New Century Healthcare Holding Co. Limited
新世紀醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1518

ANNUAL REPORT 2017

Contents

Corporate Information

DIRECTORS

Executive Directors:

Mr. Jason ZHOU *(Chairman and Chief Executive Officer)*
Ms. XIN Hong *(Senior Vice President and Chief Operating Officer)*
Mr. XU Han *(Senior Vice President and Chief Financial Officer)*

Non-executive Directors:

Ms. LIANG Yanqing
Mr. GUO Qizhi
Mr. WANG Siye
Ms. ZHANG Lan

Independent Non-executive Directors:

Mr. WU Guanxiong
Mr. SUN Hongbin
Mr. JIANG Yanfu
Dr. MA Jing

AUDIT COMMITTEE

Mr. SUN Hongbin *(Chairman)*
Mr. GUO Qizhi
Mr. JIANG Yanfu

REMUNERATION COMMITTEE

Mr. WU Guanxiong *(Chairman)*
Ms. LIANG Yanqing
Dr. MA Jing

NOMINATION COMMITTEE

Mr. Jason ZHOU *(Chairman)*
Mr. WU Guanxiong
Mr. JIANG Yanfu

AUTHORIZED REPRESENTATIVES

Mr. XU Han
Mr. JIA Xiaofeng

JOINT COMPANY SECRETARIES

Mr. JIA Xiaofeng
Ms. WONG Sau Ping

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN CHINA

56 Nanlishi Road
Xicheng District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square
1 Matheson Street
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Hong Kong

REGISTERED OFFICE

c/o Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1–9008
Cayman Islands

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1–9008
Cayman Islands

HONG KONG SHARE REGISTRAR

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

AUDITOR

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

LEGAL ADVISER

Sullivan & Cromwell (Hong Kong) LLP
28th Floor
Nine Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited
40th Floor, Two Exchange Square
8 Connaught Place, Central
Hong Kong

PRINCIPAL BANKER

Bank of China, Beijing Finance Street Sub-branch
2/F, Investment Square
No. 27 Finance Street
Xicheng District
Beijing

STOCK CODE

01518

COMPANY WEBSITE

www.ncich.com.cn

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for 2017.

Since the Listing of the Group, it has adopted various measures to actively expand its layout in and outside Beijing, laying a solid foundation for the Group's long-term development with various expansion models. As of the date of this report, the Group has completed the consolidation of 30% economic benefits in a hospital and a clinic in Beijing, becoming the first Hong Kong listed medical company to consolidate economic benefits through a VIE arrangement. In Beijing, the Group has expanded its outpatient clinic network by successively gaining control over four pediatric clinics through acquisition, entrusted management and self-developed models. The Group also obtained shareholders' approval of the acquisition of Chengdu New Century Women's and Children's Hospital Co., Ltd. and is in the process of undergoing the governmental procedure necessary to complete the acquisition. This allows the Group to further develop its business in areas outside the Tier 1 Cities. The Group plans to provide quality medical services to the middle class families through cooperation with commercial property institutions. At present, we have signed an agreement with Anaya community and introduced New World Development Company Limited as a strategic Shareholder with an aim to cooperate and build a nationwide community pediatric medical services network.

In 2017, the Group achieved a stable growth of business. Its outpatient visits exceeded 200,000, representing a YoY increase of 10.4%, of which pediatric outpatient visits had a 13.8% YoY increase and maintained a leading position in the domestic middle to high-end pediatric medical services sector, having the largest market share in the national and Beijing markets. The Group's revenue amounted to RMB536.5 million, representing a 9.3% YoY increase, of which revenue from pediatric business recorded a 12.6% YoY increase. The adjusted net profit of the Group for the year was RMB134.9 million (as elaborated in note 1 on page 6 of this report), representing a YoY increase of 12.7%. The Board recommended the payment of a final dividend of HK$0.05 per Share for the year ended December 31, 2017.

The Group will continue to expand the presence of its medical institutions in Beijing to achieve full coverage of core areas and improve our tiered medical network in Beijing. We will speed up the establishment of hospitals and clinics in Shanghai, Guangzhou and Shenzhen. The Group will further extend its scope of services by strengthening the development of children healthcare services products and children protection programs. We will establish a remote consultation center in order to output quality medical resources to cover the whole country. The Group will provide brand management and consultation services to medical institutions in Tianjin, Suzhou, Qingdao, Dalian, Foshan and other regions, thereby increasing the market share of our brand. Leveraging our past successful acquisition experience, we will constantly expand our geographic reach by identifying suitable domestic and overseas investment opportunities.

The Group targets to become a world-class healthcare group that focuses on the provision of high-quality healthcare services to children and women. To this end, the Group will grasp the historical opportunities arising from domestic consumption upgrade and the development of the medical and healthcare industry to achieve rapid growth, thereby creating long-term and steady returns for our Shareholders.

Jason Zhou
Chairman

Hong Kong, March 28, 2018

Management Discussion and Analysis

BUSINESS OVERVIEW AND OUTLOOK

Business Overview for 2017

2017 is the Company's first year of listing. We adhered to our established strategies, expanded the coverage and depth of the medical services, and upgraded the management operations capability in order to integrate and strengthen our expertise in pediatric specialty services. In 2017, the Company achieved a stable growth of business, with revenue amounted to RMB536.5 million, representing a 9.3% YoY increase. In particular, revenue from pediatric business and hospital consulting services recorded a 12.6% YoY increase to RMB413.0 million and a 34.6% YoY increase to RMB39.3 million respectively. The net profit of the Company was RMB114.9 million. After adjustment of special items, the net profit of the Company was RMB134.9 million(1), representing a YoY increase of 12.7%.

In 2017, there were 200,643 outpatient visits, representing a YoY increase of 10.4%. Among them, pediatric outpatient visits had a 13.8% YoY increase to 178,618 as compared to 156,941 in 2016. There were also 8,428 inpatient visits, representing a YoY increase of 1.5%. Among them, pediatric inpatient visits had a 4.9% YoY increase to 6,740 as compared to 6,428 in 2016. The average outpatient spending per visit had a 1.0% YoY increase to RMB1,140 and the average inpatient spending per visit remained stable at RMB25,853.

The Company actively shapes the development layout of the Beijing pediatric healthcare services market and expands its operations to cities with economic development potential. In 2017, the Company was actively experimenting with various models for expanding its pediatric healthcare network, including self-developed, acquisition and entrusted management models. The Company has completed the VIE Acquisition in relation to the 30% economic benefits of BNC Women's and Children's Hospital and BNC Harmony Clinic, entered into an agreement with Beijing Yide Hospital in connection with the entrusted management of the pediatric outpatient services, entered into agreements to acquire the shares in Beijing Meihua Women and Children Clinic and Beijing Renze Clinic, and obtained approval of establishment of a pediatric clinic in Beijing. As of the date of this report, the Company has two specialty hospitals and four clinics in Beijing, which enables us to establish a sound tiered medical network and strengthen our medical services capability in Beijing. Moreover, the Company is optimistic about the

1 The impact of the special items on the net profit of the Company for the year ended December 31, 2017 is as follows: (i) fair value changes of convertible preferred shares and other non-current liabilities increased the net profit for RMB14.4 million; (ii) listing expenses reduced the net profit for RMB2.4 million; (iii) exchange loss of the net proceeds from the global offering reduced the net profit for RMB18.2 million; and (iv) accrued expenses for the RSA Scheme reduced the net profit for RMB13.8 million. After deduction of the above items, the net profit of the Company for the year ended December 31, 2017 was RMB134.9 million. The impact of the special items on the net profit of the Company for the year ended December 31, 2016 is as follows: (i) fair value changes of convertible preferred shares and other non-current liabilities increased the net profit for RMB37.5 million; (ii) gain from liability settlement by equity instrument increased the net profit for RMB15.3 million; (iii) listing expenses reduced the net profit for RMB35.7 million; and (iv) exchange gain increased the net profit for RMB0.2 million. After deduction of the above items, the net profit of the Company for the year ended December 31, 2016 was RMB119.7 million.

strategic position of Chengdu and the development potential of the gynecologic and pediatric specialty business in the southwest region. In order to achieve the strategic layout in the southwest region, the Company has obtained Shareholders' approval at extraordinary general meeting of the acquisition of Chengdu New Century Women's and Children's Hospital Co., Ltd. and is in the process of undergoing the governmental procedure necessary to complete the acquisition.

The Company considers expanding the membership platform and strives to extend the membership service to the forefront. In 2017, this strategy was implemented in BNC Harmony Clinic which showed a 22.6%, 30.9% and 54.9% YoY increase in revenue, outpatient visits and membership revenue respectively. The gross profit margin of BNC Harmony clinic for the year ended December 31, 2017 was 43.8%, as compared to 30.5% for the year ended December 31, 2016. This demonstrates the strategic importance of synergies between hospitals and clinics brought by the enlarged membership platform. The three newly added clinics in Beijing will accumulate more members for the Group and further promote the overall business development and regional brand effect. Moreover, the support from the hospitals to the clinics on the specialty services will promote the clinics' competitive advantage in their regions. While the number of members rises, the number of outpatient visits at the hospital level will also continue to grow based on the advantages of the pediatric specialist business, thereby creating synergies with the clinics and laying the foundation for subsequent business development. The synergies generated by hospitals and clinics may assist our rapid development internally and externally. The Company will continue to look for new investment opportunities in Tier 1 Cities and other major cities and explore new markets in order to rapidly expand our medical network.

The Company continued to promote the "New Century Family Doctor Club" panda membership program and had a 20.7% YoY increase in membership revenue in 2017. The growth of membership base will substantially assist the Company on the introduction of new projects, new products and various derivative services. Besides, the Company insisted on the effort for hospital consulting services and intensified its hospital consulting projects in Foshan and Qingdao, thereby resulting in a 34.6% YoY increase in the revenue from hospital consulting services.

In 2017, the Company launched the online business on well-known e-commerce platforms in China. With the support of our members and the e-commerce platform, online sales have also achieved encouraging development. In 2018, online business will be one of our important development directions. We will deploy more gynecologic and pediatric healthcare and medical products on the e-commerce platforms in order to enhance the customer stickiness for our members and the middle to high-end customers. In 2017, the Company started to construct its remote medical system, which will connect the offline institutions to the online platforms in the future. The integration of the online and offline businesses will allow the Company to effectively deploy the resources, flexibly arrange the specialty and expert teams in order to provide a high level of pediatric, obstetric and gynecologic services to our customers on our medical platform.

The Company continued to uphold its principle of building private hospitals with high-quality medical services as well as academic excellence and strictly managed its medical quality. We have conducted regular academic discussions and conferences which cover various subjects and topics and had academic exchanges and trainings with the world's top medical institutions. The Company continued to explore new medical services models in the internet era and communicated with different doctors' groups and medical innovation companies on cooperation in pediatric, obstetric and gynecologic and other fields.

Industry Outlook and the Group's Strategies

The cumulative effect from the increased population and the shortage of medical resources continue to drive the growth of demand for pediatric medical services. Because of the consumption upgrade and the increased awareness of health management, there is also strong demand for high-quality medical services. By 2022, the pediatric healthcare market and the obstetric and gynecologic healthcare market are expected to reach RMB226.8 billion and RMB697.2 billion respectively, in terms of total revenue, with private healthcare providers accounting for 6.1% and 12.0% respectively.

In pediatric healthcare market, we have established competition barriers on branding, technology and management and are able to provide one-stop service for health management and medical treatment. According to the latest survey by the industry consultant, Shanghai Renxi Management Consulting Co., Ltd. (上海仁汐管理諮詢有限公司), based on the revenue in 2017, our Group ranked the first with a market share of 11.3%[2] in China's middle to high-end private pediatric medical services industry. Our Group ranked the first with a market share of 50.5% in Beijing's middle to high-end private pediatric medical services industry.

Given the consumption upgrade and the growing importance of privacy and comfort of obstetric and gynecologic healthcare services from the perspective of middle to high-end customers, the proportion of revenue generated by private obstetric and gynecologic healthcare providers is expected to rise continuously. This will further promote the demand for high-quality pediatric medical services.

2 The market share will be 14.9% if the 2017 revenue from other medical institutions that are not owned by our Group but are operated under our brand name of "New Century Healthcare" is also included.

We intend to leverage such favorable industry prospects by pursuing the following strategies:

- Market expansion: implement our national layout by establishing medical institutions in Tier 1 Cities and Chengdu through various forms such as self-developed, acquisition and entrusted management models, establish our brand and output the management expertise by cooperating with medical investment platforms such as Jiahua Likang and other mergers and acquisitions funds in other cities.

- Cross-industry cooperation: explore opportunities to establish cross-industry strategic cooperation and set up service outlets in new communities and commercial properties.

- Specialty upgrade: create core specialty in pediatric and obstetric fields, and build a well-known medical team to improve our competitiveness in specialty services.

- Family doctor: set up a sound pediatric family doctor system by recruiting and training pediatric doctors to pediatric family doctors in order to increase our community influence.

- Remote medical service: work with technology companies to connect the remote video and remote image system to the medical institutions in order to create a new medical services network where community medical institutions will provide medical treatment based on our expert's medical advice.

- Medical plan: based on the existing membership program, design and develop pediatric medical plan at difference prices and in areas where conditions permit, include the general healthcare, outpatient services (including remote consultation) and inpatient services in the annual service plan.

FINANCIAL REVIEW

Segment Revenue

We generate revenue primarily from providing (i) medical services, including pediatric services and obstetric and gynecologic services, and (ii) hospital consulting services. The following table sets forth a breakdown for the periods indicated:

	Year ended December 31,			
	2017		2016	
	(in thousands of RMB, except percentages)			
Medical services	491,451	91.6%	455,417	92.8%
Hospital consulting services	39,288	7.3	29,204	5.9
Others[(1)]	5,721	1.1	6,312	1.3
Total	536,460	100.0%	490,933	100.0%

(1) Include revenue from marketing services, cafeteria and gift shop sales at our medical institutions.

Medical Services

Our revenue from the provision of medical services consists of revenue from healthcare services and revenue from pharmaceutical sales. The following table sets forth the revenue, cost of revenue, gross profit and gross profit margin of our medical services for the periods indicated:

	Year ended December 31,	
	2017	2016
	(in thousands of RMB, except percentages)	
Revenue	491,451	455,417
Cost of revenue	257,947	228,876
Gross profit	233,504	226,541
Gross profit margin	47.5%	49.7%

The following table sets forth the composition of our revenue from pediatric and obstetric and gynecologic services for the periods indicated:

	Year ended December 31,			
	2017		2016	
	(in thousands of RMB, except percentages)			
Pediatric services	**412,958**	**77.0%**	366,848	74.7%
Obstetric and gynecologic services	**78,493**	**14.6**	88,569	18.0
Total	**491,451**	**91.6%**	455,417	92.7%

Our medical services can also be classified by service and sale to inpatients and outpatients. The following table sets forth revenue and certain data relating to such classification for the periods indicated:

	Year ended December 31,	
	2017	2016
Group(1)		
Inpatients		
Inpatient visits	**8,428**	8,306
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	**217,890**	213,121
Average inpatient spending per visit *(RMB)*	**25,853**	25,659
Outpatients		
Outpatient visits(2)	**200,643**	181,674
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	**228,659**	205,117
Average outpatient spending per visit *(RMB)*	**1,140**	1,129
Revenue recognized for membership card sales *(in thousands of RMB)*	**44,902**	37,179

Notes:

(1) In addition to revenue from medical services attributable to inpatients and outpatients, our medical services revenue also included the revenue recognized from the membership card sales.

(2) Include accident and emergency visits.

Revenue from provision of our medical services amounted to RMB491.5 million in 2017, representing a 7.9% YoY increase and accounting for 91.6% of the Group's total revenue. This increase was primarily due to (i) the YoY increase in business volume of medical services attributable to outpatients and inpatients by 10.4% and 1.5% respectively which results in the increase in revenue by RMB28.3 million; and (ii) the increase in revenue recognized for membership card sales by RMB7.7 million.

The cost of revenue of our medical services consists primarily of employee benefits expenses, cost of inventories and consumables, consultation fees, outsourced examination and inspection fees and utilities, maintenance fees and office expenses. The cost of revenue of our medical services in 2017 reached RMB257.9 million, representing a YoY increase of 12.7%. This increase was primarily a result of (i) the increase in employee-related cost for medical staff; and (ii) the accrued expenses for the RSA Scheme.

Hospital Consulting Services

We also generate a portion of our revenue from providing hospital consulting services. The following table sets forth the revenue, cost of revenue, gross profit and gross profit margin of our hospital consulting services for the periods indicated:

	Year ended December 31,	
	2017	2016
	(in thousands of RMB, except percentages)	
Revenue	**39,288**	29,204
Cost of revenue	**14,634**	13,561
Gross profit	**24,654**	15,643
Gross profit margin	**62.8%**	53.6%

The YoY increases in the revenue, cost of revenue and gross profit of our hospital consulting services were primarily because of the increase in business volume of the hospital consulting services driven by consulting projects in Foshan and Qingdao. The gross profit margin of our hospital consulting services increased from 53.6% in 2016 to 62.8% in 2017, primarily because of the increase in revenue from providing hospital consulting services and the relatively stable consulting cost.

Gross Profit and Gross Profit Margin

Our gross profit in 2017 amounted to RMB258.3 million, representing a YoY increase of 6.3%. This was mainly due to the increase in revenue from the medical services and the consulting services. Our gross profit margin decreased from 49.5% in 2016 to 48.1% in 2017, primarily because of the accrued expenses for the RSA Scheme which attribute to employees from medical service department.

Selling Expenses

Our selling expenses in 2017 amounted to RMB21.0 million, representing a YoY increase of 10.7%, which was mainly a result of (i) the increase in marketing promotion expenses for business development; and (ii) the employee salaries and the accrued expenses for the RSA Scheme which attribute to the employee of sales department.

Administrative Expenses

Our administrative expenses in 2017 amounted to RMB79.5 million, a decrease from RMB102.3 million in 2016. Such decrease was mainly a result of (i) the decrease in listing expenses, and (ii) partially offset by the employee salaries and the accrued expenses for the RSA Scheme which attribute to management team.

Other Income

Our other income in 2017 increased to RMB797,000 from RMB612,000 in 2016. Such increase was mainly a result of the increase in subsidy for personal income tax.

Other Gains/(Losses) – Net

Our other net gains in 2017 amounted to RMB14.4 million, as compared to other net gains of RMB52.7 million in 2016. Our other net gains in 2017 were mainly a result of gains from the fair value changes of preferred shares and other non-current liabilities before their conversion into our ordinary shares at the time of listing.

Finance Income and Expenses

Our finance income in 2017 increased significantly from RMB658,000 in 2016 to RMB6.5 million which was mainly a result of the interest income from the deposit of the net proceeds from the global offering. Our finance expenses in 2017 amounted to RMB19.5 million, a significant increase from RMB1.6 million in 2016, primarily due to (i) the exchange loss of RMB19.5 million arising from the net proceeds from the global offering for the year ended December 31, 2017; and (ii) the advance repayment of bank borrowings in order to reduce the interest expenses of RMB1.6 million.

Income Tax Expense

Our income tax expense in 2017 amounted to RMB45.0 million, representing a YoY increase of 21.3%, which was mainly due to the increase in taxable income of subsidiaries that are subject to the corporate income tax. Our effective tax rate was 28.2% and 21.3% in 2017 and 2016, respectively.

Profit for the Period

Our profit for the period amounted to RMB114.9 million, a decrease from RMB137.0 million in 2016.

FINANCIAL POSITION

Inventories

Our inventories increased by 11.5% from RMB6.4 million as of December 31, 2016 to RMB7.2 million as of December 31, 2017 primarily due to growth of our business.

Trade Receivables

Our trade receivables increased by 6.2% from RMB18.8 million as of December 31, 2016 to RMB20.0 million as of December 31, 2017 primarily driven by the trade receivables generated from revenue of consulting services provided to a third party clinic in the fourth quarter of 2017.

Trade Payables

Our trade payables increased slightly by 2.5% from RMB16.8 million as of December 31, 2016 to RMB17.3 million as of December 31, 2017.

LIQUIDITY AND CAPITAL RESOURCES

Net Cash Generated from Operating Activities

In 2017, we had net cash generated from operating activities of RMB100.0 million, primarily attributable to the profit before income tax of RMB159.9 million, adjusted by (i) accrued non-cash expenses for the RSA Scheme of RMB13.8 million, (ii) finance expenses of RMB13.0 million, (iii) depreciation of property, plant and equipment of RMB12.4 million and (iv) the increase of deferred revenue of RMB8.8 million. These adjustments were partially offset by (i) the non-cash other gains of RMB14.4 million, (ii) the increase of the balances with related parties of RMB41.0 million, (iii) the increase of trade and other receivables of RMB14.1 million and (iv) corporate income tax paid of RMB37.2 million.

Net Cash Used in Investing Activities

In 2017, we had net cash used in investing activities of RMB199.3 million, primarily attributable to (i) RMB171.1 million used in investing in structured deposits and the corresponding interest income; (ii) RMB15.0 million loans to a third party; (iii) RMB5.0 million prepayments for acquisition; and (iv) RMB8.2 million used in purchasing equipment and software.

