic and Technological Development Zone Management Committee, the Company was entitled to such government grants of RMB4 million each year for 3 years from 2012 to 2014 and RMB5 million each year for 5 years from 2015 to 2019; (2) allowance from Jiangsu Provincial Commission of Health and Family Planning of RMB1 million during the year ended December 31, 2017 (2016: RMB1.5 million), as the establishment of key specialty and medical laboratories, training of medical personnel and purchase of medical equipment, and (3) The other government grants totally RMB3.8 million for the year ended December 31, 2017 (2016: RMB3.2 million) from local government.

28 Other losses

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Losses on disposal of property and equipment	**782**	616
Others	**1,686**	243
	2,468	859

29 Expenses by nature

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Employee benefits expense	**484,792**	295,356
Operating lease rental expenses	**170,471**	110,796
Pharmaceutical costs	**98,216**	88,237
Depreciation and amortization	**84,795**	81,617
Medical consumables costs	**73,086**	70,214
Outsourced testing expenses	**56,145**	44,836
Utility expenses	**39,041**	30,830
Advertising expenses	**29,697**	20,246
Office expenses	**25,674**	20,772
Professional service charge	**11,406**	1,579
Entertainment expenses	**18,787**	17,992
Travel expenses	**8,900**	6,094
Maintenance expenses	**6,469**	7,327
Auditor's remuneration		
— Audit services	**4,335**	2,900
— Non-audit services	**1,114**	600
Provision/(Reversal) for receivables impairment	**4,767**	(1,800)
Stamp duty and other taxes	**3,115**	2,780
Labor union dues	**2,040**	2,074
Washing charge	**1,817**	1,773
Medical risk insurance	**1,150**	740
Security costs	**869**	774
Deferred income amortization	**210**	316
Working meal	**13**	1,743
Initial public offering fees	**—**	37,966
Other expenses	**20,228**	12,616
	1,147,137	858,378

30 Employee benefits expense (including directors and senior management's emoluments)

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Salaries, wages and bonuses	**403,070**	235,597
Pension	**32,639**	25,564
Other welfare benefit expenses	**36,828**	31,051
Share option expenses (Note 19)	**12,255**	3,144
	484,792	295,356

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

Name of director	Fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Other social welfares RMB'000	Share option scheme RMB'000	Total RMB'000
Year ended December 31, 2016:							
Dr. Fang(iii)	—	300	—	50	12	1,048	1,410
Dr. Mei(iii)	—	150	—	15	12	1,048	1,225
Mr. Lu(i)	—	600	—	48	11	—	659
Ms. Jiao Yan(ii)	—	—	—	—	—	—	—
Dr. Wang Yong(ii)	150	—	—	—	—	—	150
Dr. Wang Weiping(ii)	150	—	—	—	—	—	150
Ms. Wong Sze Wing(ii)	150	—	—	—	—	—	150
	450	1,050	—	113	35	2,096	3,744

30 Employee benefits expense (including directors and senior management's emoluments) (continued)

(a) Directors' and chief executive's emoluments (continued)

Name of director	Fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Other social welfares RMB'000	Share option scheme RMB'000	Total RMB'000
Year ended December 31, 2017:							
Dr. Fang(iii)	—	300	—	58	14	3,540	3,912
Dr. Mei(iii)	—	150	—	20	—	3,540	3,710
Mr. Lu(i)	—	602	—	66	15	225	908
Ms. Jiao Yan(ii)	—	—	—	—	—	—	—
Dr. Wang Yong(ii)	180	—	—	—	—	—	180
Dr. Wang Weiping(ii)	342	—	—	—	—	—	342
Ms. Wong Sze Wing(ii)	180	—	—	—	—	—	180
Mr. Jiang Peixing(iv)	85	—	—	—	—	—	85
Mr. Yao Qiyong(iv)	—	—	—	—	—	—	—
	787	1,052	—	144	29	7,305	9,317

(i) The chief executive officer of the Company is Mr.Lu, who joined in the Group in November 2013 and was appointed as the chief executive officer and executive director of the Company in February 2016.

(ii) Dr. Wang Yong, Dr. Wang Weiping and Ms. Wong Sze Wing were appointed as independent non-executive directors of the Company in June 2016. Ms. Jiao Yan joined the Group in February 2015 and was redesignated as a non-executive director of the Company in March 2016. Dr. Wang Weiping was redesignated as executive director of the Company in June 2017.

(iii) Dr. Fang was appointed as the chairman and executive director of the Company in February 2016. Dr. Mei was redesignated as the executive director of the Company in March 2016.