Net Cash Generated from Financing Activities

In 2017, we had net cash generated from financing activities of RMB693.6 million, primarily attributable to the net proceeds of RMB803.9 million from the global offering, which was partially offset by (i) RMB60.3 million dividends paid to the shareholders; (ii) RMB20.0 million early repayment of bank borrowings; and (iii) RMB30.0 million paid for the VIE Acquisition.

Significant Investments, Acquisitions and Disposals

In 2017, the Group did not have any significant investment save for the VIE Acquisition in November 2017. For details, please refer to the announcements dated September 26 and November 28, 2017 and the circular dated November 3, 2017 on the respective websites of the Stock Exchange and the Company.

In 2017, the Group had no material disposals.

Capital Expenditures

Our capital expenditures primarily include expenditures on (i) property, plant and equipment, comprising buildings and construction, leasehold improvements, medical equipment, furniture and office equipment and motor vehicles; (ii) intangible assets such as computer software relating to our operations; and (iii) acquisition of clinics. The amount of our capital expenditures in 2017 was RMB13.3 million, representing a 8.6% YoY increase, which was mainly a result of (i) upgrading the existing medical institutions, (ii) setting up a remote medical treatment center and (iii) prepayment for the acquisition of clinics.

INDEBTEDNESS

Borrowings

As of December 31, 2017, we did not have any borrowings as compared to RMB20.0 million as of December 31, 2016. The 100% YoY decrease in our borrowings resulted from the advance repayment of bank borrowings in order to reduce the interest expenses.

Exposure to Fluctuations in Exchange Rates

We mainly operate in the PRC with most of the transactions settled in RMB. As of December 31, 2017, our assets and liabilities are primarily denominated in RMB, except for certain cash and cash equivalent. Currency exposure arising from the cash and cash equivalent related with net proceeds from global offering denominated in the relevant foreign currencies. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will closely monitor such risk on an ongoing basis.

Contingent Liabilities

As of December 31, 2017, we did not have any contingent liabilities or guarantees that would have a material impact on our financial position or results of operations.

Pledge of Assets

As of December 31, 2017, none of our assets had been pledged.

Contractual Obligations

Save for the agreement entered in relation to the acquisition of shares in Beijing Renze Clinic, as of December 31, 2017, we did not have any contractual obligations that would have a material effect on our financial position or results of operations.

Financial Instruments

Our major financial instruments include trade receivables, other receivables excluding prepayments, amounts due from related parties, financial assets carried at fair value through profit or loss, structured deposits, cash and cash equivalents, borrowings, trade payables, other payables excluding non-financial liabilities, amounts due to related parties, convertible preferred shares and other non-current liabilities. Our management manages such exposure to ensure appropriate measures are implemented on a timely and effect manner.

Gearing Ratio

As of December 31, 2017, our gearing ratio, calculated as total borrowings divided by total equity, was 0% as compared to 14.9% as of December 31, 2016.

DIRECTORS

Executive Directors

Mr. Jason ZHOU, aged 54, is the founder of our Group, a Controlling Shareholder and has been an executive Director, the Chief Executive Officer and the Chairman of our Group since August 2015. He is also the chairman of the Nomination Committee. Since Mr. Zhou founded our Group in 2002, he has been leading our Group for over 15 years to serve in the private healthcare industry. Mr. Zhou has been the driving force behind our development, growth and expansion and is primarily responsible for the overall management of our Group and directing the strategic development and business plans of our Group.

From April 2001 to December 2002, Mr. Zhou served as the general manager of Beijing Chuangju Science and Technological Development Co., Ltd. (北京創巨科技發展有限責任公司), where he was responsible for sales of telecommunications equipment, software and related services to major telecommunications companies in the PRC. Prior to that, Mr. Zhou served as the general manager of Beijing Chuangju Telecommunications Technology Co., Ltd. (北京創巨通訊技術有限公司). Between March 1991 and December 1995, Mr. Zhou served as the general manager of Guanglian Industrial (Group) Co., Ltd. (廣聯實業(集團)有限公司). Between July 1987 and August 1990, Mr. Zhou was an engineer at the Beijing Central Engineering and Research Incorporation of Iron and Steel Industry (北京鋼鐵設計研究總院).

Mr. Zhou obtained his bachelor's degree in Electrical Engineering from Beijing Union University in July 1987.

Ms. XIN Hong (辛紅), aged 48, Senior Vice President of our Group, has been an executive Director since February 2016. Ms. Xin is Chief Operating Officer of the Group. She is primarily responsible for overseeing the management and operation of the Group's hospitals and overall business, including assisting in obtaining relevant regulatory approvals, as well as being involved in the design and construction of the Group's hospitals, the Group's decision making processes and organizational structure, and the management of day to day operations.

Ms. Xin began working with Mr. Zhou in August 2002, undertaking preparatory work for the establishment of the Group. Ms. Xin has been the chief operating officer and project director of BNC Children's Hospital following its establishment in December 2002, being primarily responsible for the preparation of the hospital's projects, commercial negotiations on behalf of the hospital, market development and the implementation of international best practice standards in the Group's hospitals.

Ms. Xin has more than 15 years of experience in hospital operations management and took up a number of positions in our Group throughout her current tenure. Ms. Xin has represented the Group in international medical exchanges and its participation in international and regional health organizations.

Ms. Xin is a guest lecturer on hospital management at the medical department of Peking University, and has on several occasions addressed the general assembly at the China's private hospital development annual meeting. From July 1990 to July 2001, Ms. Xin held the role of a sales manager at Jianguo Hotel Beijing.

In June 2015, Ms. Xin was elected as a member of the Standing Committee of the Private Hospital Management Branch of the Chinese Hospital Association. In September 2016, Ms. Xin was appointed as the vice chairman of the first session of Pediatrics Committee under the Chinese Non-public Medical Institutions Association. Ms. Xin obtained a college degree in English from Beijing Institute of Aeronautics, Beijing (presently known as Beihang University) in July 1990.

Mr. XU Han (徐瀚), aged 46, Senior Vice President of the Group, joined our Group in October 2005 and has been an executive Director since February 2016. Mr. Xu serves as the Group's Chief Financial Officer, with overall responsibility for the financial management of each member of the Group and the Group's investment and financing activities, as well as overseeing the Group's internal controls and information technology.

Prior to joining our Group, Mr. Xu served as the chief financial officer of United Family Healthcare (和睦家醫院) between July 2003 and September 2005, with primary responsibility for financial management of the hospitals and clinics in its Beijing and Shanghai network. Mr. Xu held the position of senior financial analyst at Intel (China) Co., Ltd. from December 2000 to May 2001. Between July 2001 and June 2003, Mr. Xu held the role of finance manager of Beijing Powerise Technology Co., Ltd. (北京創智科技有限公司), a subsidiary of Shenzhen Stock Exchange – Listed Powerise Information Technology Co., Ltd. Mr. Xu was also a financial analyst at China Hewlett Packard Co., Ltd. from October 1997 to October 2000. Mr. Xu served as a financial advisory analyst in the consulting arm of Deloitte in Beijing from August 1996 to October 1997. Between August 1994 and July 1996, Mr. Xu worked in the finance department of China International Telecommunication Construction Corporation (中國通信建設總公司) in Beijing.

Mr. Xu obtained his bachelor's degree in Economics from the Harbin Institute of Technology (哈爾濱工業大學) in July 1994.

Non-executive Directors

Ms. LIANG Yanqing (梁艷清), aged 46, has been a non-executive Director since February 2016. She is also a member of the Remuneration Committee. She is primarily responsible for providing strategic advice and guidance on the business development and expansion of our Group. Ms. Liang has more than ten years of experience in business management and investments.

Ms. Liang has been a supervisor of Zhonghe Qingrun since January 2005. Prior to that, she served as training specialist at the human resource department of the Guangdong branch of China Mobile Limited (中國移動廣東分公司) between January 2003 and January 2005.

Ms. Liang obtained her bachelor's degree in Chinese language and literature education from Harbin Normal University (哈爾濱師範大學) in Harbin, Heilongjiang Province, the PRC in December 1998.

Mr. GUO Qizhi (郭其志), aged 46, has been a non-executive Director since January 2018. He is also a member of the Audit Committee. He is primarily responsible for providing strategic advice and guidance on the business development and expansion of our Group.

Mr. Guo is currently a senior partner of CDH Venture and Growth Capital (鼎暉創新與成長基金), an investment fund established in 2015 focusing on healthcare, TMT (technology, media and telecommunications) and other innovation-based growth opportunities in the PRC. Mr. Guo joined CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司) in 2011 and serves as its executive director and manager director of operations, mainly responsible for investments in the medical sector.

Before joining CDH Equity Investment Management (Tianjin) Co., Ltd. in 2011, Mr. Guo had served as a vice president of operations and the chief financial officer of China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code 000999), the general manager of strategic investments of the strategic investment department of China Resources (Group) Co., Ltd., the chief financial officer of China Resources (Jilin) Bio-Chemical Co., Ltd. (listed on the Shanghai Stock Exchange with stock code 600893 and now known as AECC Aviation Power Co., Ltd.), the financial manager of Shanghai Dare (Group) Co., Ltd., and an industry researcher of the research division of Pingan Securities Co., Ltd.

Mr. Guo received a bachelor's degree in engineering from Northeastern University in Shenyang city, Liaoning province, the PRC in 1994 and a master's degree in accounting from Liaoning University in the same city in 1998.

Mr. WANG Siye (王思業), aged 36, has been a non-executive Director since February 2016. He is primarily responsible for providing strategic advice and guidance on the business development and expansion of our Group. Mr. Wang has over nine years of experience in corporate finance and investments. From June 2013 to date, Mr. Wang has successively served as an executive director and a managing director of Boyu Capital, an investment firm focused on investing in Greater China. Prior to joining Boyu Capital, Mr. Wang served as an investment manager at CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金) from August 2010 to June 2012 and, prior to that, as an associate at the Investment Banking Department of China International Capital Corporation Co., Ltd. (中國國際金融有限公司) from February 2007 to July 2010.

Mr. Wang received his master's degree in economics from the Hong Kong University of Science and Technology in November 2006, and his bachelor's degree in computer science from Nanjing University in June 2003.

Ms. ZHANG Lan (張嵐), aged 39, has been a non-executive Director since February 2016. She is primarily responsible for providing strategic advice and guidance on the business development and expansion of our Group. Ms. Zhang has over ten years of experience in private equity and investments.

Since September 2016, Ms. Zhang has served as a partner of Bo Xing Capital (博行資本). During her tenure, Ms. Zhang has completed equity investments in multiple medical industry companies.

Prior to founding Bo Xing Capital (博行資本), Ms. Zhang served as a deputy general manager of the China Development Bank Kaiyuan Equity Investment Fund Management Co., Ltd. (國開開元股權投資基金管理有限公司) from September 2013 to August 2016. Ms. Zhang served as a vice president at CDH Investments from August 2010 to July 2013.

Ms. Zhang received a master's degree in business administration from the University of Chicago's Booth School of Business in March 2010, a master's degree in management from Tsinghua University in Beijing in July 2014, and a bachelor's degree in chemistry from Tsinghua University in July 2001.

Independent Non-executive Directors

Mr. WU Guanxiong (吳冠雄), aged 45, was appointed as an independent non-executive Director in December 2016. He is also the chairman of the Remuneration Committee and a member of the Nomination Committee. He is primarily responsible for overseeing and providing independent judgment and analysis to the Board. Mr. Wu has substantial experience in capital markets and securities matters. He is a partner at Tian Yuan Law Firm (天元律師事務所). Prior to joining Tian Yuan Law Firm in March 1999, he served as a legal advisor at China North Industries Corporation (中國北方工業公司) from August 1994 to September 1997.

Mr. Wu obtained his bachelor of laws and master of laws in international law from Peking University Law School in July 1994 and January 2000, respectively.

Mr. SUN Hongbin (孫洪斌), aged 42, was appointed as an independent non-executive Director in December 2016. He is also the chairman of the Audit Committee. Mr. Sun has served as chief financial officer in MicroPort Scientific Corporation since July 22, 2010 and was a director of MicroPort Scientific Corporation from July 2010 to September 2012. He was also a supervisor of MP Shanghai until July 2010. Mr. Sun has over 19 years of experience in the financial industry. Mr. Sun was the general manager of Otsuka (China) Investment Co., Ltd. (大塚(中國)投資有限公司) from January 2006 to August 2010. From January 2004 to December 2005, he served as a financial deputy director of Otsuka (China) Investment Co., Ltd. (大塚(中國)投資有限公司). From August 1998 to January 2004, Mr. Sun was an assistant manager of the Shanghai office of KPMG. Mr. Sun was a member of the Chinese Institute of Certified Public Accountants and was also a Chartered Financial Analyst.

Mr. Sun received his bachelor's degree in accounting from Shanghai Jiao Tong University in the PRC in 1998.

Mr. JIANG Yanfu (姜彥福), aged 73, was appointed as an independent non-executive Director in December 2016. He is also a member of each of the Audit Committee and the Nomination Committee. He is primarily responsible for overseeing and providing independent judgment and analysis to the Board. Mr. Jiang has approximately 15 years of experience in corporate governance and compliance of listed companies. He currently serves as an independent non-executive director of (i) Synthesis Electronic Technology Co., Ltd. (神思電子技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300479), (ii) Jiangxi Bestoo Energy Co., Ltd. (江西百通能源股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 835359) and (iii) Shandong Contact Telecommunication Co., Ltd. (山東康威通信技術股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 833804). He also served as an independent non-executive director of (i) Zhejiang Reclaim Construction Group Co., Ltd. (浙江省圍海建設集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002586), from September 2010 to January 2016 and (ii) Toread Holdings Group Co., Ltd. (探路者控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300005), from June 2011 to September 2014.

Mr. Jiang had been working at Tsinghua University since March 1970 before retiring in April 2009 as a professor and doctoral supervisor at Tsinghua University School of Economics and Management. Between 2000 and 2010, he was also a director of Tsinghua University National Entrepreneurship Research Center (清華大學中國創業研究中心). He enjoys special government allowance from the State Council.

Mr. Jiang received a bachelor's degree in automation from Tsinghua University in March 1970.

Dr. MA Jing (馬晶), aged 57, was appointed as an independent non-executive Director in December 2016. She is also a member of the Remuneration Committee. She is primarily responsible for overseeing and providing independent judgment and analysis to the Board. Dr. Ma has over 30 years of experience in medical and public health studies. She has been an associate professor of medicine at Harvard Medical School since 2005, and the head of the China Center of the Population Medicine Department, Harvard Medical School since 2018. At the same time, Dr. Ma has been the head of the "Active Health and Translational Medicine Center" under Sichuan Academy of Medical Sciences & Sichuan Provincial People's Hospital since 2018. Prior to that, she had held various teaching and research positions at Women's Hospital in Boston, Massachusetts, the U.S. (which is an affiliated hospital to Harvard Medical School) and the University of Minnesota. She is also a member of the American Association for Cancer Research.

Dr. Ma received her doctor of philosophy degree in epidemiology from the University of Minnesota in December 1993, her master of public health degree in preventive medicine from Tongji Medical University in Wuhan, Hubei Province, the PRC in July 1986 and her bachelor of medicine degree from Wuhan Medical College (武漢醫學院) (now named Tongji Medical University) in Wuhan, Hubei Province, the PRC in August 1983.

SENIOR MANAGEMENT

For the biographical details of Mr. Jason ZHOU, Ms. XIN Hong (辛紅) and Mr. XU Han (徐瀚), please see "– Directors – Executive Directors" of this section.

Ms. ZHOU Hong (周紅), aged 58, a chief physician, is Senior Vice President and the Chief Medical Officer of our Group with overall responsibility for the medical department of the Group's hospitals, including overseeing the overall management of our healthcare services and our professional team and the professional training, and assisting with the development of the Group's business, annual plans and strategic business plans. She is also involved in cultivating relationships between our Group and the medical community as well as the marketing and public relations activities of our Group. Ms. Zhou joined our Group in March 2005, initially as a medical director of BNC Children's Hospital.

Prior to joining our Group, Ms. Zhou had been involved in the field of child surgery clinical work for 22 years. Between September 1983 and September 2001, Ms. Zhou served at BCH, holding a number of roles including director of the surgery department. Ms. Zhou has also taught at the Capital University of Medical Sciences in Beijing as an associate professor from September 2000 to November 2003, a professor from November 2003 to February 2014.

Ms. Zhou is (i) a member of the Pediatric Nutrition Support Group of the Fourth Committee of the Parenteral and Enteral Nutrition Society, the Chinese Medical Association, and (ii) a vice director of the Pediatric Committee of the Beijing Medical Women's Association. Ms. Zhou is also on the editorial board of the Chinese Journal for Clinicians.

Ms. Zhou obtained her bachelor's degree in pediatrics from the Capital University of Medical Sciences in Beijing in August 1983.

Mr. JIA Xiaofeng (賈曉鋒), aged 39, is Vice President and the Investment Director of our Group. He is primarily responsible for the Group's investments, acquisitions and business expansion, corporate governance and overall company secretarial matters of our Group.

Mr. Jia first joined BNC Children's Hospital in March 2009 as an investment manager before working at PricewaterhouseCoopers from April 2010 to November 2011. Mr. Jia worked at Jiahua Likang, our connected person, as a general manager in the investment division from March 2014 to March 2016.

Mr. Jia has approximately 10 years of experience in corporate finance and investments and approximately 16 years of experience in the healthcare and medical industry. Prior to initially joining our Group in March 2009, Mr. Jia also worked at The China Care Group Hospital Management and Consulting Co., Ltd. (華美康醫院管理諮詢有限公司) as a partner in their consultancy division from January 2007 to March 2009, where he was primarily responsible for analyzing the group's business and financial operations, as well as facilitating and managing investments and development projects in new and existing markets.

Mr. Jia obtained an International Master of Business Administration degree from Tsinghua University in Beijing in July 2007 and a bachelor's degree in clinical medicine from the Capital University of Medical Sciences in Beijing in July 2002.

Ms. TENG Lan (滕嵐), aged 43, is Vice President and the director of Human Resources of our Group. Ms. Teng's primary responsibilities include managing the Group's human resources and affairs, overseeing the recruitment, and assisting with the training of medical services personnel, auditing staff budgets and strategic planning for senior personnel. Ms. Teng joined our Group in February 2006 as the director of Human Resources of BNC Children's Hospital and since then has assumed various managerial positions, including clinic manager and the director of operations.

Ms. Teng has over 20 years of experience in human resources management, including more than 15 years in the medical industry. Prior to joining our Group, Ms. Teng had served as the manager of government relations at Hua Mei Kang Medical Consultancy Management (Beijing) Limited (華美康醫療諮詢管理(北京)有限公司) between March 2005 and January 2006, an assistant general manager at Shenzhen Shenyuan Trading Enterprise Co. Limited (深圳深遠貿易有限公司) between June 2004 and December 2004, a human resources manager at Beijing United Family Hospital (北京和睦家醫院) from November 2000 to June 2004, a human resources director at Kerry Hotel Beijing (北京嘉裡中心大酒店) from February 1999 to November 2000, and a human resources assistant at Beijing ATV Jinlang Hotel (北京亞視金朗大酒店) from July 1997 to February 1999.

Ms. Teng obtained her bachelor's degree in economics from the Beijing University of Technology in July 1997. Ms. Teng also obtained her certificate in senior human resources management from Tsinghua University's School of Economics and Management in November 2015, and her certificate of completion in Applied Psychology from Peking University's Department of Psychology in December 2003.

Ms. Zhang Jingxin (張菁欣), aged 33, is Vice President and Director of Capital Markets of our Group. She is primarily responsible for the capital market operations and investor relations of our Group.

Ms. Zhang has approximately 10 years of experience in corporate finance and global capital markets. Prior to joining the Group in May 2017, Ms. Zhang served in the investment banking division of Bank of America Merrill Lynch from June 2007 to April 2017. From March 2010 to April 2017, Ms. Zhang worked as associate and vice president in the investment banking division at Bank of America Merrill Lynch in the Asia Pacific region and was responsible for corporate finance and mergers and acquisitions of PRC corporations.

Ms. Zhang received a bachelor's degree in Economics and Mathematics from Yale University in May 2007.

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2017.

PRINCIPAL ACTIVITIES

The Company, together with its subsidiaries, is mainly engaged in provision of high-quality healthcare services to women and children. The Company is an investment holding company and its subsidiaries are principally engaged in the healthcare industry specializing in pediatric, obstetric and gynecologic services and certain hospital consulting services.

A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/paid up capital, is set out in note 8 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in "Chairman's Statement" on pages 4 to 5 of this annual report and in "Management Discussion and Analysis – Business Overview and Outlook" on pages 6 to 9 of this annual report. The financial risk management objectives and policies of the Group are set out in note 3 to the consolidated financial statements. Significant events that have an effect on the Group subsequent to the end of the financial year ended December 31, 2017 are set out in note 35 to the consolidated financial statements. Besides, the potential risks and uncertainties faced by the Group, key relationship between the Group and its employees, customers and suppliers, the environmental policies of the Group and compliance with the relevant laws and regulations which have significant impact are set out below.

Key Risks and Uncertainties

The Group's results and operations are subject to various factors with the key risks summarized below:

Reputation risk

Our business depends significantly on the soundness of our reputation. Failure to develop, maintain and enhance our reputation, or any negative publicity or allegations in the media against us, may adversely affect the level of market recognition of, and trust in, our services, and failure to properly manage our physicians' or other medical professionals' clinical activities may expose us to medical disputes, which could result in a material adverse impact on our business, financial condition and results of operations. Our reputation and business may be harmed accordingly.

Customer risk

As we provide mid- to high-end healthcare services, our business, financial condition and results of operations are subject to changes in patient preference, consumption capacity, consumer confidence index and general economic conditions in our market.

Talent risk

If we are unable to attract, train and retain a sufficient number of qualified physicians, management staff and other hospital personnel, our hospital operations could be materially and adversely affected.

Key Relationship

The Group fully understands that employees, customers and partners are the key to our sustainable and stable development. We are committed to establishing a close relationship with our employees, enhancing cooperation with our partners and providing high-quality services to our customers so as to ensure the Group's sustainable development.

Staff

Our staff is regarded as the most important resource of the Group. The Group has been endeavoring to provide our staff with a competitive compensation packages, attractive promotion opportunities, comprehensive training courses and a respectful and professional working environment. In order to assist us in attracting, retaining and motivating our key employees, the Group has adopted a restricted shares award scheme (the "**RSA Scheme**"), pursuant to which restricted shares will be granted to eligible employees. The Group has in place a Group-wide internal training systems and provide ongoing training to our employees. In addition, our new employees are required to participate in a three-day orientation program, followed by a rotational training scheme.

Customers

We uphold the principle of providing high-quality customer-centered healthcare services throughout our operation, which we believe is vital to achieving customer satisfaction and maintaining our reputation. Our customer-centered philosophy is reinforced by our high-quality customer service that goes beyond medical diagnosis and treatment. Our customers can make appointments in person or by phone to avoid long waiting time which is a common issue in public hospitals. We have dedicated dietitians working with our medical staff to provide appropriate nutrition care to our customers for their recovery and our food service staff help our customers select their daily menus and deliver the meals to their bedside. To adapt to the needs of our young customers and female customers, we designed our medical institutions to be a comfortable, intimate and relaxing environment to make them feel more at ease. A dedicated call center for each of our medical institutions was set up to provide various customer services, including providing general information about our medical institutions and our services, answering general enquiries, offering customers directions services, scheduling appointments and collecting post-consultation feedback.

Suppliers

We firmly believe that our suppliers are equally important in providing high-quality medical services. When selecting suppliers, we consider, among other things, their product offerings, pricing, reputation, service or product quality and delivery schedule. We generally require our suppliers to maintain requisite licenses and permits to operate their business, such as business licenses and GMP certificates and/or GSP certificates. We conduct regular review of our suppliers and will remove any suppliers who do not meet our supply standards or requirements from our list of approved suppliers. We usually have more than one supplier for each kind of our supply need to ensure we maintain sufficient inventory levels and bargaining power to deal with price fluctuations. We do not rely on any single supplier for any of our major pharmaceuticals, medical consumables or medical devices. We have stable business relationships with our suppliers in 2017.

We have established certain long-term cooperation relationships with third parties, such as other hospitals, medical associations and scientific research institutions, which enable us to access more medical resources, enhance the quality of our healthcare services, strengthen our reputation, and promote and grow our business.

For more information about the Company's key relationships with its employees, customers and suppliers, please refer to the section headed "Business" of the Prospectus.

Environmental Policies

We are subject to various PRC laws, rules and regulations with regard to environmental matters, including hospital sanitation, disease control, disposal of medical waste, and discharge of wastewater, pollutants and radioactive substances. We have established systems and procedures in place concerning environmental protection, such as requiring all our hospitals to engage qualified service providers to dispose of medical waste and radioactive substances. In 2017, our businesses were in compliance with all the relevant laws and regulations with regard to environmental protection in all material aspects.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China while the Company is a holding company incorporated in the Cayman Islands with its shares listed on the Main Board of the Stock Exchange. Our establishments and operations accordingly shall comply with relevant laws and regulations in Mainland China, the Cayman Islands and Hong Kong. In 2017, our businesses were in compliance with all the relevant laws and regulations in Mainland China, the Cayman Islands and Hong Kong in all material aspects.

RESULTS AND DIVIDEND

The results of the Group for the year ended December 31, 2017 are set out in the section headed "Consolidated Statement of Comprehensive Income" of this annual report.

The Board recommended the payment of a final dividend of HK$0.05 per Share for the year ended December 31, 2017 (2016: nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended December 31, 2017 are set out in note 16 to the consolidated financial statements in this annual report.

RESERVES

Details of the movements in the reserves of the Group for the year ended December 31, 2017 are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report.

As of December 31, 2017, the Company had a share premium balance of RMB2,576.1 million, which shall be available for distribution to the Shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the Group's property, plant and equipment are set out in note 6 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years are set out in the section headed "Financial Summary" of this annual report.

BORROWINGS

As of December 31, 2017, the Group did not have any borrowings (FY2016: RMB20.0 million).

PLEDGE OF ASSETS

As of December 31, 2017, no assets of the Group were pledged.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2017, our five largest individual patients contributed to less than 5% of our total revenue. During the year ended December 31, 2017, our largest customer was a corporate customer and a connected person of us from which we derived hospital consulting service fee revenue, which in aggregate contributed to 7.1% of our revenue in 2017.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 35.5% (FY2016: 37.7%) of the total purchases for the year and purchases from the largest supplier accounted for approximately 10.1% (FY2016: 10.7%) of our total purchases.

Save for Mr. Zhou's equity interest (together with his spouse) in Jiahua Likang, our largest corporate customer, to the best knowledge of the Directors, none of the Directors or any of their close associates (as defined in the Listing Rules) or Shareholders that owned more than 5% of the issued Shares had any direct or indirect interest in the five largest customers or the five largest suppliers of the Group during the year ended December 31, 2017.

DIRECTORS

The Directors during the year ended December 31, 2017 and as of the Latest Practicable Date are as follows:

Executive Directors

Mr. Jason ZHOU *(Chairman and Chief Executive Officer)*

Ms. XIN Hong *(Senior Vice President and Chief Operating Officer)*

Mr. XU Han *(Senior Vice President and Chief Financial Officer)*

Non-executive Directors

Ms. LIANG Yanqing

Mr. GUO Qizhi *(appointed on January 1, 2018)*

Mr. WANG Siye

Ms. ZHANG Lan

Dr. HE Xin *(resigned on January 1, 2018)*

Independent Non-executive Directors

Mr. WU Guanxiong

Mr. SUN Hongbin

Mr. JIANG Yanfu

Dr. MA Jing

THE BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" of this annual report.

SERVICE CONTRACTS OF THE DIRECTORS

Each of the executive Directors has entered into a service contract with the Company which commenced from February 18, 2016 for an initial term of three years and shall be terminable by either party giving not less than three months' notice in writing to the other.

Each of Ms. LIANG Yanqing, Mr. WANG Siye, Ms. ZHANG Lan has entered into a service contract with the Company which commenced from February 18, 2016 for an initial term of three years and shall be terminable by either party giving not less than three months' notice in writing to the other.

Mr. GUO Qizhi has entered into a service contract with the Company which commenced from January 1, 2018 for an initial term of three years and shall be terminable by either party giving not less than three months' notice in writing to the other.

Each of the independent non-executive Directors has entered into a service contract with the Company which commenced from December 12, 2016 for an initial term of three years and shall be terminable by either party giving not less than three months' notice in writing to the other.

In accordance with Articles 108(a) and 112 of the Articles of Association, Ms. XIN Hong, Mr. XU Han, Mr. GUO Qizhi, Mr. WANG Siye and Ms ZHANG Lan will hold office until the forthcoming annual general meeting of the Company and will then be eligible for re-election. None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DISCLOSURE OF CHANGES IN INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, there was no change of information on Directors for the year ended December 31, 2017.

REMUNERATION OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in notes 37 and 26(a) to the consolidated financial statements in this annual report.

The annual remuneration of the members of the senior management by band for the year ended December 31, 2017 is as follow:

Remuneration Bands (RMB)	Number of Individuals
0–1,000,000	0
1,000,001–2,000,000	4
2,000,001–3,000,000	1
3,000,001 and above	0

EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2017, the Group had 829 employees (December 31, 2016: 702 employees). Total staff remuneration expenses including Directors' remuneration in 2017 amounted to RMB198.4 million (FY2016: RMB165.1 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other staff benefits include social insurance and housing provident contributions made by the Group, performance-based compensation and discretionary bonus.

The Group has adopted the RSA Scheme to attract, retain and monitor our key employees. 9,000,000 restricted shares have been granted to 2 Directors and 265 employees of the Group up to the Latest Practicable Date. Details of the grant of restricted shares are set out in the announcement of the Company dated July 25, 2017.

The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company believes that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, our Controlling Shareholders, Jiahua Likang and Jiahua Kangming, have undertaken to the Company in a deed of non-competition that, subject to and except as mentioned in the Prospectus, they would not, and would procure that none of their close associates will directly or indirectly engage in any business which, directly or indirectly, competes or may compete with the Group's business in any Tier 1 Cities.

Each of them has confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this annual report during the year ended December 31, 2017. No new business opportunity was informed by them as of December 31, 2017.

The independent non-executive Directors have reviewed the implementation of the deed of non-competition and are of the view that the non-competition undertakings have been complied with by our Controlling Shareholders, Jiahua Likang and Jiahua Kangming for the year ended December 31, 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Saved as disclosed in the section headed "Relationship with Our Controlling Shareholders" of the Prospectus and this annual report, as of December 31, 2017, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As of December 31, 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Interests/short positions in the Shares of the Company

Name of Director or Chief Executive	Nature of interest	Number of Shares (1)	Approximate percentage of interest in the Company
Mr. Zhou (2)	Interests in a controlled corporation; interest held jointly with another person	215,816,894	44.0%
Ms. Liang (3)	Interests in a controlled corporation	57,740,181	11.8%
XIN Hong (4)	Beneficial owner	450,000	0.09%
XU Han (5)	Beneficial owner	450,000	0.09%

Notes:

1. All interests stated are long positions.

2. The entire issued share capital of each of JoeCare and Century Star is directly held by Mr. Zhou. Accordingly, Mr. Zhou is deemed to be interested in the 149,077,551 Shares held by JoeCare and the 8,999,162 Shares held by Century Star. Pursuant to the Voting Agreement, Ms. Liang irrevocably agreed to follow Mr. Zhou's voting directions when exercising the voting rights attached to the Shares beneficially owned by her during the term of such agreement. Hence, Mr. Zhou is deemed to be interested in all the Shares held by Ms. Liang in aggregate by virtue of the SFO.

3. The entire issued share capital of Victor Gains is directly held by Ms. Liang. Accordingly, Ms. Liang is deemed to be interested in the 57,740,181 Shares held by Victor Gains. Pursuant to the Voting Agreement, Ms. Liang irrevocably agreed to follow Mr. Zhou's voting directions when exercising the voting rights attached to the Shares beneficially owned by her during the term of such agreement.

4. Ms. XIN Hong is interested in 450,000 restricted Shares granted to her under the RSA Scheme, 76,500 of which have vested in her.

5. Mr. XU Han is interested in 450,000 restricted Shares granted to him under the RSA Scheme, 76,500 of which have vested in him.

(b) Interests/short positions in the share capital or debentures of the associated corporations of our Company

Name of Director or Chief Executive	Name of associated corporation of the Company	Capacity/nature of interest	Number of shares in the corporation	Approximate percentage of interest in the corporation
Mr. Zhou	BNC Women's and Children's Hospital	Interest of controlled corporation; interest of spouse[1]	N/A	30%
Mr. Zhou	BNC Harmony Clinic	Interest of controlled corporation; interest of spouse[2]	N/A	30%

Notes:

1. BNC Women's and Children's Hospital is held as to 70% by Jiahua Yihe, a wholly-owned subsidiary of the Company, and as to 30% by Jiahua Kangming, a PRC company controlled by (as defined in the SFO) Mr. Zhou.

2. BNC Harmony Clinic is held as to 70% by Jiahua Yihe, a wholly-owned subsidiary of the Company, and as to 30% by Jiahua Kangming, a PRC company controlled by (as defined in the SFO) Mr. Zhou.

Save as disclosed above, as of the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations 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 they were 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, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of December 31, 2017, so far as was known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in the Company
JoeCare	Beneficial owner	149,077,551	30.4%
Victor Gains	Beneficial owner	57,740,181	11.8%
CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司)[(1)(2)]	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Taiding Investment[(1)(2)]	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司)[(1)(2)]	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司)[(1)(2)]	Interests in a controlled corporation	31,728,156	6.5%
Mr. WU Shangzhi[(1)(2)]	Interests in a controlled corporation	31,728,156	6.5%
Mr. JIAO Shuge[(1)(2)]	Interests in a controlled corporation	31,728,156	6.5%
Boyu AH	Beneficial owner	31,562,713	6.4%
Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司)[(3)]	Interests in a controlled corporation	31,562,713	6.4%
Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司)[(3)]	Interests in a controlled corporation	31,562,713	6.4%
XIA Meiying[(3)]	Interests in a controlled corporation	31,562,713	6.4%
HUANG Ailian[(3)]	Interests in a controlled corporation	31,562,713	6.4%
China Life Reinsurance Company Ltd.[(4)]	Beneficial owner	31,609,000	6.5%
China Reinsurance (Group) Corporation[(4)]	Interests in a controlled corporation	31,609,000	6.5%
Central Huijin Investment Ltd.[(4)]	Interests in a controlled corporation	31,609,000	6.5%

Notes:

1. CDH Fuji is a limited liability partnership organized and existing under the laws of the PRC. The general partner of CDH Fuji is CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司), which is owned directly as to 85.4% by Tianjin Taiding Investment. Tianjin Taiding Investment is owned directly as to 55.0% by Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司) (whose entire issued share capital is held by Mr. WU Shangzhi) and as to 45.0% by Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司) (whose entire issued share capital is held by Mr. JIAO Shuge). Accordingly, each of CDH Huatai Investment Management (Beijing) Co., Ltd., CDH Equity Investment Management (Tianjin) Co., Ltd., Tianjin Taiding Investment, Tianjin Haoyong Investment Management Co., Ltd., Tianjin Weiyuan Investment Management Co., Ltd., Mr. WU Shangzhi and Mr. JIAO Shuge is deemed to be interested in such number of Shares held by CDH Fuji.

2. CDH Fuyi is a limited liability partnership organized and existing under the laws of the PRC. The general partner of CDH Fuyi is CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司), which is owned directly as to 57.2% by CDH Equity Investment Management (Tianjin) Co., Ltd. and as to 42.8% by certain other investors, none of which is entitled to exercise or control the exercise of one third or more of the voting rights of CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司). The general partner of CDH Fuji is CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司), which is owned directly as to 85.4% by Tianjin Taiding Investment. Tianjin Taiding Investment is owned directly as to 55.0% by Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司) (whose entire issued share capital is held by Mr. WU Shangzhi) and as to 45.0% by Tianjin Weiyuan Investment Management Co., Ltd. (whose entire issued share capital is held by Mr. JIAO Shuge). Accordingly, each of CDH Huatai Investment Management (Beijing) Co., Ltd., CDH Equity Investment Management (Tianjin) Co., Ltd., Tianjin Taiding Investment, Tianjin Haoyong Investment Management Co., Ltd., Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司), Mr. WU Shangzhi and Mr. JIAO Shuge is deemed to be interested in such number of Shares held by CDH Fuyi.

3. Boyu AH is a limited liability partnership organized and existing under the laws of the PRC. The general partner of Boyu AH is Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司) whose sole shareholder is Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司) which is owned as to 50% by Xia Meiying and 50% by Huang Ailian. Accordingly, each of Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司), Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司), XIA Meiying and HUANG Ailian is deemed to be interested in such number of Shares held by Boyu AH.

4. China Life Reinsurance Company Ltd. is a company incorporated in the PRC with limited liability, whose sole shareholder is China Reinsurance (Group) Corporation, which is owned as to 71.6% by Central Huijin Investment Ltd.. China Reinsurance (Group) Corporation and Central Huijin Investment Ltd. are deemed to be interested in such number of Shares held by China Life Reinsurance Company Ltd..

Save as disclosed above, as of December 31, 2017, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which shall be disclosed to the Company pursuant to Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

RSA SCHEME

A restricted shares award scheme (the "**RSA Scheme**") was adopted pursuant to the written resolutions of the Shareholders passed on August 29, 2016 (the "**RSA Scheme Adoption Date**"). The purpose of the RSA Scheme is to give incentives thereto in order to retain key employees for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The RSA Scheme shall be valid and effective for a period of ten years commencing on the RSA Scheme Adoption Date, under the administration of the administration committee and the trustee.

Details of the interests of the Directors and other employees of the Group in the restricted Shares under the RSA Scheme are set out below.

Name of grantees of restricted Shares	Position held with the group	Number of Shares represented by the restricted Shares as of January 1, 2017	Date of grant	Number of Shares represented by the restricted Shares as of the date of grant	Exercise price *(HK$)*	Vested between the date of grant and December 31, 2017[1]	Lapsed between the date of grant and December 31, 2017	Number of Shares represented by the restricted Shares as of December 31, 2017
Directors								
XIN Hong[1]	Executive Director	–	July 25, 2017	450,000	3.825	76,500	–	373,500
XU Han[1]	Executive Director	–	July 25, 2017	450,000	3.825	76,500	–	373,500
Sub-total				900,000	–	153,000	–	747,000
265 other employees of the Group		–	July 25, 2017	8,100,000	3.825	1,377,000	–	6,723,000
Sub-total				8,100,000	–	1,377,000	–	6,723,000

Note:

1. Reference is made to the announcement of the Company dated March 16, 2018. The restricted Shares that are initially scheduled to be vested on July 25, 2017 are expected to be actually transferred to the relevant participants on or after July 25, 2018 due to the delay in the stock accounts opening process.

The grantees of the restricted Shares granted under the RSA Scheme as referred to in the table above are not required to pay for the grant of any restricted Shares under the RSA Scheme.

For the restricted Shares granted on July 25, 2017 to the named individual grantee of the restricted Shares set out in the table above, subject to certain vesting conditions, they shall vest as follows:

(i) as to 17% of the restricted Shares on July 25, 2017;

(ii) as to 23% of the restricted Shares on July 25, 2018;

(iii) as to 30% of the restricted Shares on July 25, 2019; and

(iv) as to the remaining 30% of the restricted Shares on July 25, 2020.

Reference is made to the announcement of the Company dated March 16, 2018. The restricted Shares that are initially scheduled to be vested on July 25, 2017 are expected to be actually transferred to the relevant participants on or after July 25, 2018 due to the delay in the stock accounts opening process.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "RSA Scheme" above, at no time during the year ended December 31, 2017, there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by the Directors; or was the Company, or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report and the Prospectus, no transaction, arrangement or contract of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or at the end of 2017.

RELATED PARTY TRANSACTIONS

Related party transactions during the year ended December 31, 2017 are disclosed in note 33 to the consolidated financial statements in this annual report.

CONNECTED TRANSACTION

Pursuant to the Chengdu Sale and Purchase Agreement entered into between Jiahua Yihe and Jiahua Likang dated December 6, 2017, Jiahua Yihe had conditionally agreed to purchase, and Jiahua Likang had conditionally agreed to sell, the sale shares representing 85.0% equity interest of Chengdu New Century Women's and Children's Hospital Co., Ltd. for a cash consideration of RMB200 million in order to expand the Group's medical network into a major city which has similar demographic features as those of Tier 1 Cities.

Mr. Zhou is a connected person of the Group by virtue of him being the controlling Shareholder and executive Director of the Company. Ms. Liang is a connected person of the Group by virtue of her being the non-executive Director of the Company. Jiahua Likang is held, among others, (i) as to 41.3% by Jiahua Kangyong, which is held as to 90.0% by Mr. Zhou and therefore is an associate of Mr. Zhou pursuant to Rule 14A.12(1) of the Listing Rules; and (ii) as to 33.7% by Zhonghe Qingrun, which is held as to 51.0% by Ms. Liang and therefore is an associate of Ms. Liang pursuant to Rule 14A.12(1) of the Listing Rules. Therefore Jiahua Likang is a connected person of the Group by virtue of it being an associate of Mr. Zhou and Ms. Liang pursuant to Rule 14A.12(1) of the Listing Rules. Accordingly, the transactions contemplated thereunder constituted a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. The transactions contemplated thereunder were duly approved by the independent Shareholders on January 18, 2018 and were pending governmental approval. Details of the transaction have been disclosed in the announcement and circular dated December 6, 2017 and December 29, 2017 respectively.