(iv) Mr. Jiang Peixing and Mr. Yao Qiyong were appointed as independent non-executive director of the Company in June 2017.

30 Employee benefits expense (including directors and senior management's emoluments) (continued)

(b) Five highest paid individuals

During the year ended December 31, 2017, the five individuals whose emoluments were the highest in the Group include three (2016: three) directors for the year ended December 31, 2017 whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2016: two) individuals are as follows:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**778**	739
Pension	**145**	118
Share option scheme	**3,891**	1,048
	4,814	1,905

The emoluments fell within the following bands:

	Year ended December 31,	
	2017	2016
Emoluments bands (in HKD)		
1,000,000 and below	**1**	1
1,000,001 to 2,000,000	**—**	1
2,000,000 to 5,000,000	**1**	—

(c) During the years, no director or any of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

(d) No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year.

30 Employee benefits expense (including directors and senior management's emoluments) (continued)

(e) Directors' material interests in transactions, arrangements or contracts

Except the matter disclosed in Note 38, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

31 Finance (expenses)/income – net

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Interest on borrowings	**(25,246)**	(20,795)
Exchange losses – net	**(33,629)**	–
	(58,875)	(20,795)
Exchange gains – net	**–**	20,698
Interest income	**6,372**	1,169
Others	**1,054**	561
	7,426	22,428
Finance (expenses)/income – net	**(51,449)**	1,633

32 Income tax (credit)/expenses

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

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Current income tax		
— Current year	**29,865**	46,104
— Adjustments for current tax of prior periods	**(1,188)**	2,273
Deferred income tax (Note 12)	**(34,911)**	(11,784)
Income tax (credit)/expense	**(6,234)**	36,593

32 Income tax (credit)/expenses (continued)

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

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
(Loss)/profit before tax	**(108,914)**	90,982
Tax calculated at the applicable income tax rate (25%)	**(27,229)**	22,746
Tax effect of:		
Tax loss expired	**551**	—
Expenses not deductible for tax purpose	**3,228**	4,913
Utilization of prior year tax losses and temporary differences not recognized as deferred tax assets	**(298)**	(471)
Temporary differences not recognized as deferred tax assets	**568**	101
Tax losses not recognized as deferred tax assets	**18,134**	7,031
Adjustments for current tax of prior years	**(1,188)**	2,273
Income tax (credit)/expense	**(6,234)**	36,593

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

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

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

The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings generated beginning January 1, 2008 and undistributed earnings generated prior to January 1, 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The Directors had confirmed that retained earnings of the Group's PRC subsidiaries as at December 31, 2017 will not be distributed in the foreseeable future.

33 (Losses)/earnings per share

(a) Basic

Basic (losses)/earnings per share is calculated by dividing the net (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during 2017 and 2016, respectively.

	Year ended December 31, 2017	2016
Net (loss)/profit attributable to owners of the Company (RMB'000)	**(62,166)**	58,924
Weighted average number of ordinary shares in issue	**1,592,079,000**	1,347,312,448
Basic (losses)/earnings per share (RMB)	**(0.04)**	0.04

(b) Diluted

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

	Year ended December 31, 2017	2016
Net (loss)/profit attributable to owners of the Company (RMB'000)	**(62,166)**	58,924
Weighted average number of ordinary shares in issue	**1,592,079,000**	1,347,312,448
Adjustment for share options granted under the share option scheme	**55,640,771**	13,426,725
Weighted average number of ordinary shares for diluted (losses)/earnings per share	**1,647,719,771**	1,360,739,173
Diluted (losses)/earnings per share (RMB)	**(0.04)**	0.04

34 Notes to the consolidated statement of cash flows

(a) Net cash generated from operations:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
(Loss)/profit for the year before income tax	**(108,914)**	90,982
Adjustments for:		
— Depreciation of property and equipment (Note 7)	**81,109**	80,047
— Amortization of land use rights (Note 8)	**100**	100
— Amortization of intangible assets (Note 9)	**3,586**	1,470
— Amortization of prepayment for lease contract (Note 17)	**1,080**	1,080
— Losses on disposal of property and equipment (Note 28)	**782**	616
— Provision/(Reversal) for impairment of receivables (Note 14 and Note 15)	**4,767**	(1,800)
— Share of results (Note 10)	**(207)**	1,026
— Interest income (Note 31)	**(6,372)**	(1,169)
— Interest expense (Note 31)	**25,246**	20,795
— Foreign exchange losses/(gains) (Note 31)	**33,629**	(20,698)
— Share option scheme (Note 19)	**12,255**	3,144
— Initial public offering fees	**—**	37,966
Changes in working capital:		
— (Increase)/decrease in inventories	**(4,847)**	555
— Increase in trade receivables, other receivables and prepayments	**(86,134)**	(15,763)
— (Increase)/decrease in amounts due from related parties	**(627)**	1,702
— Increase in deferred income (Note 23)	**33,044**	13,000
— Increase in trade and other payables	**78,275**	18,128
— Increase/(decrease) in amounts due to related parties	**898**	(1,242)
— Increase in deposits for long-term leases	**(8,155)**	(6,116)
— Increase in other long-term liabilities	**29,307**	18,141
Cash generated from operations	**88,822**	241,964