CONTINUING CONNECTED TRANSACTION

1. VIE Acquisition Agreement and VIE Contract

Pursuant to the VIE Acquisition Agreement dated September 26, 2017, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming had conditionally agreed to enter into the VIE Contracts with, among others, Jiahua Yihe on or before November 3, 2017 and to cause Jiahua Yihe to perpetually and factually enjoy all the Economic Benefits from the date of completion, for a cash consideration of RMB30 million. The annual caps for the years ended December 31, 2017, 2018 and 2019 under the VIE Contracts amounted to RMB0.9 million, RMB9 million and RMB12 million respectively.

Ms. Zhao is the spouse of Mr. Zhou, the controlling Shareholder of the Company. Ms. ZHOU Jie is Mr. Zhou's sister. Jiahua Kangming is held as to 99% by Ms. Zhao and as to 1% by Ms. ZHOU Jie. Therefore, each of Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming is a connected person of the Company by virtue of her/it being an associate of Mr. Zhou pursuant to the Listing Rules. Accordingly, the transactions contemplated under the VIE Acquisition Agreement and the VIE Contracts constituted connected transactions and continuing connected transactions respectively of the Company pursuant to Chapter 14A of the Listing Rules. The transactions contemplated thereunder and the annual caps were duly approved by the independent Shareholders on November 23, 2017. The transactions contemplated under the VIE Acquisition Agreement were completed in 2017. Details of the transactions have been disclosed in the announcement and circular dated September 26, 2017 and November 3, 2017 respectively.

In respect of the VIE Acquisition Agreement, the Directors considered that it was necessary for the Company, through Jiahua Yihe, to enter into such agreement with Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming in order to execute the VIE Contracts for the benefits stated below.

In respect of the VIE Contracts, the Directors considered that by entering into the VIE Contracts, the Company, through Jiahua Yihe, would be able to control and consolidate Jiahua Kangming to prevent leakages of equity and values to the minority shareholder of BNC Women's and Children's Hospital and BNC Harmony Clinic, and to obtain the 30% economic benefits of these two medical institutions attributable to Jiahua Kangming.

2. Property Management and Cleaning Services Agreements

Pursuant to the property management and cleaning services agreements (the "Property Management and Cleaning Services Agreements") entered into between each of BNC Children's Hospital and BNC Women's and Children's Hospital and Muhe Jiaye on August 22, 2016, Muhe Jiaye agreed to provide property management, facilities and equipment maintenance and cleaning services to BNC Children's Hospital, BNC Women's and Children's Hospital and the BNC Harmony Clinic. In consideration for the services provided by Muhe Jiaye, each of BNC Children's Hospital and BNC Women's and Children's Hospital agreed to pay to Muhe Jiaye a monthly fee of RMB212,933.5 and RMB292,330.6, respectively, each to be correspondingly adjusted based on factors such as applicable statutory minimum wages and deviations from the agreed scope of work. Each of the annual caps for the years ended December 31, 2016, 2017 and 2018 under the Property Management and Cleaning Services Agreements amounted to RMB6.4 million.

Muhe Jiaye, being a company in which Ms. Zhao, holds a 35.0% equity interest, is a connected person of the Company by virtue of it being an associate of Mr. Zhou pursuant to Rule 14A.12(1)(c) of the Listing Rules. Accordingly, the transactions contemplated under the Property Management and Cleaning Services Agreements constituted continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

The Directors considered that by entering into the Property Management and Cleaning Services Agreements, the Company would be able to better manage the premises of its medical institutions and maintain the facilities and equipment as well as to ensure that the hygiene and hospital disinfection meet required standards.

3. Management Consulting Services Agreement

Pursuant to a hospital consulting services agreement entered into between Jiahe Yihe and Jiahua Likang on June 1, 2016 (the "Management Consulting Services Agreement"), Jiahua Yihe agreed to provide a comprehensive range of licensing and consulting services relating to the operation and management of the hospitals invested by Jiahua Likang in return for a monthly base fee of RMB100,000 for each of such hospitals that receives Jiahua Yihe's services under the Management Consulting Services Agreement and an additional services fee for the provision of additional services based on the level of seniority of the person providing the particular service. The annual caps for the years ended December 31, 2016, 2017 and 2018 under the Management Consulting Services Agreement amounted to RMB32 million, RMB42 million and RMB42 million respectively.

Jiahua Likang, being a company in which Mr. Zhou holds (together with his spouse) a 41.3% equity interest, is a connected person of the Company by virtue of it being an associate of Mr. Zhou pursuant to Rule 14A.13(3) of the Listing Rules. Accordingly, the transactions contemplated under the Management Consulting Services Agreement constituted continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

The Directors considered that by entering into the Management Consulting Services Agreement the Company would be able to formalize and govern the consulting services relationship between Jiahe Yihe and Jiahua Likang in existence since December 1, 2015.

All the independent non-executive Directors of the Company have reviewed the above continuing connected transactions entered into by the Group and confirmed that they were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditor of the Company has confirmed in a letter to the Board that nothing has come to their attention that causes them to believe that the above continuing connected transactions entered into by the Group (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involved the provision of goods and services by the Group; (iii) were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and (iv) have exceeded the corresponding annual cap amounts.

Please refer to the section headed "Connected Transactions" of the Prospectus for further details of the Property Management and Cleaning Services Agreements and the Management Consulting Services Agreement.

MANAGEMENT CONTRACTS

The Company did not enter into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group during the year ended December 31, 2017.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, neither contract of significance made between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, nor contract of significance made 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, the Company had no future plans for material investments or capital assets during the year ended December 31, 2017.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or officer of the Company acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company, or existed during the year ended December 31, 2017.

CHARITABLE DONATIONS

During the year ended December 31, 2017, the Company did not make any charitable donation.

SUBSEQUENT EVENTS

Reference is made to the Company's announcements dated December 6 and 29, 2017 and January 18, 2018 and the circular dated December 29, 2017 in relation to acquisition of 85.0% equity interest of Chengdu New Century Women's and Children's Hospital Co., Ltd. ("**Chengdu New Century**") for a cash consideration of RMB200.0 million (the "**Acquisition**"). The Acquisition was approved by the independent Shareholders on January 18, 2018 and is pending the completion, upon which the Company will indirectly hold 85.0% equity interest of Chengdu New Century.

Reference is made to the Company's announcement dated March 16, 2018 in relation to the acquisition of 65% of the entire issued share capital of Renze (Beijing) International Corporation Management and Service Co., Ltd. ("**Renze**") for a cash consideration of RMB18.5 million and the capital injection of RMB4.8 million into Renze for another 5% of the entire issued share capital of Renze and the acquisition of Beijing Meihua Women and Children Clinic Co., Ltd. ("**Meihua Clinic**") for a cash consideration of RMB5.0 million. Renze and Meihua Clinic completed the alteration registration with the relevant industrial and commercial administration authority on February 9, 2018 and February 27, 2018 respectively.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands where the Company is incorporated which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

DIVIDEND

The Directors recommended the declaration of a final dividend of HK$0.05 per Share for the year ended December 31, 2017 (2016: nil), payable to Shareholders whose names appear on the register of members of the Company on Friday, June 8, 2018. Based on the number of issued Shares as of December 31 2017, this represents a total distribution of HK$24.5 million (2016: nil). Subject to the approval by Shareholders at the AGM to be held on Thursday, May 31, 2018, it is expected that the final dividend will be paid on or before Tuesday, July 3, 2018.

AGM AND CLOSURES OF REGISTER OF MEMBERS

The 2018 AGM of the Company will be held on Thursday, May 31, 2018. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, May 28, 2018 to Thursday, May 31, 2018, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, May 25, 2018.

For determining the entitlement to the proposed final dividend (subject to approval by the Shareholders at the AGM), the register of members of the Company will be closed from Wednesday, June 6, 2018 to Friday, June 8, 2018, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, June 5, 2018.

CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 46 to 56 of this annual report.

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

During year ended December 31, 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best of the Directors' knowledge, information and belief, the Company has always maintained sufficient public float as required under the Listing Rules during year ended December 31, 2017.

AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended December 31, 2017. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board
Jason ZHOU

Chairman, Chief Executive Officer and Executive Director

Hong Kong, March 28, 2018

CORPORATE GOVERNANCE PRACTICE

The Board of Directors is committed to maintaining high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Group to formulate its business strategies and policies, and to enhance its transparency and accountability.

During the year ended December 31, 2017, the Company has applied the principles as set out in the CG Code which are applicable to the Company.

In the opinion of the Directors, during the year ended December 31, 2017, the Company has complied with all applicable code provisions as set out in the CG Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, details of which are set out in the "Chairman and Chief Executive Officer" of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Listing Rules).

The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the year ended December 31, 2017. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company's securities, without noticing any violation of the guidelines.

BOARD OF DIRECTORS

The Board of the Company currently comprises eleven members as follows:

Executive Directors:

Mr. Jason ZHOU *(Chairman, Chief Executive Officer and Chairman of the Nomination Committee)*

Ms. XIN Hong *(Senior Vice President, Chief Operation Officer)*

Mr. XU Han *(Senior Vice President, Chief Financial Officer)*

Non-executive Directors:

Ms. LIANG Yanqing *(Member of the Remuneration Committee)*

Mr. GUO Qizhi *(Member of the Audit Committee)*

Mr. WANG Siye

Ms. ZHANG Lan

Independent Non-executive Directors:

Mr. WU Guanxiong *(Chairman of the Remuneration Committee and member of the Nomination Committee)*

Mr. SUN Hongbin *(Chairman of the Audit Committee)*

Mr. JIANG Yanfu *(Member of the Audit Committee and member of the Nomination Committee)*

Dr. MA Jing *(Member of the Remuneration Committee)*

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 17 to 24 of this annual report. The relationships between the members of the Board are also disclosed under the same section.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Jason ZHOU is both our Chairman and Chief Executive Officer, and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. We believe Mr. Zhou is instrumental to our growth and business expansion since our establishment in 2002. Our Board considers that the roles of chairman and chief executive officer being vested in the same person is beneficial to the business prospects, management and overall strategic direction of our Group by ensuring consistent leadership within our Group and facilitating more effective and efficient overall strategic planning and decision-making for our Group. After considering all the corporate governance measures that have been taken, the Board considers that the balance of power and authority will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. Thus, the Company does not segregate the roles of Chairman and Chief Executive Officer. The Board will continue to review the situation and consider splitting the roles of Chairman and Chief Executive Officer of the Company in due course after taking into account of the then overall circumstances of the Group.

Independent Non-executive Directors

During the year ended December 31, 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

NON-EXECUTIVE DIRECTORS AND DIRECTORS' RE-ELECTION

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive Directors is appointed under a service contract for a term of three years from February 18, 2016 which is terminable by either party by giving three months' written notice to the other party.

Each of Ms. LIANG Yanqing, Mr. WANG Siye, Ms. ZHANG Lan is appointed as a non-executive Director under a service contract for a term of three years from February 18, 2016 which is terminable by either party by giving three months' written notice to the other party.

Mr. GUO Qizhi is appointed as a non-executive Director under a service contract for a term of three years from January 1, 2018 which is terminable by either party by giving three months' written notice to the other party.

Each of the independent non-executive Directors is appointed under a services contract for a term of three years from December 12, 2016 which is terminable by either party by giving three months' written notice to the other party.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation and re-election at AGM at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting and any Director appointed by the Board as an addition to the Board shall hold office until the next following AGM after his/her appointment and they will be subject to re-election at such meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and 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.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

For the year ended December 31, 2017, the Company organized 2 training sessions on corporate governance and connected transactions conducted by lawyers for Directors and all Directors have attended the training sessions. The Directors and senior management have also reviewed the performance of the Company and the sales strategy of the industry and have also discussed the market condition of the industry.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website (www.ncich.com.cn) and the HKEx's website (www.hkexnews.hk) and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Board of Directors" in this Corporate Governance Report.

Audit Committee

The primary duties of the Audit Committee are to review, supervise, and assist our Board in providing an independent view of, our financial reporting processes, and internal control and risk management systems, as well as to oversee the audit process, review our annual and interim financial statements, provide advice and comments to the Board on matters related to corporate governance, and perform other duties and responsibilities as assigned by our Board from time to time.

In 2017, the Audit Committee held 4 meetings to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of work.

In 2017, the Audit Committee had 4 meetings with the external auditors of the Company.

Remuneration Committee

The primary duties of the Remuneration Committee are to (i) develop and review the policies the structure of the remuneration for our Directors and senior management; (ii) evaluate the performance of, and make recommendations on the remuneration packages and long-term incentive compensation or equity plans for, our Directors and senior management; and (iii) evaluate and make recommendations on employee benefit arrangements.

In 2017, the Remuneration Committee held 1 meeting to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Directors and senior management and other related matters.

Nomination Committee

The primary functions of the Nomination Committee are to make recommendations to our Board in relation to the appointment and removal of Directors and senior management, and on matters of succession planning.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to professional qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge, reputation and gender. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

In 2017, the Nomination Committee held 1 meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider and recommend to the Board on the appointment of Mr. GUO Qizhi, as non-executive Director.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and AGM of the Company held during the year ended December 31, 2017 is set out in the table below:

	Attendance/Number of Meetings				
Name of Directors	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**AGM**
Executive Directors					
Mr. Jason ZHOU	6/6	1/1	N/A	N/A	1/1
Ms. XIN Hong	6/6	N/A	N/A	N/A	1/1
Mr. XU Han	6/6	N/A	N/A	N/A	1/1
Non-executive Directors					
Ms. LIANG Yanqing	6/6	N/A	1/1	N/A	1/1
Dr. HE Xin[(1)]	6/6	N/A	N/A	4/4	1/1
Mr. WANG Siye	6/6	N/A	N/A	N/A	1/1
Ms. ZHANG Lan	6/6	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. WU Guanxiong	6/6	1/1	1/1	N/A	1/1
Mr. SUN Hongbin	6/6	N/A	N/A	4/4	1/1
Mr. JIANG Yanfu	6/6	1/1	N/A	4/4	1/1
Dr. MA Jing	6/6	N/A	1/1	N/A	1/1

Notes:

1. Retired on January 1, 2018

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2017.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 65 to 70 of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration that should be paid to the external auditor of the Company, PricewaterhouseCoopers, for the audit of the year ended December 31, 2017 and non-audit services is set out below:

Service Category	**Fees Paid/Payable** *RMB'000*
Audit Service of Annual Report	2,680
Non-audit Services (reporting accountant service in relation to the major acquisition of Chengdu New Century and financial review in relation to an acquisition of a clinic)	2,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining an effective risk management and internal control systems to safeguard the Company's assets and the interests of Shareholders. The Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company on March 10, 2017, including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting function.

Our risk management and internal control focus primarily on (i) customers and staff safety; (ii) quality control; and (iii) other general risk management. The executive management committee at our Group level is generally responsible for approving all the risk management procedures and internal control systems and our safety and risk management committee oversees the implementation of such procedures and systems by our various operational departments. Meanwhile, our quality assurance committee and various other special committees work together to monitor the implementation of and to conduct regular review and evaluation of such procedures and internal control systems. However, the mechanism under the risk management and internal control systems reasonably but not absolutely ensures the non-occurrence of significant error, loss or fraud and it is designed to manage, rather than eliminate the risk of failure to achieve business objectives.

COMPANY SECRETARY

Mr. JIA Xiaofeng, one of our joint company secretaries, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Ms. WONG Sau Ping, senior manager of TMF Hong Kong Limited (a company secretarial service provider), as another joint company secretary to assist Mr. Jia in discharging his duties as company secretary of the Company. Ms. Wong's primary contact person at the Company is Mr. Jia.

In compliance with Rule 3.29 of the Listing Rules, Mr. Jia and Ms. Wong have undertaken no less than 15 hours of relevant professional training during the year ended December 31, 2017.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution will be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the HKEx after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to article 64 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.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or the Companies Law of the Cayman Islands for putting forward proposals of new resolutions by Shareholders at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph to consider the business specified in the requisition. For proposing a person for election as a Director, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" posted on the Company's website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	56 Nanlishi Road Xicheng District, Beijing, PRC For the attention of the Joint Company Secretary
Fax:	(86) (10) 6806 0166
Email:	xiaofeng.jia@ncich.com.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through AGMs and other extraordinary general meetings. At the AGM, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the year ended December 31, 2017, the Company had not made any changes to its Memorandum and Articles of Association. An up-to-date version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the HKEx.

Pursuant to Appendix 27 (Environmental, Social and Governance Reporting Guide) to the Listing Rules, the Company sets out below our Group's performance on environmental, social and governance-related issues.

Continuous dialogue is maintained with stakeholders that include customers, employees, regulators and the public. The Company seeks to balance the views and interests of these various stakeholders through constructive conversations with a view to charting a course for the long-term prosperity of the Company and the communities we touch.

ENVIRONMENTAL PROTECTION

Emissions

Types of Emissions and Greenhouse Gas Emissions

Carbon footprint generated from the headquarter office, hospitals and clinics is disclosed in this report. Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas (GHG) expressed in terms of equivalent amount of carbon dioxide (CO2-eq) emission.

For the year ended December 31, 2017, the total GHG emission emitted by the Group's operation was 3,471 tonnes of carbon dioxide equivalent. The major source of GHG emission was from the consumption of electricity.

Mitigation of Emissions

We have implemented measures for energy saving and carbon reduction as stated under section "Use of Resources".

Hazardous Waste and Non-hazardous Waste

As regards discharges into water and land, and generation of hazardous and non-hazardous waste, the Group strictly implemented the Regulations on the Management of Medical Waste (醫療廢物管理條例), the Implementation Measures of the Management of Medical Waste (醫療衛生機構醫療廢物管理辦法), the Regulations on Urban Drainage and Sewage Treatment (城鎮排水與污水處理條例) and other relevant laws and regulations. For the year ended December 31, 2017, there were 89 tonnes of hazardous waste (medical waste). The following measures in respect of medical waste management and sewage treatment are implemented by the Group:

1. Delivering medical waste to a specially designated location for centralized disposal of medical waste;

2. Sterilizing medical waste on the spot before disposal;

3. Delivering medical waste with leak-proof containers and sterilizing transportation tools upon disposal of medical waste;

4. Obtaining a Sewage Disposal Drainage License (污水排入排水管網許可證) before disposing sewage into urban drainage facilities;

5. Engaging sewage expert in setting up and managing sewage treatment system; and

6. Sterilizing the sewage and conducting regular check on residual chlorine and certain indicator bacteria in the sewage in accordance with the relevant laws, rules and regulations.

For non-hazardous waste, the Group's operations mainly generate packaging waste and administration related paper waste. For the year ended December 31, 2017, there were 1.90 tonnes of paper waste and 0.19 tonnes of packaging and advertising materials waste.

In light of the growing concern about waste reduction, the Group has been practicing default double-sided printing, password confirmation for printing, and minimal product packaging.

Use of Resources

Energy

For the year ended December 31, 2017, the Group consumed electricity of approximately 3,761,645 kWh in total (2016: 3,820,820 kWh).

Water

For the year ended December 31, 2017, the total amount of water consumed by the Group was approximately 32,084 cubic meters (2016: 40,816 cubic meters). The Group did not have problems in seeking appropriate water resources. The existing supply of water resources could satisfy the Group's needs in the aspects of volume, quality of water and the guarantee of water supply facilities. In 2017, the Group made every effort to maintain the same level of water usage as in the past and carried out measures of reduction in general water consumption in hospital and clinic premises.

Energy Use and Water Efficiency initiatives

The Group is committed to the long-term sustainability of its businesses and the communities in which it conducts business by conserving natural resources, reducing the use of energy and waste. The Group strictly implemented the Law on the Water Resources of the PRC (《中華人民共和國水利法》), the Law on Power Generation of the PRC (《中華人民共和國電力法》), the Law on Energy of the PRC (《中華人民共和國能源法》), the Law on Energy Saving of the PRC (《中華人民共和國能源節約法》) and other relevant laws and regulations.

The following measures in respect of water and energy saving as well as carbon reduction are implemented by the Group:

1. Utilising daylight as far as possible to reduce electricity requirement for artificial lighting and turning off lights in unoccupied areas of office premises;

2. Promoting the use of efficient energy-saving lights and reducing unnecessary lights at night;

3. Maintaining reasonable room temperature;

4. Strengthening the daily maintenance and management of water equipment;

5. Controlling the water consumption of water tanks and other containers in toilets of hospital premises;

6. Adjusting temperature of water boilers with reference to different seasons in the year;

7. Establishing a sound energy inspection system to regularly monitor the operations of water and electricity equipment; and

8. Educating employees on energy saving and efficient use of resources.

Total Packaging Material Used for Finished Products

For the year ended December 31, 2017, there were 0.19 tonnes packaging and advertising materials and 13.66 tonnes paper used respectively.

The Environment and Natural Resources

The Group's operation and ordinary course of business did not cause any impact on the environment and natural resources.

SOCIAL RESPONSIBILITY

Employment

Policies and regulations principally adopted by the Group in respect of compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination and other benefits and welfare are as follows:

1. Remuneration packages are competitive, and individuals are rewarded according to performance plus an annually reviewed framework of salary, working conditions, bonuses and incentive systems;

2. Employees are recruited, promoted and dismissed by the Group pursuant to Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Employment Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》);

3. Working hours of our employees strictly comply with the requirements in the Employment Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》);

4. The Group provides paid annual leaves for employees in strict compliance with the Regulation on Paid Annual Leave of the Employees (Decree No. 514) (《職工帶薪年休假條例》) issued by the State Council of the PRC;

5. The Group adopts equal opportunity for candidates with the same or similar education level regardless of age and gender in the process of staff recruitment whenever they fit the job objective. The policy on equal opportunities also applies to company benefit, career path promotion, training, performance appraisal and development, and operates employment policies which are for the purpose to attract, retain and motivate high quality staff, regardless of gender, age, race, religion or disability; and

6. Regarding the diversity of employees and other benefits and welfares, varieties of benefits and welfares are provided to all the staff by the Group pursuant to the requirements as stipulated by local governments of places where our enterprises are located, including endowment insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing fund.

Health and Safety

The Group is committed to providing a healthy and safe workplace for all its employees and complying with all applicable health and safety laws and regulations.

As employees are the most important asset and resource of the Company, it is of utmost importance to provide a healthy and safe working environment for the employees in a reasonable and practicable situation. In order to achieve this, the Group has implemented the following measures:

1. Establishing various procedures and systems in relation to hospital infection prevention, infectious disease control and medical waste disposal;

2. Engaging a chief infectious disease controller to oversee the infectious disease control generally and an infectious disease controller in each medical-related operational department to manage the infectious disease control;

3. Establishing and maintaining high standard of healthy and safe working environment;

4. Ensuring that all devices, machines and working system are safe;

5. Ensuring the use, processing, storage and transportation of all items and materials are safe;

6. Providing employees with safety equipment and protective clothing when necessary, and keeping those equipment in good working condition;

7. Providing easy and safe accesses in workplaces;

8. Maintaining high standard of hygiene condition in the workplaces;

9. Carrying out regular and good maintenance and repairing of all devices and machines used in the workplace;

10. Ensuring proper storage of all goods and materials to eliminate hazards to others;

11. Providing employees with regular mandatory training on health and safety related policies, standards, protocols and procedures;

12. Providing sufficient supervision when necessary to ensure the health and safety of all employees at work; and

13. Supervising the implementation of safety measures.

Development and Training

The Group places great emphasis on its staff training and has established comprehensive training systems. Its training departments at the Group and the medical institution level and the medical and nursing management department at the medical institution level are jointly responsible for the overall training systems of the Group. The training departments at the Group level are responsible for the administration and updating of the management rules and policies of the Group's medical institutions and the arrangement of non-professional trainings for all the staff, while the medical and nursing management department at the medical institution level is responsible for arranging professional trainings at each medical institution. The Group has developed four training modules, namely, professional training, management training, common training and cross training. Each module is designed for staff of specific category. The Group's relevant training departments periodically update the training materials.

The Group's professional training programs cover different specialties, such as pediatrics and obstetrics and gynecology, as well as different functions, such as medical, nursing and medical equipment. Management courses on subjects such as leadership, roles and responsibilities of middle management and thinking process are provided to the Group's management staff at manager level or above once a year. Common training includes induction training, professionalism training, working skills training and English training. Cross training is normally provided to staff for them to get familiar with different posts of different departments so that they are able to collaborate better at work.

Labor Standards

As for preventing child labor or forced labor, the Group strictly complied with Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Employment Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other relevant laws and regulations.

Across all companies under the Group, internal administrative institutions were set up to manage their employees in a professional manner when such employees were recruited and employed, so as to eliminate situations such as child labors and forced labors in the Group. Employees are hired in accordance with specific job requirements and talent matching process to build a sustainable workforce.

OPERATING PRACTICES

Supply Chain Management

The supplies required in the Group's operations primarily include pharmaceuticals and medical consumables provided by third party institutions. The Group generally requires its suppliers to maintain requisite licenses and permits to operate their business, such as business licenses and GMP and/or GSP Certificates. The executive management committee at the Group level, with the support from the Group's pharmaceutical affair management committee (藥事管理委員會), is in charge of regularly reviewing and approving qualified suppliers for all our medical institutions to manage any environmental and social risks that might be caused by product default of the suppliers.

Product Responsibility and Security

The Group strictly implemented laws and regulations on (i) the administration and classification of, (ii) the supervision over pharmaceuticals and medical equipment in, and (iii) medical personnel of, healthcare institutions. In 2017, the Group did not experience any material medical disputes that caused a material adverse effect on its business, results of operations or financial condition.

From time to time, the Group published medical advertisements on websites to promote our business and increase our brand awareness. Medical advertisements shall be reviewed by relevant healthcare authorities and a "medical advertisement review certificate" is required before they may be released by a medical institution. In 2017, the Group obtained medical advertisement review certificates for all the medical advertisements published.

The Group collected and maintained medical data from the diagnosis and treatment of our patients. The Group has taken measures to maintain the confidentiality of its customers' medical information, including adopting security level control and authorization over confidential medical information and designating dedicated personnel to be in charge of the safe keeping of the customer information and maintenance of relevant systems for data processing and storage.

Anti-corruption

The Group is committed to adhering to the highest ethical standards. The laws and regulations related to anti- corruption include article 163 of the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) and article 8 of the Anti- Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》).

The following policies and procedures are implemented by the Group to address potential corruption incidents:

1. Formulating anti-corruption policies;

2. Providing anti-corruption training and giving periodic updates on recent anti-corruption issues to the Group's employees;

3. Adopting a zero-tolerance policy towards acceptance of any bribes by the Group's physicians and medical staff; and

4. Establishing a whistle blower program and stringent investigation protocols to receive and investigate anonymous or named reports of corruption charges.

In 2017, the Company did not receive any report on crimes such as bribery, extortion, fraud and money laundering in the Group. There were no legal cases regarding corruption, job-related crimes, bribery, extortion, fraud and money laundering brought up by the Company or its employees.

Community Investment

The Company recognizes the importance of contributing within the local community and encourages employees to develop close relationship with charities and other institutions, both locally and nationally, in order to build more economically sustainable environment. Extensive efforts are exerted to ensure compliance with the laws and regulations of the jurisdictions in which the Company operates.

During the year ended December 31, 2017, the Company did not make any charitable donation.

To the Shareholders of New Century Healthcare Holding Co. Limited
(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of New Century Healthcare Holding Co. Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 71 to 169, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- 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 31 December 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 matter identified in our audit is summarised as follows:

- Impairment assessment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Refer to notes 4(a) and 7(a) to the consolidated financial statements.	
A goodwill of RMB97.7 million arose from the Group's acquisition of Beijing New Century Women's and Children's Hospital on 30 November 2015. The goodwill was allocated to the pediatric segment and the obstetrics and gynecology segment. The pediatric segment includes the pediatric business of Beijing New Century Children's Hospital, Beijing New Century Harmony Clinic and Beijing New Century Women's and Children's Hospital which the Company's management expected to benefit from the synergies of the combination.	We obtained the goodwill impairment assessment from management of the Group and we tested the related internal controls. We assessed the relevant key estimates and judgements used in determining the recoverable amounts of operating segments as follows: • compound growth rate of revenue by reference to an industry report prepared by an independent industry consultant; • cost and operating expense percentage of revenue by reference to the historical financial performance of each operating segment; • long-term growth rate by reference to the long-term inflation rate of China;

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group performed impairment assessment at 31 December 2017 to assess whether goodwill had suffered any impairment. The recoverable amounts of the operating segments had been determined based on value-in-use calculations. These calculations required the use of significant estimates and judgements. The key assumptions used in the value-in-use calculations were: compound growth rate of revenue, cost and operating expense percentage of revenue, long-term growth rate and pre-tax discount rate. Changes in the conditions for these assumptions could significantly affect the assessment result of goodwill impairment test. We focus on this area due to the relevant key assumptions applied in goodwill impairment assessment involving significant estimates and judgements.	• pre-tax discount rate by reference to PRC Enterprise Income Tax Law and discount rate of the comparable companies in valuation exercise. We also checked the mathematical accuracy of value-in-use calculations when management performed the impairment assessment. We performed the sensitivity analysis and assessed the potential impacts of a range of possible outcomes independently. Based on the above procedures performed, we found the relevant key assumptions applied in goodwill impairment assessment were supported by the evidences we gathered.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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, 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.

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.

Audit Committee is 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 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 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 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 Tsun NG.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2018

		As at 31 December	
		2017	2016
	Notes	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	6	98,487	106,510
Intangible assets	7	244,561	249,984
Deferred income tax assets	24	20,253	28,844
Total non-current assets		363,301	385,338
Current assets			
Inventories	10	7,193	6,449
Trade receivables	11	19,974	18,810
Other receivables, deposits and prepayments	12	48,171	13,120
Amounts due from related parties	13	64,627	24,069
Financial assets carried at fair value through profit or loss	14	25,010	–
Structured deposits		150,000	–
Cash and cash equivalents	15	763,659	188,963
Total current assets		1,078,634	251,411
Total assets		1,441,935	636,749
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	335	66
Share premium	17	2,576,092	1,538,280
Reserves	17	(1,516,823)	(1,519,709)
Retained earnings		134,041	60,548
Subtotal		1,193,645	79,185
Non-controlling interests		44,792	55,336
Total equity		1,238,437	134,521

Consolidated Balance Sheet (Continued)

	Notes	As at 31 December 2017 RMB'000	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Convertible preferred shares	20	–	169,695
Deferred income tax liabilities	24	36,783	38,196
Other non-current liabilities	20	–	80,122
Total non-current liabilities		36,783	288,013
Current liabilities			
Trade payables	21	17,267	16,844
Accruals, other payables and provisions	22	104,901	119,815
Deferred revenue	23	37,339	28,519
Current income tax liabilities		3,905	3,283
Amounts due to related parties	13	3,303	25,774
Borrowings		–	19,980
Total current liabilities		166,715	214,215
Total liabilities		203,498	502,228
Total equity and liabilities		1,441,935	636,749

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 71 to 77 were approved by the Board of Directors on 28 March 2018 and were signed on its behalf

Name of Director　　　　*Name of Director*

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	5	**536,460**	490,933
Cost of revenue	25	**(278,177)**	(247,921)
Gross profit		**258,283**	243,012
Selling expenses	25	**(21,032)**	(19,003)
Administrative expenses	25	**(79,480)**	(102,318)
Other income		**797**	612
Other gains – net	27	**14,382**	52,721
Operating profit		**172,950**	175,024
Finance income	28	**6,515**	658
Finance expenses	28	**(19,547)**	(1,584)
Profit before income tax		**159,918**	174,098
Income tax expense	29	**(45,031)**	(37,137)
Profit for the year		**114,887**	136,961
Total comprehensive income		**114,887**	136,961
Profit and total comprehensive income attributable to:			
Owners of the Company		**73,493**	98,635
Non-controlling interests		**41,394**	38,326
		114,887	136,961
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of New Century Healthcare Holding Co. Limited *(expressed in RMB per share)*			
Basic earnings per share	30	**0.16**	0.35
Diluted earnings per share	30	**0.12**	0.11

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Notes	Share capital RMB'000	Share Premium RMB'000	Reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company						
Balance at 1 January 2016		–	–	(32,956)	(10,545)	(43,501)	11,107	(32,394)
Comprehensive income								
– Profit for the year		–	–	–	98,635	98,635	38,326	136,961
Transactions with owners								
– Dividend	19	–	–	–	(27,542)	(27,542)	(2,024)	(29,566)
– Issuance of ordinary shares		55	1,192,374	(1,192,374)	–	55	–	55
– Conversion of preferred shares into ordinary shares	20	11	345,908	–	–	345,919	–	345,919
– Deemed distribution to controlling shareholder		(2)	–	(301,907)	–	(301,909)	–	(301,909)
– Liability settlement by equity instrument		–	–	8,555	–	8,555	–	8,555
– Transaction with non-controlling interests		–	–	(1,027)	–	(1,027)	7,927	6,900
– Shares issued to restricted shares award scheme	18	2	(2)	–	–	–	–	–
Total transactions with owners		66	1,538,280	(1,486,753)	(27,542)	24,051	5,903	29,954
Balance at 31 December 2016		66	1,538,280	(1,519,709)	60,548	79,185	55,336	134,521

	Notes	Share capital RMB'000	Share Premium RMB'000	Reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company						
Balance at 1 January 2017		66	1,538,280	(1,519,709)	60,548	79,185	55,336	134,521
Comprehensive income								
– Profit for the year		–	–	–	73,493	73,493	41,394	114,887
Transactions with owners								
– Dividend		–	–	–	–	–	(32,813)	(32,813)
– Issuance of new ordinary shares	16(a)	90	845,363	–	–	845,453	–	845,453
– Capitalization issue	16(b)	171	(171)	–	–	–	–	–
– Conversion from preferred shares into ordinary shares	16(c)	6	159,883	–	–	159,889	–	159,889
– Conversion from ordinary shares with preference rights to ordinary shares	16(c)	2	75,490	–	–	75,492	–	75,492
– Share issuance costs		–	(42,753)	–	–	(42,753)	–	(42,753)
– Transaction with the non-controlling interests	17(b)	–	–	(10,875)	–	(10,875)	(19,125)	(30,000)
– Share-based payment	18	–	–	13,761	–	13,761	–	13,761
Total transactions with owners		269	1,037,812	2,886	–	1,040,967	(51,938)	989,029
Balance at 31 December 2017		335	2,576,092	(1,516,823)	134,041	1,193,645	44,792	1,238,437

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	31	**135,039**	146,370
Interest paid	28	**(27)**	(1,584)
Interest received		**2,221**	478
Income taxes paid		**(37,231)**	(30,166)
Net cash inflow from operating activities		**100,002**	115,098
Cash flows from investing activities			
Purchases of property, plant and equipment		**(6,992)**	(11,789)
Purchases of intangible assets		**(1,268)**	(423)
Proceeds from disposals of property, plant and equipment		**–**	130
Investing in structured deposits and financial assets		**(595,500)**	–
Withdraw of structured deposits and financial assets		**420,500**	–
Interest received from structured deposits and financial assets		**3,922**	–
Loans to third party	12	**(15,000)**	–
Prepayments for acquisition of a target clinic	12	**(5,000)**	–
Net cash outflow from investing activities		**(199,338)**	(12,082)

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Net Proceeds from global offering and issuance of share capital		803,887	–
Repayment of borrowings		(19,980)	(10,020)
Dividends paid to the then shareholders of Beijing Jiahua Yihe Management Consulting Co., Ltd. ("**Jiahua Yihe**")		(27,542)	–
Transaction with non-controlling interests	17(b)	(30,000)	6,900
Dividends paid to the non-controlling interests		(32,813)	(23,018)
Proceeds from issuance of convertible preferred shares		–	215,834
Capital contribution by shareholders		–	66
Deemed distribution to the controlling shareholder		–	(200,000)
Prepayments in relation to listing expenses		–	(1,187)
Repayment from related parties		–	17,924
Dividends paid to the controlling shareholder		–	(1,783)
Net cash inflow from financing activities		693,552	4,716
Net increase in cash and cash equivalents		594,216	107,732
Cash and cash equivalents at the beginning of the year		188,963	81,231
Effects of exchange rate changes on cash and cash equivalents		(19,520)	–
Cash and cash equivalents at the end of the year		763,659	188,963

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 General information, reorganization and basis of presentation

1.1 General information

New Century Healthcare Holding Co. Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are principally engaged in provision of pediatrics and obstetrics and gynecology speciality services in Beijing, the People's Republic of China (the "**PRC**"). The Group also provides hospital consulting services to Beijing Jiahua Likang Health Investment Co., Ltd. ("**Jiahua Likang**"), a related party of the Group, relating to the for-profit private hospitals owned by Jiahua Likang, all of which are outside Beijing.

The Company is a limited liability company incorporated in the Cayman Islands on 31 July 2015. The address of its registered office is c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1–9008, Cayman Islands.

The ordinary shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Listing**") on 18 January 2017.

The consolidated financial statements are presented in Renminbi ("**RMB**") and rounded to nearest thousand yuan, unless otherwise stated.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

2.1.1 Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and requirements of the Hong Kong Companies Ordinance ("**HKCO**") Cap. 622.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Historical cost convention

The consolidated financial statements have been prepared under the historical cost basis except for the following:

- Financial assets carried at fair value through profit or loss – measured at fair value.

2.1.3 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of deferred tax assets for unrealised losses – Amendments to HKAS 12, and

- Disclosure initiative – Amendments to HKAS 7.

The Group also elected to adopt the following amendments early.

- Classification and measurement of share-based payment transactions – Amendments to HKFRS 2

- Annual improvements to HKFRS standards 2014–2016 cycle.

The adoption of these amendments did not have significant impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 31(c).

(Listed in thousands of RMB)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.4 New standards and interpretations not yet adopted

The following new standards, amendments and interpretations to existing standards which have been issued but are effective for the fiscal year beginning on or after 1 January 2018 and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendment to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018 or when the entity first applies HKFRS 9
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendment to HKAS 28	Investments in associates and joint ventures	1 January 2018
Amendments to HKAS 40	Transfers of investment property	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.4 New standards and interpretations not yet adopted (Continued)

(i) HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018. The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reason:

The financial assets held by the Group include:

- Equity instruments currently classified as available-for-sale (AFS) for which a FVOCI election is available
- Equity investments currently measured at fair value through profit or loss (FVPL) which will continue to be measured on the same basis under HKFRS 9, and
- Debt instruments currently measured at amortized cost which meet the conditions for classification at amortized cost under HKFRS 9.

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.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.4 New standards and interpretations not yet adopted (Continued)

(i) HKFRS 9 Financial instruments (Continued)

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 amortized cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material impact on the loss allowance for trade receivables and other receivables.

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.

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard, and that comparatives for 2017 will not be restated.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.4 New standards and interpretations not yet adopted (Continued)

(ii) HKFRS 15 Revenue from contracts with customers

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

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:

- bundle sales – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing and the amount of the recognition of revenue.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.4 New standards and interpretations not yet adopted (Continued)

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

- breakage and allocation of prepaid service fee related with the membership card program – HKFRS 15 requires that the total consideration received must be allocated to service elements covered under membership card program based on relative stand-alone service prices rather than based on the residual value method. If the Group expects to be entitled to a breakage amount in a contract liability, the Group recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. If the Group does not expect to be entitled to a breakage amount, the Group recognizes the expected breakage amount as revenue when the likelihood of the customer exercising its remaining rights becomes remote. These could affect in the timing and amount of the revenue recognition.

Based on the assessments undertaken to date, the Group does not expect material impact on the financial statements.

Mandatory for financial years commencing on or after 1 January 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.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.4 New standards and interpretations not yet adopted (Continued)

(iii) HKFRS 16 Leases

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

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately RMB76,434,000.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on the assessments undertaken to date, the Group does not expect material impact for the other new standards, amendments and interpretations issued but not adopted.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are entities (including a structured entity) 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.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

2 Summary of significant accounting policies (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred
- Liabilities incurred to the former owners of the acquired business
- Equity interests issued by the Group
- 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.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- Consideration transferred,
- Amount of any non-controlling interest in the acquired entity, and
- Acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill (Note 2.8.1). If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2 Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost 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 a dividend 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.

2.5 Segment reporting

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

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation

2.6.1 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**"). Since the majority of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

2.6.2 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 comprehensive income.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or expenses'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains/(losses) – net'.

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

2 Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, as follows:

– Medical equipment	5–10 years
– Office equipment and furniture	3–5 years
– Motor vehicles	4–10 years
– Leasehold improvements	Shorter of remaining lease term or estimated useful life

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 (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other gains/(losses) – net' in the consolidated statement of comprehensive income.

Construction-in-progress (the "**CIP**") represents leasehold improvements under and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalized borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the cost are transferred to leasehold improvement and amortized in accordance with the policy as stated above.

2 Summary of significant accounting policies (Continued)

2.8 Intangible assets

2.8.1 Goodwill

Goodwill arises on the acquisition of subsidiaries represents 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 identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2.8.2 Medical licences

Medical Licenses acquired in a business combination are recognized at fair value at the acquisition date. These medical Licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of Licenses over their estimated useful lives.

2.8.3 Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortized using the straight-line method over their estimated useful lives of 5 years. Costs associated with maintaining computer software programs are recognized as expense as incurred.

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. 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 Financial assets

2.10.1 Classification

The Group's financial assets are mainly loans and receivables, and financial assets carried at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise "trade receivables", "other receivables, deposits and prepayments", "amounts due from related parties", "structured deposits" and "cash and cash equivalents" in the consolidated balance sheet (Notes 2.14 and 2.15).

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, ie are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

2 Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

2.10.2 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. Financial assets carried at fair value through profit or loss are initially recognised 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.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss within 'Other (losses)/gains – net' in the period in which they arise.

2.11 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.

2.12 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.

2 Summary of significant accounting policies (Continued)

2.12 Impairment of financial assets (Continued)

Assets carried at amortized cost

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 income statement. 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 income statement.

2.13 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost 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.