34 Notes to the consolidated statement of cash flows (continued)

(b) Proceeds from disposal of property and equipment:

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Net book amount of property and equipment (Note 7)	**853**	2,352
Losses on disposal of property and equipment	**(782)**	(616)
Proceeds from disposal of property and equipment	**71**	1,736

(c) Net cash reconciliation

This section sets out an analysis of net cash and the movements in net cash for each of the years presented.

Net cash	2017 RMB'000	2016 RMB'000
Cash and cash equivalents	**596,544**	881,028
Borrowings – repayable within one year (including overdraft)	**(579,000)**	(309,932)
Borrowings – repayable after one year	**(15,667)**	(4,633)
Net cash	**1,877**	566,463
Cash and liquid investments	**596,544**	881,028
Gross debt – fixed interest rates	**(80,000)**	(115,000)
Gross debt – variable interest rates	**(514,667)**	(199,565)
Net cash	**1,877**	566,463

34 Notes to the consolidated statement of cash flows (continued)

(c) Net cash reconciliation (continued)

	Other assets	Liabilities from financing activities		
		Borrowing due	Borrowing due	
	Cash	within 1 year	after 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash as at 31 December 2016	881,028	(309,932)	(4,633)	566,463
Cash flows	(250,855)	(269,068)	(11,034)	(530,957)
Foreign exchange adjustments	(33,629)	—	—	(33,629)
Net cash as at 31 December 2017	**596,544**	**(579,000)**	**(15,667)**	**1,877**

35 Contingencies

Up to December 31, 2017, the Group had eighteen ongoing medical disputes arising from the operation of Nantong Rich Hospital which have not been settled. The Group has assessed the individual cases and taken into account of the expenses incurred and recorded, the Group believes the financial exposure in relation to our ongoing medical disputes shall not be material and thus no additional provision was made in this respect.

36 Commitments

(a) Capital commitments

Capital expenditure contracted for but not yet incurred at each balance sheet date, is as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Authorized and contracted for:		
Equity Investment	**607,350**	—
Leasehold improvements	**95,448**	26,368
	702,798	26,368

36 Commitments (continued)

(b) Operating lease commitments

The Group leases various buildings under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Minimum lease payments under operation leases		
Within 1 year	**203,599**	119,553
1 to 5 years	**740,037**	420,305
Over 5 years	**990,387**	582,334
	1,934,023	1,122,192

37 Changes in ownership interests in subsidiaries without change of control

Disposal of interests in subsidiaries without loss of control

Subsidiaries	Consideration from non-controlling interests	Carrying amount of non-controlling interests disposed of	Gain on disposal recognised within equity
Yangzhou Ruiyang(a)	950	(950)	—
Wuxi Ruixi(b)	950	(933)	17
Nantong Ruifeng(c)	950	(776)	174
Nanjing Ruixiang(d)	—	44	44
Suzhou Rich Ruihe Clinic Co., Ltd. ("Suzhou Ruihe") (e)	2,450	(1,545)	905
Guangzhou Rich Zhongxin Clinic Co., Ltd. ("Guangzhou Zhongxin") (f)	7,350	(3,313)	4,037
	12,650	(7,473)	5,177

37 Changes in ownership interests in subsidiaries without change of control (continued)

(a) In April 2017, the Group disposed of 19% of interest in Yangzhou Ruiyang at a consideration of RMB950,000. The carrying amount of the non-controlling interests in Yangzhou Ruiyang on the date of disposal was RMB1,500,000. The Group recognised an increase in non-controlling interests of RMB950,000.

(b) In April 2017, the Group disposed of 19% of interest in Wuxi Ruixi at a consideration of RMB950,000. The carrying amount of the non-controlling interests in Wuxi Ruixi on the date of disposal was RMB1,472,000. The Group recognised an increase in non-controlling interests of RMB933,000 and an increase in equity attributable to owners of the Company of RMB17,000.