2.14 Trade and other receivables

Trade receivables are amounts due from patients, commercial insurance companies for services rendered and goods sold in the ordinary course of business. If collection of trade 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 and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2 Summary of significant accounting policies (Continued)

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.16 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.

Where any group company purchases the Company's equity share capital (treasury share), the considerations paid, including any directly attributable incremental costs, is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the owners of the Company.

2.17 Shares held for restricted share award scheme ("RSA Scheme")

The consideration paid by the Talent Wise Investments Limited (Note 18) for purchasing the Company's shares for the RSA Scheme from the market, including any directly attributable incremental cost, is presented as "Shares held for restricted share award scheme" and the amount is deducted from total equity.

When the Talent Wise Investments Limited transfers the Company's shares to the awardees upon vesting, the related costs of the awarded shares vested are credited to "Shares held for restricted share award scheme", with a corresponding adjustment made to "Share premium".

2 Summary of significant accounting policies (Continued)

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

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 income statement 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 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 Summary of significant accounting policies (Continued)

2.20 Convertible preferred shares

Convertible preferred shares entitle the holders (i) to convert into a variable number of equity instruments, or to convert into a fixed number of equity instruments in exchange of variable amount of cash and (ii) to participate in dividends appropriation in preference to holders of ordinary shares, subject to the discretion of the directors of the Company, are regarded as compound instruments that consist of a liability component, an embedded derivative and an equity component. The Group designates the convertible preferred shares as financial liabilities at fair value through profit or loss. The entire convertible preferred shares are initially and subsequently measured at fair value, with changes in fair value recognized in the consolidated statements of comprehensive income in the year in which they arise.

Issue costs that are directly attributable to the issue of the convertible preferred shares, designated as financial liabilities at fair value through profit or loss, are recognized immediately in the consolidated statements of comprehensive income.

The convertible preferred shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2.21.1 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 countries where the Company's 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.

2 Summary of significant accounting policies (Continued)

2.21 Current and deferred income tax (Continued)

2.21.2 Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, 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.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, 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.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, 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.

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 Summary of significant accounting policies (Continued)

2.22 Employee benefits

2.22.1 Pension obligations

The subsidiaries of the Group which are incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organized by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

2.22.2 Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.23 Share-based payments

Under the RSA scheme, equity-settled share-based payments to directors and employees are measured at the fair value of restricted shares at the grant date. Details regarding the determination of the fair value of the shares relating to the RSA Scheme is set out in note 18.

The difference between the fair value determined at the grant date of the equity-settled share-based payments and the exercise price is expensed on a straight-line basis over the vesting period with a corresponding increase in equity.

At the end of each reporting period, management will assess the number of the shares which would be vested based on the Group's estimation with consideration of the non-market performance and service conditions of the employees under the RSA scheme. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to reserves for share-based payment.

2 Summary of significant accounting policies (Continued)

2.23 Share-based payments (Continued)

Where any modifications to the terms and conditions of RSA scheme increases the fair value or the number of the shares granted, or are otherwise beneficial to the employee, the Group should recognise the incremental fair value of the equity-settled share-based payments at the date of the modification. If the Group modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred.

2.24 Provisions

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.

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.

2.25 Revenue recognition

The Group's revenue is primarily derived from providing medical services to patient, especially in pediatric, obstetric and gynecologic and other related medical services, sales of pharmaceuticals and related goods and the hospital consulting services to the related parties.

2 Summary of significant accounting policies (Continued)

2.25 Revenue recognition (Continued)

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, stated net of discounts returns and sales related taxes. 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 entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

2.25.1 Provision of medical services

Medical services revenue is recognized when the related services are rendered and when it is probable that the economic benefits from the service rendered will flow to the Group and such benefit could be reliably measured. Transactions are settled by payment of commercial assurance scheme, bank card or cash.

The Group sells membership cards to patients which entitles them to purchase medical services at different discount rates depending on the type of membership cards. The cards are normally valid for one-year membership period. The Group initially recognized the total membership fees received from patients as "Deferred Revenue". After initial recognition, the Group recognizes relevant membership fees as revenue at the time when provides services to the membership card holder during the membership period. The deferred revenue is recognized as revenue based on the portion of the enjoyed discount amount to the total expected discount amount during the whole membership period.

The Group provides hospital services in package which is accounted as multiple element transactions. The total consideration of the package will be allocated by using the fair value of the consideration of each element under the package. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the Group's obligations have been fulfilled.

2 Summary of significant accounting policies (Continued)

2.25 Revenue recognition (Continued)

2.25.2 Pharmaceutical sales

Revenue from pharmaceutical sales is recognized at the point that the risks and rewards of the inventory have passed to the customers, which is the point of dispatch. Transactions are settled by payment of bank card or cash.

2.25.3 Hospital consulting service revenue

Hospital consulting service revenue is recognized when services are rendered and when it is probable that the economic benefits from the service rendered will flow to the Group and such benefit could be reliably measured.

2.26 Interest income

Interest income is recognized using the effective interest method.

2.27 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 income statement on a straight-line basis over the period of the lease.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the 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 foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management of the Group and approved by the executive directors.

3.1.1 Market risk

(a) Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates.

The Group mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange rate risk arises when recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2017, the Group's assets and liabilities are primarily denominated in RMB, except for certain cash and cash equivalent. Currency exposure arising from cash and cash equivalent related with the net proceeds from global offering denominated in the relevant foreign currencies.

At 31 December 2017, if RMB had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax profit for the year would have been RMB16,049,000 (2016: Nil) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated cash at banks and short term bank deposit.

The Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

(b) Fair value interest rate risk

Other than interest-bearing cash and cash equivalents and financial assets carried at fair value through profit or loss, the Group has no other significant variable interest-bearing assets or liabilities. Financial assets carried at fair value through profit or loss exposes the Group to fair value interest-rate risk. The directors of the Company do not anticipate there is any significant impact to variable interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances and financial assets carried at fair value through profit or loss are not expected to change significantly.

3.1.2 Credit risk

Credit risk mainly arises from short-term deposits, bank balance, amount due from related parties and trade and other receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets.

The credit risk of short-term bank deposit and bank balance is limited because the counterparties are state-owned or reputable commercial banks which are high-credit-quality financial institutions located in the PRC.

(Listed in thousands of RMB)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk

The Group aims to maintain sufficient cash to meet operating capital requirements. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date 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*	Over 5 years *RMB'000*	Total *RMB'000*
At 31 December 2017					
Trade payables	17,267	–	–	–	17,267
Accruals and other payables (excluding non-financial liabilities) *(Note 22)*	63,273	–	–	–	63,273
Amounts due to related parties	3,303	–	–	–	3,303
	83,843	–	–	–	83,843
At 31 December 2016					
Borrowings	20,534	–	–	–	20,534
Trade payables	16,844	–	–	–	16,844
Accruals and other payables (excluding non-financial liabilities) *(Note 22)*	78,179	–	–	–	78,179
Amounts due to related parties	25,774	–	–	–	25,774
Convertible preferred shares	–	169,695	–	–	169,695
Other non-current liabilities	–	80,122	–	–	80,122
	141,331	249,817	–	–	391,148

(Listed in thousands of RMB)

3 Financial risk management (Continued)

3.2 Capital risk management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The capital is calculated as total equity as shown in the consolidated balance sheets plus net debt.

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

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2017 and 2016 was as follows:

	As at 31 December	
	2017	2016
The liability-to-asset ratio	**14.11%**	78.87%

The decrease of the liability-to-asset ratio as at 31 December 2017 was mainly caused by the issuance of new ordinary shares and net proceeds from global offering.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(Listed in thousands of RMB)

3 Financial risk management (Continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

See Note 14 for disclosures of the financial assets carried at fair value through profit or loss and Note 20 for disclosures of the other non-current liabilities and convertible preferred shares that are measured at fair value:

	As at 31 December 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets carried at fair value through profit or loss *(a)*	–	25,010	–	25,010

(Listed in thousands of RMB)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Convertible preferred shares	–	–	169,695	169,695
Other non-current liabilities	–	–	80,122	80,122
Total	–	–	249,817	249,817

(a) Financial assets carried at fair value through profit or loss are financial assets held for trading which represents certain structured financial products purchased by the Group. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading. Assets in this category are classified as current assets because the management expected to hold the financial assets for less than one year.

Gains or losses arising from changes in the fair value of the 'financial assets carried at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Other gains – net' in the period in which they arise.

4 Critical accounting estimates and judgements

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

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

4 Critical accounting estimates and judgements (Continued)

(a) Estimated impairment of goodwill

The Group performed impairment assessment at each balance sheet date to assess whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and judgements. The key assumptions used in the value-in-use calculations were: compound growth rate of revenue, cost and operating expense percentage of revenue, long-term growth rate and pre-tax discount rate. Changes in the conditions for these estimates and assumptions can significantly affect the assessed result of goodwill impairment test. This is further described in Note 7.

There was no impairment of goodwill during the years ended 31 December 2017 and 2016.

(b) Current and deferred income taxes

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

The Group recognizes deferred tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses.

5 Segment information

Mr. Jason ZHOU in his role as the executive director and chairman of the Company upon completion of the Reorganization of the Group, serves as the chief operating decision-maker (the "**CODM**") of the Group. Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The CODM considers the business from both the service and product perspectives and reviews the Group's business performance by service line rather than by legal entity. The Group aggregates businesses that have similar economic characteristics, such as: (i) the nature of the products and services; (ii) the nature of the production processes; (iii) the type or class of customers for their products and services; (iv) the methods used to distribute their products or provide their services; and (v) if applicable, the nature of the regulatory environment.

In the view of the CODM, the Group is principally engaged in four distinct segments: (i) pediatric services, (ii) obstetrics and gynecology services, (iii) hospital consulting services and (iv) others, which are subject to different business risks and economic characteristics.

The Group's operating and reportable segments for segment reporting purpose are as follows:

(a) Pediatrics

Revenue derived from specialized pediatric services is contributed by Beijing New Century Children's Hospital Co., Ltd. ("**BNC Children's Hospital**"), Beijing New Century Harmony Clinic Co., Ltd. ("**BNC Harmony Clinic**") and Beijing New Century Women's and Children's Hospital Co., Ltd. ("**BNC Women's and Children's Hospital**").

(b) Obstetrics and gynecology

Revenue derived from specialized obstetric and gynecologic services is mainly contributed by BNC Women's and Children's Hospital.

(c) Hospital consulting services

The Group provides hospital consulting services to Jiahua Likang and its hospital subsidiaries under hospital consulting service agreements. The Group receives hospital consulting fees from Jiahua Likang.

5 Segment information (Continued)

(d) Others

The Group provides marketing services and operates canteens, gift and groceries shops in its own hospitals.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2.

For the purposes of monitoring segment performances and allocating resources between segments, segment results represent the profit before tax earned by each segment, without allocation of finance income, finance expense, other income, other losses – net and listing expense that not directly related to the respective segments, which represent the internally generated financial information regularly reviewed by the CODM. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Segment assets include all tangible and intangible assets, except for cash and cash equivalents, deferred income tax assets and other assets that not directly related to the respective segment. Segment liabilities exclude borrowings, tax payable and other liabilities that not directly related to the respective segment.

No geographical information is presented as all of the Group's revenue is derived from activities in the PRC, and the Group's operations and non-current assets are mainly located in the PRC.

(Listed in thousands of RMB)

5 Segment information (Continued)

	Pediatrics *RMB'000*	Obstetrics and Gynecology *RMB'000*	Hospital consulting services *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
For the year ended 31 December 2017						
Revenue	412,958	78,493	39,288	5,721	–	536,460
Cost of revenue	199,938	58,009	14,634	5,596	–	278,177
Segment results	162,275	2,723	9,623	125	–	174,746
Unallocated income					21,811	21,811
Unallocated cost					(36,639)	(36,639)
Profit before income tax	162,275	2,723	9,623	125	(14,828)	159,918
Income tax expense					(45,031)	(45,031)
Profit after income tax						114,887
As at 31 December 2017						
Assets						
Segment assets	219,904	65,788	69,269	–	–	354,961
Goodwill	86,779	10,903	–	–	–	97,682
Unallocated assets					989,292	989,292
Total assets	306,683	76,691	69,269	–	989,292	1,441,935
Total liabilities	104,163	47,457	4,615	–	47,263	203,498
Other segment information						
Addition to non-current assets	3,622	449	269	–	612	4,952
Depreciation and amortization	(12,781)	(5,478)	(22)	–	–	(18,281)
Losses on disposal of property, plant and equipment, net	(83)	(34)	–	–	–	(117)

(Listed in thousands of RMB)

5 Segment information (Continued)

	Pediatrics *RMB'000*	Obstetrics and Gynecology *RMB'000*	Hospital consulting services *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
For the year ended 31 December 2016						
Revenue	366,848	88,569	29,204	6,312	–	490,933
Cost of revenue	178,294	50,582	13,561	5,484	–	247,921
Segment results	134,690	16,553	11,790	827	–	163,860
Unallocated income					54,081	54,081
Unallocated cost					(43,843)	(43,843)
Profit before income tax	134,690	16,553	11,790	827	10,238	174,098
Income tax expense					(37,137)	(37,137)
Profit after income tax						136,961
As at 31 December 2016						
Assets						
Segment assets	226,097	69,219	24,496	–	–	319,812
Goodwill	86,779	10,903	–	–	–	97,682
Unallocated assets					219,255	219,255
Total assets	312,876	80,122	24,496	–	219,255	636,749
Total liabilities	85,342	47,303	2,027	–	367,556	502,228
Other segment information						
Addition to non-current assets	5,590	2,579	38	–	–	8,207
Depreciation and amortization	(13,978)	(7,241)	–	–	–	(21,219)
Losses on disposal of property, plant and equipment, net	(90)	–	–	–	–	(90)

(Listed in thousands of RMB)

6 Property, plant and equipment

	Buildings and leasehold improvements *RMB'000*	Medical equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment and furniture *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2016						
Cost	91,913	52,507	6,784	13,448	–	164,652
Accumulated depreciation	(18,710)	(20,206)	(4,983)	(6,394)	–	(50,293)
Net book amount	73,203	32,301	1,801	7,054	–	114,359
Year ended 31 December 2016						
Opening net book amount	73,203	32,301	1,801	7,054	–	114,359
Additions	561	6,259	–	964	–	7,784
Disposals *(Note 31)*	–	(54)	(63)	(103)	–	(220)
Depreciation charges	(7,751)	(4,807)	(322)	(2,533)	–	(15,413)
Closing net book amount	66,013	33,699	1,416	5,382	–	106,510
At 31 December 2016						
Cost	92,474	58,671	6,369	14,105	–	171,619
Accumulated depreciation	(26,461)	(24,972)	(4,953)	(8,723)	–	(65,109)
Net book amount	66,013	33,699	1,416	5,382	–	106,510

(Listed in thousands of RMB)

6 Property, plant and equipment (Continued)

	Buildings and leasehold improvements *RMB'000*	Medical equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment and furniture *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Year ended 31 December 2017						
Opening net book amount	66,013	33,699	1,416	5,382	–	106,510
Additions	52	1,514	1,497	813	650	4,526
Disposals *(Note 31)*	–	(78)	–	(39)	–	(117)
Depreciation charges	(5,420)	(4,873)	(358)	(1,781)	–	(12,432)
Closing net book amount	60,645	30,262	2,555	4,375	650	98,487
At 31 December 2017						
Cost	92,526	59,862	7,866	14,412	650	175,316
Accumulated depreciation	(31,881)	(29,600)	(5,311)	(10,037)	–	(76,829)
Net book amount	60,645	30,262	2,555	4,375	650	98,487

(a) Premises provided by BCH

The Group has established BNC Children's Hospital based on a public-private-partnership arrangement with Beijing Children's Hospital ("**BCH**"), a public hospital in Beijing, the PRC. Pursuant to the cooperation agreement in 2002, BCH has agreed to provide certain premises on its allocated land for the business operation of BNC Children's Hospital without extra payments to each other. The term of the cooperation with BCH lasts until 12 December 2022. Accordingly, the Group further carried out a massive construction and decoration project for BNC Children's Hospital. As at 31 December 2017, relevant buildings and leasehold improvements which were located at BCH's allocated land with an aggregate carrying amount of approximately RMB3,590,000(as at 31 December 2016: RMB4,488,000). Directors of the Company are of the opinion that the Group is entitled to lawful and valid occupancy or use of these premises.

6 Property, plant and equipment (Continued)

(a) Premises provided by BCH (Continued)

The premises of BNC Children's Hospital are owned by BCH. BNC Children's Hospital used and will continue to use such premises pursuant to the cooperation agreement with BCH. As part of the cooperation arrangement between BCH and the Group, both parties contributed different resources to BNC Children's Hospital in addition to their capital contributions. BCH agreed to provide the premises for BNC Children's Hospital's use for business operations and the Group agreed to introduce advanced hospital management skills and provide the core management team to operate BNC Children's Hospital, without extra payments to each other. The cooperation agreement was approved by Beijing Municipal Commission of Health and Family Planning ("**Beijing MOH**") when BNC Children's Hospital was established. BCH is of the view that it has complied with all regulatory procedural requirements with respect to the cooperation agreement.

However, a PRC legal adviser of the Company is of the view that, pursuant to certain regulations, BCH, as a public healthcare entity, is required to fulfill certain procedural requirements, together with certain other documents to the relevant competent governmental authority for approval. As of the report date, such procedural requirements had not been fulfilled.

As advised by the PRC legal adviser, if the competent governmental authority requires BCH to fulfill these procedural requirements, BNC Children's Hospital, as the actual user of the premises, might be required to pay for its use of the premises if the competent governmental authority determines. However, the PRC legal adviser considers, with approval of relevant documents from the competent governmental authority, the risk of BNC children's hospital of having to pay for its use of the premises would be remote.

The directors of the Company have assessed the situation and considers the following factors: (i) BCH being responsible under PRC laws, rules and regulations for undertaking such procedural requirements, (ii) BNC Children's Hospital not being subject to any administrative penalties due to BCH's failure to undertake such procedural requirements, (iii) the management of the Company finding no shortfall considering the different types of resources contributed by the parties as part of the cooperation arrangement, (iv) Beijing MOH approved the cooperation arrangement in 2002 and reaffirmed the legality and validity of BNC Children's Hospital's operations in August 2016, and (v) BNC Children's Hospital had used the premises for approximately 15 years, and not having been notified of any request by any governmental authorities to fulfill such procedural requirements or any penalty resulting therefrom, and (vi) the Company had not receiving or having been aware of any notice from Beijing MOH requesting BCH or the Company to undertake the procedural requirements.

(Listed in thousands of RMB)

6 Property, plant and equipment (Continued)

(a) Premises provided by BCH (Continued)

The directors of the Company are of the view that BNC Children's Hospital's risk of having to pay for its use of the premises is remote.

In addition, Mr. Jason ZHOU, the controlling shareholder of the Company, has entered into a deed of indemnity in the Company's favour to the effect that, in case the relevant competent governmental authority requires BCH to fulfill the relevant procedural requirements in the future and as a result BNC Children's Hospital is required to pay consideration for using of BCH's premises, the controlling shareholder will indemnify the Company against any paid consideration ("**Indemnity Statement**").

Based on the view of the PRC legal adviser, the assessment of the Company and the Indemnity Statement, the management of the Company is of the view that there is no need to make any provision in relation to the usage of the premises.

(b) Depreciation charges

Depreciation charges were expensed in the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Cost of revenue	**9,379**	11,314
Administration expenses	**2,877**	3,837
Selling expenses	**176**	262
Total	**12,432**	15,413

No property, plant and equipment was pledged as collateral under borrowing agreements at 31 December 2017 (2016: Nil).

During the years of 2017, the Group has no capitalized borrowing costs on qualifying assets (2016: Nil).

(Listed in thousands of RMB)

7 Intangible assets

	Medical licenses *RMB'000*	Goodwill *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
At 1 January 2016				
Cost	156,784	97,682	2,512	256,978
Accumulated amortization	(436)	–	(1,175)	(1,611)
Net book amount	156,348	97,682	1,337	255,367
Year ended 31 December 2016				
Opening net book amount	156,348	97,682	1,337	255,367
Additions	–	–	423	423
Amortization	(5,226)	–	(580)	(5,806)
Closing net book amount	151,122	97,682	1,180	249,984
At 31 December 2016				
Cost	156,784	97,682	2,935	257,401
Accumulated amortization	(5,662)	–	(1,755)	(7,417)
Net book amount	151,122	97,682	1,180	249,984
Year ended 31 December 2017				
Opening net book amount	**151,122**	**97,682**	**1,180**	**249,984**
Additions	**–**	**–**	**426**	**426**
Amortization	**(5,226)**	**–**	**(623)**	**(5,849)**
Closing net book amount	**145,896**	**97,682**	**983**	**244,561**
At 31 December 2017				
Cost	**156,784**	**97,682**	**3,361**	**257,827**
Accumulated amortization	**(10,888)**	**–**	**(2,378)**	**(13,266)**
Net book amount	**145,896**	**97,682**	**983**	**244,561**

(Listed in thousands of RMB)

7 Intangible assets (Continued)

(a) Impairment tests for goodwill

Goodwill of RMB97,682,000 is resulted from the acquisition of BNC Women's and Children's on 30 November 2015. BNC Women's and Children's Hospital is principally engaged in the provision of medical services to women and children in the PRC.

Management reviews business performance of each operating segment. Goodwill is monitored by the management at the operating segment level.

The goodwill was primarily allocated to the pediatric segment and to a lesser extent the obstetrics and gynecology segment. The pediatric segment includes the pediatric business of BNC Children's Hospital, BNC Harmony Clinic and BNC Women's and Children's Hospital which the Company's management has expected to benefit from the synergies of the combination. The following is a summary of goodwill allocation for each operating segment:

	Beginning of year *RMB'000*	Addition *RMB'000*	Impairment *RMB'000*	End of year *RMB'000*
Year ended 31 December 2017				
Pediatric segment	**86,779**	**–**	**–**	**86,779**
Obstetrics and Gynecology segment	**10,903**	**–**	**–**	**10,903**
	97,682	**–**	**–**	**97,682**
Year ended 31 December 2016				
Pediatric segment	86,779	–	–	86,779
Obstetrics and Gynecology segment	10,903	–	–	10,903
	97,682	–	–	97,682

(Listed in thousands of RMB)

7 Intangible assets (Continued)

(a) Impairment tests for goodwill (Continued)

The recoverable amount of an operating segment is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a six-year period. Cash flows beyond the six-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the operating segment operates.

The recoverable amounts of the operating segments (including goodwill and medical license) based on the estimated value-in-use calculations were higher than their carrying amounts at 31 December 2017. Accordingly, no provision for impairment loss for goodwill or medical license is considered necessary.

For pediatric segment and obstetrics and gynecology segment with significant amount of goodwill, the key assumptions, long-term growth rate and discount rate used in the value-in-use calculations as at 31 December 2017 are as follows:

	Pediatric segment	
	31 December 2017	31 December 2016
Revenue *(% compound growth rate)*	**7.93%**	7.73%
Costs and operating expenses *(% of revenue)*	**59.58%**	59.51%
Long-term growth rate	**3.00%**	3.00%
Pre-tax discount rate	**18.82%**	18.87%
Recoverable amount of operating segment *(RMB'000)*	**1,373,832**	1,272,757

	Obstetrics and Gynecology segment	
	31 December 2017	31 December 2016
Revenue *(% compound growth rate)*	**9.27%**	8.00%
Costs and operating expenses *(% of revenue)*	**80.53%**	73.54%
Long-term growth rate	**3.00%**	3.00%
Pre-tax discount rate	**21.69%**	22.47%
Recoverable amount of operating segment *(RMB'000)*	**133,602**	166,978

(Listed in thousands of RMB)

7 Intangible assets (Continued)

(a) Impairment tests for goodwill (Continued)

Revenue compound growth rate is over the six-year forecast period. It is based on past performance and management's expectations of market development. If the compound growth rate of revenue had been 3% lower, there was still sufficient headroom with no impairment required for the year ended 31 December 2017.

The percentage of costs and operating expenses of revenue is the average percentages over the six-year forecast period. It is based on current margin levels, with adjustments made to reflect the expected future price rises in labor, rental and relevant equipment, in which management does not expect to be able to pass on to customers through price increases. If the costs and operating expenses had been 3% higher, there was still sufficient headroom with no impairment required for the period ended 31 December 2017.

The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. If the pre-tax discount rate had been 1% higher, there was still sufficient headroom with no impairment required for the year ended 31 December 2017.

No impairment was charged during the year ended 31 December 2017.

(b) Amortization

Amortization charges were expensed in the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Cost of revenue	**5,442**	5,436
Administration expenses	**369**	334
Selling expenses	**38**	36
Total	**5,849**	5,806

(Listed in thousands of RMB)

8 Subsidiaries

The Group's principal subsidiaries at 31 December 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group *(%)*	Ownership interest held by non-controlling interests *(%)*
Directly owned:					
New Millennium Investment Co., Ltd.	The BVI, limited liability company	Investment Holding in the BVI	50,000 ordinary shares, USD50,000	100%	–
Indirectly owned:					
New Century Healthcare (International) Co., Ltd. (新世紀醫療(國際)有限公司)	Hong Kong, limited liability company	Investment Holding in Hong Kong	1 ordinary shares, HKD1	100%	–
Beijing Jiahua Yihe Management Consulting Co., Ltd. (北京嘉華怡和管理諮詢有限公司)	The PRC, limited liability company	Investment Holding and Hospital Consulting services in the PRC	RMB400,000,000	100%	–
Beijing New Century International Children's Hospital Co., Ltd. (北京新世紀兒童醫院有限公司)	The PRC, limited liability company	Operating of hospital in the PRC	RMB20,000,000	65%	35%
Beijing New Century Women's and Children's Hospital Co., Ltd. (北京新世紀婦兒醫院有限公司)	The PRC, limited liability company	Operating of hospital in the PRC	RMB20,000,000	100%(ii)	–
Beijing New Century Harmony Clinic Co., Ltd. (北京新世紀榮和門診部有限公司)	The PRC, limited liability company	Operating of hospital in the PRC	RMB3,000,000	100%(ii)	–

8 Subsidiaries (Continued)

In addition to the subsidiaries set forth above, the Company also consolidated Talent Wise Investments Limited and Beijing Jiahua Kangming Medical Investment and Management Co., Ltd ("**Jiahua Kangming**").

(i) Consolidation of Talent Wise Investments

Talent Wise Investments Limited is a special purpose vehicle incorporated in the British Virgin Islands with limited liability for the purpose of a restricted share award schemes (the "**RSA Scheme**") of the Company and it acts as the nominee for the RSA Scheme.

As the Company has the power to govern the financial and operating policies of the RSA Scheme and can derive benefits from the contributions of the selected participants who are awarded with the shares by the scheme, the directors of the Company consider that it is appropriate to consolidate the Talent Wise Investments Limited. For the details, please refer to Note 18.

(ii) Consolidation of Jiahua Kangming and the other 30% equity interests of BNC Women's and Children's Hospital and BNC Harmony Clinic

Jiahua Kangming is a holding company incorporated in the PRC with limited liability, which is owned by Ms. ZHAO Juan as to 99.0% and by Ms. ZHOU Jie (Mr. Jason ZHOU's sister) as to 1.0%, and hold 30% interest of BNC Women's and Children's Hospital and BNC Harmony Clinic. The Company consolidated Jiahua Kangming and the other 30% equity interests of BNC Women's and Children's Hospital and BNC Harmony Clinic through a series of contractual arrangements (the "**Contractual Arrangements**"). For the details, please refer to Note 17(b).

(a) Significant restrictions

Cash and cash equivalents of RMB393,336,000 (2016: RMB176,011,000) are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

(b) Non-controlling interests

The total non-controlling interest for the year ended 31 December 2017 is RMB44,792,000 (2016: RMB55,336,000). They are attributed to BNC Children's Hospital.

Set out below are the summarized financial information for BNC Children's Hospital that has non-controlling interests that are material to the Group.

(Listed in thousands of RMB)

8 Subsidiaries (Continued)

(b) Non-controlling interests (Continued)

Summarised balance sheets

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current		
Assets	**190,236**	162,807
Liabilities	**(72,249)**	(61,530)
Total current net assets	**117,987**	101,277
Non-current		
Assets	**17,934**	18,195
Total non-current net assets	**17,934**	18,195
Net assets	**135,921**	119,472

Summarised income statements

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**306,410**	274,136
Profit before income tax	**138,581**	124,701
Income tax expense	**(36,324)**	(31,180)
Post-tax profit	**102,257**	93,521
Total comprehensive income	**102,257**	93,521
Total comprehensive income allocated to the non-controlling interests	**35,790**	32,732
Dividends paid to the non-controlling interests	**32,813**	23,018

(Listed in thousands of RMB)

8 Subsidiaries (Continued)

(b) Non-controlling interests (Continued)

Summarised statements of cash flows

	Year ended at 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Cash generated from operations	164,693	130,142
Interest received	307	289
Income tax paid	(36,084)	(30,166)
Net cash generated from operating activities	128,916	100,265
Net cash used in investing activities	(64,015)	(2,930)
Net cash used in financing activities	(93,751)	(28,562)
Net (decrease)/increase in cash and cash equivalents	(28,850)	68,773
Cash and cash equivalents at the beginning of the year	137,781	69,008
Cash and cash equivalents at the end of year	108,931	137,781

The information above is the amount before intra-group eliminations.

(Listed in thousands of RMB)

9 Financial instruments by category

The Group holds the following financial instruments:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Financial assets		
At amortized cost		
Trade receivables *(Note 11)*	**19,974**	18,810
Other receivables excluding prepayments *(Note 12)*	**31,165**	7,115
Amounts due from related parties *(Note 13)*	**64,627**	24,069
Structured deposits	**150,000**	–
Cash and cash equivalents *(Note 15)*	**763,659**	188,963
	1,029,425	238,957
At fair value through profit and loss		
Financial assets carried at fair value through profit or loss *(Note 14)*	**25,010**	–
	25,010	–
Financial liabilities		
At amortized cost		
Borrowings	**–**	19,980
Trade payables *(Note 21)*	**17,267**	16,844
Other payables excluding non-financial liabilities *(Note 22)*	**63,273**	78,179
Amounts due to related parties *(Note 13)*	**3,303**	25,774
	83,843	140,777
At fair value through profit and loss		
Convertible preferred shares *(Note 20)*	**–**	169,695
Other non-current liabilities *(Note 20)*	**–**	80,122
	–	249,817

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(Listed in thousands of RMB)

10 Inventories

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Pharmaceuticals	**4,383**	3,838
Medical consumables	**2,810**	2,611
	7,193	6,449

The cost of inventories was recognized as expense and included in 'cost of revenue' amounting to RMB48,963,000 for the year ended 31 December 2017 (2016: RMB47,380,000) (Note 25).

11 Trade receivables

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**20,018**	18,832
Less: allowance for impairment of trade receivables	**(44)**	(22)
Trade receivables – net	**19,974**	18,810

The carrying amounts of the Group's trade receivables are denominated in RMB and approximate their fair values.

As at 31 December 2017 and 2016, the aging analysis of the trade receivables based on demand note date was as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Up to 3 months	**16,949**	17,175
4 – 6 months	**1,553**	1,077
7 months – 1 year	**855**	249
Over 1 year	**661**	331
	20,018	18,832

(Listed in thousands of RMB)

11 Trade receivables (Continued)

As at 31 December 2017, certain trade receivable balances past due but not impaired were RMB3,627,000 (2016: RMB2,196,000). The balances mainly related to amounts to be claimed from insurance companies. The management considers that based on past settlement history, those amounts can be recovered in reasonable time. The aging analysis of these trade receivables is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Up to 3 months	**1,628**	870
4–6 months	**1,242**	1,077
7 months–1 year	**757**	249
	3,627	2,196

As at 31 December 2017, trade receivables of RMB1,896,000 (2016: RMB1,252,000) were impaired. These mainly related to amounts due from individual patients and amounts due from insurance company over 1 year. The provision was RMB44,000 as at 31 December 2017 (2016: RMB22,000). The aging analysis of these trade receivables is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Up to 1 year	**1,235**	921
Over 1 year	**661**	331
	1,896	1,252

(Listed in thousands of RMB)

11 Trade receivables (Continued)

Movements on the Group's provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
As at 1 January	**22**	83
Provision for receivables impairment	**22**	8
Reversal of provision	**–**	(69)
As at year ended	**44**	22

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the consolidated statement of comprehensive income (Note 25). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk as at 31 December 2017 and 2016, is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

12 Other receivables, deposits and prepayments

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Other receivables	**25,770**	1,251
Prepayments	**17,006**	6,005
Deposits	**1,911**	1,234
Interest receivables	**425**	–
Others	**3,059**	4,630
	48,171	13,120

The carrying amounts of other receivables, deposits and prepayments are denominated in RMB and approximate their fair values.

(Listed in thousands of RMB)

13 Balances with related parties

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Amounts due from related parties		
– Trade		
Beijing Jiahua Likang Health Investment Co., Ltd.	**64,627**	24,069
	64,627	24,069
Amounts due to related parties		
– Trade		
Beijing Children's Hospital	**1,343**	1,311
Beijing Muhe Jiaye Property Management Co., Ltd.	**52**	138
	1,395	1,449
– Non-Trade		
Beijing Children's Hospital	**1,906**	2,268
Beijing Jiahua Likang Health Investment Co., Ltd.	**–**	22
Mr. XU Han	**1**	1
Ms. XIN Hong	**1**	1
Ms. ZHAO Juan	**–**	21,813
Mr. ZHOU Jie	**–**	220
	1,908	24,325
	3,303	25,774

The amounts due from/to related parties are unsecured, interest-free, and repayable on demand and denominated in RMB. Their carrying values as at 31 December 2017 and 2016 approximate their fair values.

(Listed in thousands of RMB)

14 Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss are all held for trading and include the following:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Financial assets carried at fair value through profit or loss	**25,010**	–

(i) Amounts recognised in profit or loss

Changes in fair values of financial assets at fair value through profit or loss are recorded in other gains/(losses) in profit or loss (2017 – gain of RMB10,000; 2016 – Nil).

(ii) Risk exposure and fair value measurements

Information about the Group's exposure to fair value interest rate risk is provided in note 3.1. For information about the methods and assumptions used in determining fair value please refer to note 3.3.

15 Cash and cash equivalents

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Cash at banks	**625,319**	188,362
Cash on hand	**1,122**	601
Short term bank deposit	**137,218**	–
	763,659	188,963

(Listed in thousands of RMB)

15 Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
RMB	**393,962**	187,113
USD	**369,599**	1,564
HKD	**98**	286
	763,659	188,963

16 Share capital

	Note	Number of ordinary shares	Nominal value of ordinary share *USD*	Number of preferred shares	Nominal value of preferred share *USD*
At 1 January 2016		50,000	50,000	–	–
Share Sub-division on February 2016		499,950,000	–	–	–
Re-designation on issuance of preferred shares		(23,936,268)	(2,394)	23,936,268	2,394
Conversion from preferred shares into ordinary shares		16,394,266	1,639	(16,394,266)	(1,639)
At 31 December 2016		492,457,998	49,245	7,542,002	755
Conversion from preferred shares into ordinary shares	(c)	7,542,002	755	(7,542,002)	(755)
At 31 December 2017		**500,000,000**	**50,000**	**–**	**–**

(Listed in thousands of RMB)

16 Share capital (Continued)

	Note	Number of ordinary shares	Nominal value of ordinary share *USD*	Equivalent nominal value of ordinary shares *RMB'000*
As at 1 January 2016		1	1	–
Share Sub-division on 18 February 2016		9,999	–	–
Issued of ordinary shares of USD0.0001 on 18 February 2016		83,605,734	8,361	55
Re-designation on issuance of preferred shares		–	–	(2)
Conversion from preferred shares into ordinary shares		16,394,266	1,639	11
Shares issued to RSA scheme		2,757,744	276	2
As at 31 December 2016		102,767,744	10,277	66
Issuance of ordinary shares upon global offering	(a)	120,000,000	12,000	83
Issuance of ordinary shares upon exercise of over-allotment option	(a)	10,025,000	1,002	7
Capitalization issue	(b)	249,690,254	24,969	171
Conversion from preferred shares into ordinary shares	(c)	7,542,002	755	6
Conversion from ordinary shares with preference rights to ordinary shares	(c)	–	–	2
As at 31 December 2017		**490,025,000**	**49,003**	**335**

16 Share capital (Continued)

(a) Issuance of new ordinary shares

On 18 January 2017, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**HKSE**"), 120,000,000 ordinary shares were issued at a price of HKD7.36 per share for a total cash consideration, before related issuance expenses, of approximately HKD883,200,000 (equivalent to approximately RMB780,361,000). Accordingly, 120,000,000 ordinary shares with par value of USD0.0001 each are issued and USD12,000 (equivalent to approximately RMB83,000) are credited to share capital, and remaining amounts, after netting of listing expenses, RMB780,278,000 are credited to share premium.

On 17 February 2017, the Company issued additional 10,025,000 new shares with nominal value of USD0.0001 each for the exercises of over-allotment of the global offering at a price of HKD7.36 per share and 10,025,000 ordinary share with par value of USD0.0001 each are issued and USD1,003 (equivalent to approximately RMB7,000) are credited to share capital, and remaining amounts, after netting of listing expenses, RMB65,085,000 are credited to share premium.

(b) Capitalization issue

Pursuant to a written resolution of all shareholders of the Company passed on 22 December 2016, conditional on the share premium account of the Company being credited as a result of the issuance of new shares pursuant to the global offering, the directors of the Company were authorized to capitalize an amount of USD24,969 towards paying up in full at par of 249,690,254 ordinary shares of USD0.0001 each for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 17 January 2017 in proportion to their then existing shareholding ("**Capitalization Issue**"). Accordingly, 249,690,254 ordinary shares with par value of USD0.0001 each are issued and USD24,969 (equivalent to approximately RMB171,000) are credited to share capital and charged to share premium.

(c) Derecognize other non-current liabilities and conversion of convertible preferred shares

Save as disclosed in Note 20, on 18 January 2017, the 7,542,002 group B preferred shares ("**Group B Preferred Shares**") and 3,560,993 ordinary shares accounted for as if Group B Preferred Shares have been automatically converted into 7,542,002 ordinary shares and 3,560,993 ordinary shares, respectively, upon listing of the Company's shares on the Main Board of HKSE. Accordingly, approximately RMB6,000 and RMB2,000 are credited to share capital, and RMB159,883,000 and RMB75,490,000 are credited to share premium.

(Listed in thousands of RMB)

17 Share premium and reserves

	Note	Share premium RMB'000	Reserves: Other reserves RMB'000	Reserves: Merger reserve RMB'000	Reserves: Surplus reserve (a) RMB'000	Reserves: Subtotal RMB'000
At 1 January 2016		–	1,367,634	(1,407,090)	6,500	(32,956)
Issuance of ordinary shares		1,192,374	(1,192,374)	–	–	(1,192,374)
Deemed distribution to the controlling shareholder		–	(301,907)	–	–	(301,907)
Liability settlement by equity instrument		–	8,555	–	–	8,555
Transaction with the non-controlling interests		–	(1,027)	–	–	(1,027)
Conversion of preferred shares into ordinary shares		345,908	–	–	–	–
Shares held for RSA scheme		(2)	–	–	–	–
At 31 December 2016		1,538,280	(119,119)	(1,407,090)	6,500	(1,519,709)
At 1 January 2017		1,538,280	(119,119)	(1,407,090)	6,500	(1,519,709)
Issuance of ordinary shares upon global offering	16(a)	780,278	–	–	–	–
Issuance of ordinary shares upon exercise of over-allotment option	16(a)	65,085	–	–	–	–
Capitalization issue	16(b)	(171)	–	–	–	–
Conversion of preferred shares into ordinary shares	16(c)	159,883	–	–	–	–
Conversion from ordinary shares with preference rights to ordinary shares	16(c)	75,490	–	–	–	–
Share issuance costs		(42,753)	–	–	–	–
Transaction with the non- controlling interests	(b)	–	–	(10,875)	–	(10,875)
Share-based payment	18	–	13,761	–	–	13,761
At 31 December 2017		2,576,092	(105,358)	(1,417,965)	6,500	(1,516,823)

17 Share premium and reserves (Continued)

(a) Surplus reserve

In accordance with the PRC regulations and the articles of association of the companies now comprising the Group, before distributing the net profit of each year, companies registered in the PRC are required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reverse is appropriated from BNC Children's Hospital. Before 1 January 2013, the balance of the statutory surplus reserve reach 50% of the share capital, no future appropriation was accrued in 2017 (2016: Nil).

(b) Transaction with the non- controlling interests

On 2 November 2017, the Company's wholly-owned subsidiary, Jiahua Yihe has entered into the Contractual Arrangements with Jiahua Kangming, Ms. ZHAO Juan and Ms. ZHOU Jie (the "**Shareholders of Jiahua Kangming**"), BNC Women's and Children's Hospital, and BNC Harmony Clinic.