(c) In April 2017, the Group disposed of 19% of interest in Nantong Ruifeng at a consideration of RMB950,000. The carrying amount of the non-controlling interests in Nantong Ruifeng on the date of disposal was RMB1,225,000. The Group recognised an increase in non-controlling interests of RMB776,000 and an increase in equity attributable to owners of the Company of RMB174,000.

(d) In April 2017, the Group disposed of 49% of interest in Nanjing Ruixiang for zero consideration. The Group recognised a decrease in non-controlling interests of RMB44,000 and an increase in equity attributable to owners of the Company of RMB44,000.

(e) In April 2017, the Group disposed 49% equity interests in Suzhou Ruihe for a total consideration of RMB2,450,000. The Group still controls Suzhou Ruihe after the transactions. The Group recognized an increase in non-controlling interests of RMB1,545,000 and an increase in equity attributable to owners of the Company of RMB905,000.

(f) In April 2017, the Group disposed of 49% of interest in Guangzhou Zhongxin at a consideration of RMB7,350,000. The Group recognised an increase in non-controlling interests of RMB3,313,000 and an increase in equity attributable to owners of the Company of RMB4,037,000.

38 Related party transactions

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

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended December 31, 2017 and 2016 and balances arising from related party transactions as at December 31, 2017 and 2016.

38 Related party transactions (continued)

(a) Name and relationship with related parties

Name of related party	Relationship with the Group
Dr. Fang (方宜新)	Controlling shareholder
Dr. Mei (梅紅)	Controlling shareholder
Mr. Fang Haoze (方浩澤)	Close family member of Dr. Fang and Dr. Mei
Chelsea Grace Holdings Limited (翠慈控股有限公司) ("Chelsea Grace")	Parent company
Shanghai Rich Medical Exam (上海瑞慈健康體檢管理股份有限公司)	Controlled by Dr. Fang
Nantong Rich Real Estate (南通瑞慈房地產開發有限公司)	Controlled by Dr. Fang
Shanghai Rich Cosmetics Co., Ltd. (上海瑞慈化妝品有限公司) (" Shanghai Rich Cosmetics")	(i)
Shanghai Meidi (上海瑞慈美邸管理諮詢有限公司)	Joint venture
Nantong Meidi (南通瑞慈美邸護理院有限公司)	Subsidiary of the joint venture
Nantong Kaide Trading Co.,Ltd. (南通凱德貿易有限公司)	Controlled by close family member of Dr. Fang and Dr. Mei

(i) Shanghai Rich Cosmetics was controlled by Dr. Mei since its establishment. Pursuant to the share transfer agreements dated January 31, 2017, Shanghai Rich Cosmetics was acquired by a third party from Dr. Mei, and since then it was no longer a related party of the Group.

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

(i) Temporary funding received from related parties

During the year of 2017, Shanghai Rich Medical Exam assisted the Group in setting up Hangzhou Rich Medical Clinic Co., Ltd ("Hangzhou Rich") including, inter alia, completion of registration procedures with local authorities. In relation to these procedures, Shanghai Rich Medical Exam has provided temporary fund of RMB4,000,000 that was fully repaid by the Group upon the completion of the procedures and transfer of legal title of Hangzhou Rich to the Group.

38 Related party transactions (continued)

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

(ii) Temporary funding provided to related parties

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Nantong Meidi	**1,000**	—
Mr. Fang Haoze	**—**	87
	1,000	87

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

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Shanghai Rich Medical Exam	**1,960**	944
Nantong Rich Real Estate	**—**	405
	1,960	1,349

During the year of 2017, Shanghai Rich Medical Exam assisted the Group in setting up Xuzhou Ruixu including, inter alia, completion of registration procedures with local authorities. In relation to these procedures, Shanghai Rich Medical Exam has paid pre-operating expenses amounted to RMB300,000 on behalf of Xuzhou Ruixu upon the completion of the procedures and transfer of legal title of Xuzhou Ruixu to the Group, which was fully repaid by the Group. Shanghai Rich Medical Exam has also paid pre-operating expenses on behalf of Hangzhou Rich amounted to RMB1,660,000 which was fully repaid by the Group.

38 Related party transactions (continued)

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

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

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Nantong Meidi	**308**	311
Shanghai Rich Medical Exam	**627**	—
Nantong Rich Real Estate	**92**	511
Shanghai Meidi	**—**	700
	1,027	1,522

(v) Purchase of goods and services

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Shanghai Rich Medical Exam	**848**	—
Mr. Fang Haoze	**50**	—
Shanghai Rich Cosmetics	**—**	2,260
Nantong Kaide Trading Co.,Ltd.	**—**	3
	898	2,263

38 Related party transactions (continued)

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

(vi) Services provided to related parties

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Shanghai Rich Cosmetics	**—**	392
Nantong Meidi	**709**	—
	709	392

(c) Key management compensation

Key management includes directors (executive and non-executive), chief financial officer and secretary of the board of directors. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Share option scheme	**7,305**	2,096
Salaries and other short-term employee benefits	**2,312**	1,954
Pension	**255**	181
	9,872	4,231

38 Related party transactions (continued)

(d) Balances with related parties

Amounts due from related parties

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Nantong Meidi	**1,000**	1,000
Shanghai Rich Medical Exam	**627**	—
	1,627	1,000

The amounts due from related parties are for expenses paid on behalf of related parties, or for prepaid rental expense and rental deposits which were unsecured and non-interest bearing.

Amounts due to related parties

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Shanghai Rich Medical Exam	**848**	—
Mr. Fang Haoze	**50**	—
	898	—

39 Subsidiaries

Particulars of the subsidiaries of the Group as at December 31, 2017 and 2016 are set out below:

(a) Directly holding subsidiaries

Subsidiary incorporated in the BVI

Company name	Date of incorporation	Registered capital	Effective interests held by the Group December 31, 2017	2016	Principal activities
Rici Healthcare Holdings Limited	July 11, 2014	USD1	**100%**	100%	Investment holding
Regent Healthcare Holdings Limited	June 6, 2014	USD1	**100%**	100%	Investment holding

(b) Indirectly holding subsidiaries

Subsidiaries incorporated in Hong Kong

Company name	Date of incorporation	Registered capital	Effective interests held by the Group December 31, 2017	2016	Principal activities
Hong Kong Rici Healthcare Holdings Limited	July 14, 2014	HKD1	**100%**	100%	Investment holding
Cathay Grace Healthcare Holdings Limited	June 17, 2014	HKD1	**100%**	100%	Investment holding

39 Subsidiaries (continued)

(b) Indirectly holding subsidiaries (continued)

Subsidiaries established in the PRC

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group December 31, 2017	Effective interests held by the Group December 31, 2016	Principal activities
Nantong Rich Hospital Co.,Ltd. (南通瑞慈醫院有限公司)	August 14, 2000	65,000	**100%**	100%	General hospital service
Shanghai Rich Clinic Co.,Ltd. (上海瑞慈門診部有限公司)	February 14, 2007	5,000	**100%**	100%	Examination service
Nanjing Rich Clinic Co.,Ltd. (南京瑞慈門診部有限責任公司)	December 1, 2008	5,000	**100%**	100%	Examination service
Shanghai Rich Ruining Clinic Co.,Ltd. (上海瑞慈瑞寧門診部有限公司)	February 12, 2009	5,000	**100%**	100%	Examination service
Shanghai Rich Ruibo Clinic Co.,Ltd. (上海瑞慈瑞鉑門診部有限公司)	April 10, 2009	5,000	**100%**	100%	Examination service
Suzhou Rich Clinic Co.,Ltd. (蘇州瑞慈門診部有限公司)	August 22, 2009	5,000	**100%**	100%	Examination service
Nantong Rich Clinic Co.,Ltd. (南通瑞慈門診部有限公司)	March 17, 2010	5,000	**100%**	100%	Examination service
Shenzhen Rich Medical Examination Management Co.,Ltd. (深圳瑞慈健康體檢管理有限公司)	September 17, 2010	2,000	**100%**	100%	Investment holding
Nantong Rich Binjiang Clinic Co.,Ltd. (南通瑞慈濱江門診部有限公司)	October 21, 2010	5,000	**100%**	100%	Examination service
Shanghai Rich Ruitai Clinic Co.,Ltd. (上海瑞慈瑞泰門診部有限公司)	January 17, 2011	5,000	**100%**	100%	Examination service
Shanghai Rich Ruijie Clinic Co.,Ltd. (上海瑞慈瑞傑門診部有限公司)	July 12, 2012	5,000	**100%**	100%	Examination service
Shanghai Rich Ruizhao Clinic Co.,Ltd. (上海瑞慈瑞兆門診部有限公司)	March 19, 2013	5,000	**100%**	100%	Examination service

39 Subsidiaries (continued)

(b) Indirectly holding subsidiaries (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group December 31, 2017	2016	Principal activities
Chengdu Jinjiang Rich Clinic Co.,Ltd. (成都錦江瑞慈門診部有限公司)	November 6, 2013	5,000	**100%**	100%	Examination service
Shanghai Rich Ruize Clinic Co.,Ltd. (上海瑞慈瑞澤門診部有限公司)	November 25, 2013	5,000	**100%**	100%	Examination service
Shenzhen Rich Clinic Co.,Ltd. (深圳瑞慈門診部有限責任公司)	February 28, 2014	10,000	**100%**	100%	Examination service
Guangzhou Rich Guojin Clinic Co.,Ltd. (廣州瑞慈國金門診部有限公司)	February 28, 2014	15,000	**90%**	90%	Examination service
Jiangsu Rich Medical Management Co.,Ltd. (江蘇瑞慈醫療管理有限公司)	July 14, 2014	300,000	**100%**	100%	Investment holding
Nantong Rich Medical Management Group Co., Ltd. (南通瑞慈醫療管理集團有限公司)	July 14, 2014	177,000	**100%**	100%	Investment holding
Shanghai Rich Medical Investment Group Co., Ltd. (上海瑞慈醫療投資集團有限公司)	August 25, 2014	150,000	**100%**	100%	Investment holding
Guangzhou Rich Investment Co.,Ltd. (廣州瑞慈投資有限公司)	September 1, 2014	20,000	**100%**	100%	Investment holding
Changzhou Rich Clinic Co.,Ltd. (常州瑞慈門診部有限公司)	September 16, 2014	5,000	**100%**	100%	Examination service
Wuhan Rich Medical Investment Management Co.,Ltd. (武漢瑞慈醫療投資管理有限公司)	November 10, 2014	10,000	**100%**	100%	Investment holding
Nantong Haoze Medical Management Co.,Ltd. (南通浩澤醫療管理有限公司)	November 13, 2014	1,000	**100%**	100%	Investment holding
Nanjing Rich Ruixing Clinic Co.,Ltd. (南京瑞慈瑞星門診部有限公司)	December 5, 2014	5,000	**70%**	70%	Examination service

39 Subsidiaries (continued)

(b) Indirectly holding subsidiaries (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group December 31, 2017	2016	Principal activities
Wuhan Rich Clinic Co.,Ltd. (武漢瑞慈門診部有限公司)	January 29, 2015	5,000	**100%**	100%	Examination service
Guangzhou Rich Zhongxin Clinic Co., Ltd. (廣州瑞慈中信門診部有限公司)	January 27, 2015	15,000	**100%**	100%	Examination service
Hefei Haoze Health Management Co., Ltd. (合肥浩澤健康管理有限公司)	February 16, 2015	5,000	**70%**	70%	Investment holding
Shanghai Rich Ruixin Clinic Co., Ltd. (上海瑞慈瑞鑫門診部有限公司)	March 19, 2015	5,000	**70%**	70%	Examination service
Shanghai Fanjin Investment Management Co., Ltd. (上海返錦投資管理有限公司)	April 1, 2015	100,000	**100%**	100%	Investment holding
Beijing Rich Ruitai Clinic Co., Ltd. (北京瑞慈瑞泰綜合門診部有限公司)	May 20, 2015	10,000	**70%**	70%	Examination service
Shanghai Rich Ruijin Clinic Co., Ltd. (上海瑞慈瑞錦門診部有限公司)	May 28, 2015	5,000	**70%**	70%	Examination service
Hefei Shushan Rich Clinic Co., Ltd. (合肥蜀山瑞慈健康體檢門診部有限公司)	June 29, 2015	18,000	**70%**	70%	Examination service
Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. (常州瑞慈婦產醫院有限公司)	July 12, 2016	50,000	**51%**	51%	Specialty hospital service
Suzhou Rich Ruihe Clinic Co., Ltd. (蘇州瑞慈瑞禾門診部有限公司)	August 25, 2016	5,000	**100%**	100%	Examination service
Sichuan Rich Medical Clinic of science and technology Co., Ltd (四川瑞慈醫療科技有限公司)	August 31,2016	100,000	**55%**	—	Investment holding
Yangzhou Rich Ruiyang Integrated Chinese and Western Medicines Clinic Co., Ltd. (揚州瑞慈瑞揚中西醫結合門診部有限公司)	October 9, 2016	5,000	**70%**	70%	Examination service

39 Subsidiaries (continued)

(b) Indirectly holding subsidiaries (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group December 31, 2017	2016	Principal activities
Shanghai Shuixian Obstetrics & Gynecology Hospital Co., Ltd. (上海瑞慈水仙婦產醫院有限公司)	October 17, 2016	50,000	**60%**	60%	Specialty hospital service
Hangzhou Rich Medical Clinic Co., Ltd. (杭州瑞慈醫療門診部有限公司)	December 1, 2016	5,000	**51%**	—	Examination service
Nanjing Rich Ruixiang Clinic Co., Ltd. (南京瑞慈瑞祥門診部有限公司)	December 7, 2016	5,000	**100%**	100%	Examination service
Chendu High-tech Rich Ruigao Clinic Co., Ltd. (成都高新瑞慈瑞高門診部有限公司)	December 14, 2016	5,000	**55%**	55%	Examination service
Chengdu Wenjiang Rich Ruiwen Clinic Co., Ltd. (成都溫江瑞慈瑞文門診部有限公司)	December 20, 2016	5,000	**55%**	55%	Examination service
Xuzhou Rich Ruixu Clinic Co.,Ltd. (徐州瑞慈瑞徐體檢門診部有限公司)	December 20, 2016	5,000	**51%**	—	Examination service
Wuxi Rich Ruixi Clinic Co., Ltd. (無錫瑞慈瑞錫門診部有限公司)	December 21, 2016	5,000	**70%**	70%	Examination service
Wuxi Rich Women and Children's Hospital Co., Ltd. (無錫瑞慈婦兒醫院有限公司)	December 28, 2016	50,000	**51%**	51%	Specialty hospital service
Nantong Rich Ruifeng Clinic Co.,Ltd. (南通瑞慈瑞峰門診部有限公司)	January 10, 2017	5,000	**51%**	—	Examination service
Changzhou Yuexin Maternal and Child Nursing Service Co. Ltd. (常州瑞慈悦馨母嬰護理服務有限公司)	April 26, 2017	5,000	**51%**	—	Nursing service
Shenyang Rich Health-care Management Co., Ltd (瀋陽瑞慈健康體檢管理有限公司)	May 9, 2017	10,000	**60%**	—	Investment holding

39 Subsidiaries (continued)

(b) Indirectly holding subsidiaries (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group December 31, 2017	2016	Principal activities
Nanjing South New town Maternal and Child Hospital Co., Ltd (南京南部新城瑞慈婦兒醫院有限公司)	May 10, 2017	100,000	**65%**	—	Specialty hospital service
Huizhou Rich Healthcare Management Co., Ltd (惠州瑞慈健康管理有限公司)	June 12, 2017	5,000	**51%**	—	Investment holding
Shenyang Rich Ruishen General Clinic of Western District of Shenyang Co.,Ltd (瀋陽瑞慈瑞瀋鐵西綜合門診部有限公司)	June 20, 2017	5,000	**100%**	—	Examination service
Foshan Rich Ruifo Clinic Co., Ltd (佛山瑞慈瑞佛門診部有限公司)	June 20, 2017	5,000	**51%**	—	Examination service
Changsha Rich Ruishang Healthcare Management Co.,Ltd (長沙瑞上健康管理有限公司)	June 22, 2017	20,000	**51%**	—	Examination service
Zhenjiang Rich Ruirun Clinic Co.,Ltd. (鎮江瑞慈瑞潤門診部有限公司)	July 5, 2017	5,000	**51%**	—	Examination service
Shanghai Rich Ruilong Clinic Co.,Ltd. (上海瑞慈瑞隆門診部有限公司)	July 20, 2017	5,000	**70%**	—	Examination service
Huzhou Rich Ruihu Clinic Co., Ltd. (湖州瑞慈瑞湖門診部有限公司)	August 14, 2017	5,000	**51%**	—	Examination service
Xiamen Rich Ruisi Clinic Co.,Ltd. (廈門瑞慈瑞思門診部有限公司)	August 16, 2017	5,000	**51%**	—	Examination service
Shanghai Rich Ruimin Clinic Co.,Ltd. (上海瑞慈瑞閔門診部有限公司)	August 17, 2017	5,000	**51%**	—	Examination service
Nantong Rich Hemo-dialysis Co., Ltd (南通瑞慈血液透析有限公司)	September 8, 2017	5,000	**100%**	—	Diagnosis service

39 Subsidiaries (continued)

(b) Indirectly holding subsidiaries (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group December 31, 2017	2016	Principal activities
Shanghai Gaojing Maternal and Child Hospital Co., Ltd (上海瑞慈高境婦兒醫院有限公司)	September 21, 2017	100,000	**65%**	—	Specialty hospital service
Shanghai Rich Yuexin Healthcare Management Co., Ltd (上海瑞慈悅馨健康管理有限公司)	October 27, 2017	5,000	**60%**	—	Health counselling
Yantai Rich Ruigao Clinic Co.,Ltd. (煙臺瑞慈瑞高門診部有限公司)	November 3, 2017	5,000	**51%**	—	Examination service
Qingdao Rich Ruicheng Healthcare Management Co., Ltd (青島瑞慈瑞城健康管理有限公司)	November 9, 2017	5,000	**51%**	—	Examination service
Nantong Rich Ruixing Clinic Co.,Ltd. (南通瑞慈瑞興門診部有限公司)	November 15, 2017	20,000	**51%**	—	Examination service
Changzhou Rich Financial Leasing Co., Ltd (常州瑞慈融資租賃有限公司)	November 24, 2017	30,000 (USD)	**100%**	—	Lease service
Wuhan Rich Ruiyue Clinic Co.,Ltd. (武漢瑞慈瑞嶽綜合門診部有限公司)	December 11, 2017	20,000	**51%**	—	Examination service

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available. The PRC companies listed above are all limited liability companies.

40 Balance sheet and reserve movement of the Company

Balance Sheet of the Company

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**172,978**	161,077
	172,978	161,077
Current assets		
Cash and cash equivalents	**154,606**	455,920
Prepayments	**160**	—
Other receivables	**32**	228
Amounts due from related parties	**474,518**	218,502
	629,316	674,650
Total assets	**802,294**	835,727
Equity attributable to owners of the Company		
Share capital	**1,066**	1,066
Reserves (a)	**774,858**	785,589
	775,924	786,655
Total equity	**775,924**	786,655
LIABILITIES		
Current liabilities		
Trade and other payables	**483**	2,044
Amounts due to related parties	**25,887**	47,028
	26,370	49,072
Total liabilities	**26,370**	49,072
Total equity and liabilities	**802,294**	835,727

The balance sheet of the Company was approved by the Board of Directors on March 29, 2018 and was signed on its behalf by:

Fang Yixin	**Mei Hong**
Director	Director

40 Balance sheet and reserve movement of the Company (continued)

(a) Reserve movement of the Company

	Contributed surplus RMB'000	Share premium RMB'000	Share option scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2016	93,464	40,000	—	(7,865)	125,599
Issuance of ordinary shares in connection with the Listing	—	674,692	—	—	674,692
Capitalization issue	—	(852)	—	—	(852)
Issuance of ordinary shares in connection with the exercise of over-allotment option	—	3,167	—	—	3,167
Loss for the year	—	—	—	(20,161)	(20,161)
Share option scheme (Note 19)	—	—	3,144	—	3,144
At December 31, 2016	93,464	717,007	3,144	(28,026)	785,589
At January 1, 2017	**93,464**	**717,007**	**3,144**	**(28,026)**	**785,589**
Loss for the year	**—**	**—**	**—**	**(22,986)**	**(22,986)**
Share option scheme (Note 19)	**—**	**—**	**12,255**	**—**	**12,255**
At December 31, 2017	**93,464**	**717,007**	**15,399**	**(51,012)**	**774,858**

(i) Contributed surplus of the Company represents the difference between the consideration paid to acquire the subsidiaries by the Company for the purpose of completion of the Reorganization and the aggregate net book value of the subsidiaries at the date of acquisition.

41 Dividends

The Board does not propose a final dividend for the year ended 31 December 2017 (2016: nil).

42 Events after the balance sheet date

Pursuant to the investment agreement dated November 8, 2017 entered into, among others, by the Company and Ping An Health Technology Fund, the parties agreed to establish a subsidiary, Shanghai Kuici Health Consultancy Co., Ltd., for the purpose of newly establishing or acquiring medical examination center. The entity has completed business registration on 8 February 2018.

The Group has signed an agreement with Shanghai Rii Web Technology Co., Ltd. on March 19, 2018 to acquire 51% equity interests in Shanghai Ruiyi Xiaoyingtao Clinic Co., Ltd. at an aggregate consideration of RMB 4.9 million.

43 Authorization for issue of the financial statements

The consolidated financial statements were approved and authorized for issue by the board of directors of the Company on March 29, 2018.

瑞慈醫療服務控股有限公司
RICI HEALTHCARE HOLDINGS LIMITED

股份代號 Stock Code: 1526

於開曼群島註冊成立之有限公司 Incorporated in the Cayman Islands with limited liability