The Contractual Arrangements are irrevocable and enable Jiahua Yihe, and ultimately, the Group to:

- Provide to Jiahua Kangming and its affiliated medical institutions, including BNC Women's and Children's Hospital and BNC Harmony Clinic, on an exclusive basis, shareholder's rights and investment management related services and medical institution operation services based on their actual business demand. For return, the Group will receive an annual service fee in an amount equivalent to 30.0% of the annual distributable profits of BNC Women's and Children's Hospital and BNC Harmony Clinic after deducting any loss in prior year and the statutory surplus reserve (if applicable);

- Exercise all of its rights and powers as a shareholder of Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic;

- Obtain an irrevocable and exclusive right to purchase all or any part of equity interest of Jiahua Kangming, all or any part of equity interest of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming. Jiahua Yihe may exercise such options at any time until it has acquired all equity interests and/or all assets of the Jiahua Kangming, all equity interests and/or all assets of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming. In addition, the transfer price of the relevant equity interests and assets shall be the minimum purchase price permitted under PRC law and each of Ms. ZHAO Juan, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic will undertake that she/it will return in full the consideration received in relation to such transfer of equity interests or assets to Jiahua Yihe;

17 Share premium and reserves (Continued)

(b) Transaction with the non- controlling interests (Continued)

- Obtain a pledge over the entire equity interest in Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic from their equity holders to secure performance of all their obligations and the obligations of BNC Women's and Children's Hospital and BNC Harmony Clinic under the Contractual Arrangements, respectively.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Jiahua Kangming and the 30% equity interests of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights to the results, assets and liabilities of Jiahua Kangming and the 30% equity interests of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming. The Group believes that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

In the view of the directors of the Group, the Group could obtain the control over Jiahua Kangming and obtain the 30.0% economic benefits of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming based on the Group has the power over Jiahua Kangming and 30.0% equity interests of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming, has rights to variable returns from its involvement with Jiahua Kangming and 30.0% equity interests of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming, and has the ability to affect those returns through its power over Jiahua Kangming and 30.0% equity interests of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming. Consequently, the Group has consolidated the financial information of Jiahua Kangming and the 30% equity interests of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming in the consolidated financial statements.

The Contractual Arrangements was signed on 2 November 2017 which should be conditional upon the approval having been obtained from the independent shareholders of the Group at the extraordinary general meeting (the "**EGM**"). On 23 November 2017, the Contractual Arrangement approved by independent shareholders of the Group at the EGM. Therefore, the Group obtained the control over Jiahua Kangming and 30% equity interest of BNC Women's and Children's Hospital and BNC Harmony Clinic from 23 November 2017. At the same day, the book value of 30% non-controlling interests of BNC Women's and Children's Hospital and BNC Harmony Clinic are RMB19,125,000, and the excess of consideration over the book value, which amounted to RMB10,875,000 was credited to reserves.

18 Share-based payments

Employee share scheme

On 29 August 2016, the shareholder of the Company approved its RSA Scheme. In accordance with the shareholders' approval, 2,757,744 ordinary shares before Capitalization Issue (the "**Restricted Shares**") were allotted and issued at par value each to Talent Wise Investments Limited, a business company incorporated in the British Virgin Islands with limited liability, and the Restricted Shares were held on trust by the two shareholder of Talent Wise Investments Limited as trustee for the RSA Scheme. The two shareholders are the directors of the Company.

The purposes of the RSA Scheme are: (i) to provide any individual, being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any other member of the Group, who is selected by the Administration Committee (as defined below) in accordance with the terms of and entitled to receive a grant under the RSA Scheme (the "**Selected Participant**"), with an opportunity to acquire a proprietary interest in the Company; (ii) to encourage and retain such individuals to work with the Group and provide additional incentive for them to achieve performance goals; and (iii) to attract suitable personnel for further development of the Group.

The RSA Scheme was managed by a sub-committee of the board of the Company, including the Chief Executive Officer, chairman of the remuneration committee and other senior management of the Company, delegated with the power and authority by the board to administer the RSA Scheme (the "**Administration Committee**") may stipulate at the time of selecting any person as a Selected Participant.

The criteria for determining Selected Participants, number of Restricted Shares and grant consideration and the other terms and conditions of the grants, the Administration Committee shall take into consideration matters including, but without limitation to, the present contribution and expected contribution of the relevant Selected Participants, the Group's general financial condition, overall business objectives and future development plan, the initial issue price of the shares held by the trustee, the net asset value per share as of the end of the financial year immediately before the date of the grant letter.

(Listed in thousands of RMB)

18 Share-based payments (Continued)

On 25 July 2017, the board of the Company announced that, 2 Directors and 265 employees of the Group were granted Restricted Shares in respect of an aggregate of 2,757,744 shares (9,000,000 shares after Capitalization Issue). Subject to certain vesting conditions such as the service condition and non-market performance condition, the Restricted Shares shall be vested as the vesting schedule as follows:

(i) as to 17% of the Restricted Shares on 25 July 2017;

(ii) as to 23% of the Restricted Shares on 25 July 2018;

(iii) as to 30% of the Restricted Shares on 25 July 2019; and

(iv) as to the remaining 30% of the Restricted Shares on 25 July 2020.

Based on the closing price of HKD7.65 per share as quoted on HKSE on 25 July 2017, the exercise price of the Restricted Shares granted to the directors of the Company, and its employees was HKD3.825.

On 16 March 2018, the board of the Company made an announcement to clarify that the Restricted Shares, which were initially scheduled to be vested on 25 July 2017, will transfer to the relevant participants on or after 25 July 2018 due to the delay in the stock accounts opening process. The modification of vesting schedule is considered to be not beneficial to the relevant participants, and the effect of modification was not take into account for the impact on the Group's finance results due to RSA scheme.

Restricted Shares was granted under the scheme are as follows:

	As at 31 December	
	2017	2016
Number of shares granted under the RSA scheme on 25 July 2017	**9,000,000**	–

(Listed in thousands of RMB)

18 Share-based payments (Continued)

The directors have used the Binomial pricing model to determine the fair value of the Restricted Shares as at the grant date. Key assumptions, such as the risk-free interest rate and projections of staff turnover rate, are required to be determined by the directors with best estimates as follows:

	As at 25 July 2017	
	Employee	**Executive**
Fair market value per share as at valuation date *(HKD)*	7.65	7.65
Exercise price *(HKD per share)*	3.83	3.83
Risk free rate of interest	2.37%	2.37%
Dividend Yield	0.65%	0.65%
Life of RSA Scheme *(years)*	5.0	5.0
Volatility	40.00%	40.00%
Exercise multiple	2.2	2.8
Annual staff turnover rate	10.00%	0.00%

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Shares issued under RSA Scheme	**13,761**	–

(Listed in thousands of RMB)

19 Dividends

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Dividends declared to the then shareholders of Jiahua Yihe *(b)*	**–**	27,542

(a) Dividends disclosed represented dividends declared by the companies now comprising the Group out of their retained earnings to the controlling shareholder of the respective companies, after eliminating intra-group dividends and excluding dividends paid to non-controlling interests.

(b) Pursuant to a shareholder resolution of the Company on 12 December 2016 and a shareholder resolution of Jiahua Yihe on 16 December 2016, dividends of approximately RMB27,542,000 relating to the profit of BNC Children's Hospital from December 2015 to 24 May 2016 before the completion of the reorganization of the Group, have been agreed and declared to be paid to the then shareholders of Jiahua Yihe immediately before the completion of the reorganization. The dividends have been settled before the listing of the Company.

(c) Dividends not recognised at the end of the reporting period

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
The directors have recommended the payment of a final dividend of HKD0.05 per fully paid ordinary share (2016: nil). The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 31 December 2017, but not recognised as a liability at year end, is	**19,606**	–

20 Other non-current liabilities and convertible preferred shares

The Company was obliged to issue 16,394,266 convertible preferred shares ("**Group A Preferred Shares**") to Shanghai Fuji Investment Partnership L.P. ("**CDH Fuji**") and Shanghai Fuyi Investment Partnership L.P. ("**CDH Fuyi**") (CDH Fuji and CDH Fuyi are collectively referred to as "**CDH Investment II**") when the Group acquired the entire interests in BNC Women's and Children's Hospital on 30 November 2015. Relevant preferred shares were issued on 18 February 2016. The related preferred shares have been converted into ordinary shares on 29 August 2016.

The Company agreed to issue 7,542,002 preferred shares to Anyi Hekang (Tianjin) Investment Partnership L.P., CDB Kai Yuan Capital Management Co., Ltd. and CDH Investment II (the "**Group B Preferred Shareholders**"). And JoeCare Investment Co., Ltd. transferred 3,560,993 ordinary shares to Group B Preferred Shareholders and the Company also granted the same preferred share rights prescribed in the group B preferred shares purchase agreements. The Company recognized these preferred shares as convertible preferred shares and these ordinary shares with preferred shares rights as non-current liabilities. Relevant shares were issued on 18 February 2016. The fair value of the non-current liabilities and the preferred shares are RMB80,122,000 and RMB169,695,000 as at 31 December 2016, respectively.

The fair value changes between the contract signed off date and the shares issuance date were recognized as derivative as fair value change through profit and loss.

On 18 January 2017, all other non-current liabilities and convertible preferred shares issued in 2016 were automatically converted into ordinary shares (Note 16(c)), respectively. The fair value of other non-current liabilities and convertible preferred shares were changed to RMB75,492,000 and RMB159,889,000, respectively, as determined based on the quoted market price of the ordinary shares on 18 January 2017. And the fair value gains of RMB4,630,000 and RMB9,806,000 were charged into 'Other gains – net' (Note 27).

(Listed in thousands of RMB)

20 Other non-current liabilities and convertible preferred shares (Continued)

The movement of other non-current liabilities and derivative instruments is set out as below:

	Group A Preferred Shares to be issued	Derivative liability	Redesignation of ordinary shares into liability	Total other non-current liabilities
As at 1 January 2016	339,361	–	–	339,361
Change in fair value	9,837	5,551	–	15,388
Liability settlement with equity instrument	(14,755)	(8,882)	–	(23,637)
Derecognize the derivative liability upon issuance of Group B Preferred Shares	–	3,331	(1,131)	2,200
Issuance of preferred shares	(334,443)	–	–	(334,443)
Ordinary shares classified as liability	–	–	101,907	101,907
Change in fair value	–	–	(20,654)	(20,654)
As at 31 December 2016	–	–	80,122	80,122
Changes in fair value charged to consolidated statements of comprehensive income for the year ended 31 December 2016	9,837	5,551	(20,654)	(5,266)
As at 1 January 2017	**–**	**–**	**80,122**	**80,122**
Change in fair value	**–**	**–**	**(4,630)**	**(4,630)**
Ordinary shares reclassified from liability to equity	**–**	**–**	**(75,492)**	**(75,492)**
As at 31 December 2017	**–**	**–**	**–**	**–**
Changes in fair value charged to consolidated statements of comprehensive income for the year ended 31 December 2017	**–**	**–**	**(4,630)**	**(4,630)**

(Listed in thousands of RMB)

20 Other non-current liabilities and convertible preferred shares (Continued)

The movement of the convertible preferred shares is set out as below:

	Current liability – Group A Preferred Shares		Non-current liability – Group B Preferred Shares		Total	
	Number of preferred shares	*RMB'000*	*Number of preferred shares*	*RMB'000*	*Number of preferred shares*	*RMB'000*
As at 1 January 2016	–	–	–	–	–	–
Issuance of preferred shares	16,394,266	334,443	7,542,002	213,439	23,936,268	547,882
Changes in fair value	–	11,476	–	(43,744)	–	(32,268)
Group A Preferred Shares converted to ordinary shares	(16,394,266)	(345,919)	–	–	(16,394,266)	(345,919)
As at 31 December 2016	–	–	7,542,002	169,695	7,542,002	169,695
Change in fair value of convertible preferred shares charged in consolidated statements of comprehensive income for the year ended 31 December 2016	–	11,476	–	(43,744)	–	(32,268)
As at 1 January 2017	**–**	**–**	**7,542,002**	**169,695**	**7,542,002**	**169,695**
Changes in fair value	**–**	**–**	**–**	**(9,806)**	**–**	**(9,806)**
Group B Preferred Shares converted to ordinary shares	**–**	**–**	**(7,542,002)**	**(159,889)**	**(7,542,002)**	**(159,889)**
As at 31 December 2017	**–**	**–**	**–**	**–**	**–**	**–**
Change in fair value of convertible preferred shares charged in consolidated statements of comprehensive income for the year ended 31 December 2017	**–**	**–**	**–**	**(9,806)**	**–**	**(9,806)**

(Listed in thousands of RMB)

21 Trade payables

The aging analysis, based on demand note date, of the trade payables is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Up to 3 months	**11,251**	12,139
4–6 months	**4,684**	3,953
7 months–1 year	**435**	401
Over 1 year	**897**	351
	17,267	16,844

The carrying amounts of trade payables are denominated in RMB. The carrying amounts approximate their fair values due to their short-term maturities.

22 Accruals, other payables and provisions

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Accrued employee benefits	**38,945**	33,910
Advance from customers	**45,214**	42,713
Accrued operating expenses	**9,446**	3,176
Other payables to suppliers of plant and equipment	**3,984**	4,410
Duty and tax payable other than corporate income tax	**2,683**	7,726
Payables in relation to listing expenses	**–**	22,750
Others	**4,629**	5,130
	104,901	119,815

(Listed in thousands of RMB)

23 Deferred revenue

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Deferred revenue for membership cards	**37,339**	28,519

24 Deferred income tax

The analysis of deferred income tax is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**10,589**	17,122
– Deferred income tax assets to be recovered within 12 months	**9,664**	11,722
	20,253	28,844
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**35,370**	36,783
– Deferred income tax liabilities to be recovered within 12 months	**1,413**	1,413
	36,783	38,196
Deferred income tax liabilities-net	**(16,530)**	(9,352)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(Listed in thousands of RMB)

24 Deferred income tax (Continued)

Deferred income tax assets	Provision for receivables	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2016	21	36,204	36,225
Credited to the income statement	(15)	(7,366)	(7,381)
At 31 December 2016	6	28,838	28,844
Credited to the income statement	6	(8,597)	(8,591)
At 31 December 2017	**12**	**20,241**	**20,253**

The Group recognized the deferred income tax assets of RMB36,043,000 in respect of accumulated loss amounting to RMB144,172,000 from the business combination of BNC Women's and Children's Hospital on 30 November 2015. The Group also recognized deferred income tax assets of RMB161,000 in respect of tax losses amounting to RMB644,000 in December 2015 of BNC Women's and Children's Hospital. At 31 December 2017, no additional deferred income tax assets was recognized because BNC Women's and Children's Hospital was profit making from 2016.

The expiry date of tax losses is as follow:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
As at 31 December 2018	**38,612**	38,612
As at 31 December 2019	**18,181**	21,587
As at 31 December 2020	**27,798**	28,091
As at 31 December 2021	**–**	2,856
As of 31 December 2022	**24**	–
	84,615	91,146

The Group did not recognize deferred income tax assets of RMB912,000 in 2017 (2016: RMB2,545,000) in respect of tax losses amounting to RMB3,648,000 (2016: RMB10,180,000) which can be carried forward against future taxable income.

(Listed in thousands of RMB)

24 Deferred income tax (Continued)

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Intangible Assets *RMB'000*
Balance at 1 January 2016	39,609
Credited to the income statement	(1,413)
At 31 December 2016	38,196
Credited to the income statement	(1,413)
At 31 December 2017	**36,783**

The tax rate for the recognition of deferred tax assets and deferred tax liabilities is 25% for the year ended 31 December 2017 (2016: 25%).

25 Expenses by nature

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Employee benefits expenses *(Note 26)*	**198,423**	165,087
Cost of inventories and consumables	**48,963**	47,380
Consultation fees	**33,778**	20,152
Outsourced examination and inspection fees	**4,433**	5,365
Utilities, maintenance fee and office expenses	**25,380**	31,635
Rental expenses	**16,126**	16,503
Depreciation and amortization	**18,281**	21,219
Expenses in relation to the Listing	**2,202**	39,608
Auditors' remuneration		
– Audit services	**2,897**	1,165
– Non-audit services	**2,000**	–
Other expenses	**26,206**	21,128
	378,689	369,242

(Listed in thousands of RMB)

26 Employee benefit expenses

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**146,567**	133,297
Share-based payments to directors and employees	**13,761**	–
Contribution to a pension plan	**16,203**	13,343
Welfare and other expenses	**21,892**	18,447
	198,423	165,087

The employees of the Group in the PRC are members of a state-managed pension scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

(a) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group for the year include three (2016: three) directors whose emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the remaining two (2016: two) individuals during the year are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Basic salaries, bonus, housing allowance, other allowance and benefits in kind	**2,169**	1,779
Share-based payments	**868**	–
Contribution to pension plans	**51**	–
	3,088	1,779

(Listed in thousands of RMB)

26 Employee benefit expenses (Continued)

(a) Five highest paid individuals (Continued)

The number of highest paid non-director individuals whose remunerations fell within the following band is as follows:

	Number of individuals Year ended 31 December	
	2017	2016
Emolument bands		
Nil to RMB1,000,000	**2**	2

During the years ended 31 December 2017 and 2016, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

27 Other gains – net

		Year ended 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Losses on disposal of property, plant and equipment	31(a)	**(117)**	(90)
Fair value changes of convertible preferred shares and other non-current liabilities	20	**14,436**	37,534
Gains on liability settlement by equity instrument		**–**	15,277
Gains on financial assets carried at fair value through profit or loss		**63**	–
		14,382	52,721

(Listed in thousands of RMB)

28 Finance Expenses – net

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Finance Income		
Interest income	**6,515**	478
Net foreign exchange gains	**–**	180
	6,515	658
Finance Expenses		
Interest expense on bank borrowings	**(27)**	(1,584)
Net foreign exchange losses	**(19,520)**	–
	(19,547)	(1,584)
Financial Expenses – Net	**(13,032)**	(926)

29 Income tax expense

Subsidiaries established and operating in Mainland China are subject to PRC corporate income tax at the standard rate of 25% for the year ended 31 December 2017.

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current income taxation:		
– PRC corporate income tax	**37,853**	31,169
Deferred income tax *(Note 24)*	**7,178**	5,968
	45,031	37,137

(Listed in thousands of RMB)

29 Income tax expense (Continued)

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the standard taxation rate of PRC, the principal place of the Group's operations, as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit before income tax	**159,918**	174,098
Calculated at a taxation rate of 25%	**39,979**	43,525
Income not subject to tax	**(3,719)**	(13,026)
Expenses not tax deductible	**10,519**	6,035
Tax effect of tax losses not recognized	**6**	714
Utilisation of previously unrecognised tax loss	**(1,639)**	(111)
Others	**(115)**	–
Income tax expense	**45,031**	37,137

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) PRC Corporate Income Tax

Subsidiaries established and operating in Mainland China are subject to PRC corporate income tax at the rate of 25%.

(c) Hong Kong profits tax

Hong Kong profits tax rate is 16.5% for the year ended 31 December 2017 and 2016. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the year ended 31 December 2017 and 2016.

As at 31 December 2017, deferred income tax liabilities of RMB9,373,000 (2016: RMB3,062,000), have not been recognized for the withholding tax that would be payable on the unremitted earnings of PRC subsidiaries. Management expects to be reinvested such amount in these subsidiaries in the foreseeable future. Unremitted earnings of these subsidiaries as at 31 December 2017 amounted to RMB93,730,000 (2016:RMB30,615,000).

30 Earnings per share ("EPS")

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2017.

	Year ended 31 December	
	2017	2016
Profit attributable to owners of the Company *(RMB'000)(i)*	**73,329**	92,136
Weighted average number of ordinary shares in issue *(in thousands)(ii)*	**472,516**	262,434
Basic earnings per share *(in RMB)*	**0.16**	0.35

The EPS presented above is calculated by using the weighted average number of ordinary shares during the year ended 31 December 2017. In determining the weighted average number of ordinary shares, the one share issued upon incorporation, the 9,999 sub-divided shares issued on 18 February 2016 and the 83,605,734 ordinary shares issued on 18 February 2016 are treated as if have been in issue since 1 January 2015.

The Company capitalized an amount of USD24,969 standing to the credit of its share premium account in paying up in full at par 249,690,254 shares, which were allotted and issued to the Capitalization Issue of the Company in accordance with their respective Capitalization Issue. The EPS as presented above has taken into account of the Capitalization Issue, which is effective on 18 January 2017, the listing date of the Company. Accordingly, the weighted average number of ordinary shares in issue has been adjusted retrospectively as if it was effective on 1 January 2015.

30 Earnings per share ("EPS") (Continued)

(b) Diluted

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares before the Capitalization Issue: 7,542,002 Group B Preferred Shares and 3,560,993 ordinary shares redesignated as other non-current liabilities (Note 20), which were granted the same rights of Group B Preferred Shares. The convertible preferred shares and other non-current liabilities are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the impact of fair value change of convertible preferred shares and other non-current liabilities (Note 20).

	Year ended 31 December	
	2017	2016
Profit attributable to owners of the Company *(RMB'000)(i)*	**73,329**	92,136
Gains on the fair value change of the convertible preferred share and other non-current liabilities *(RMB'000)*	**(14,436)**	(58,845)
Profit used to determine diluted earnings per share *(RMB'000)*	**58,893**	33,291
Weighted average number of ordinary shares in issue *(in thousands)(ii)*	**472,516**	262,434
Adjusted for:		
– Assumed conversion of convertible preferred shares and other non-current liabilities *(in thousands)*	**1,787**	31,384
Weighted average number of ordinary shares for diluted earnings per share *(in thousands)*	**474,303**	293,818
Diluted earnings per share *(in RMB)*	**0.12**	0.11

(Listed in thousands of RMB)

30 Earnings per share ("EPS") (Continued)

(i) The calculation of basic EPS has not considered the 6,548,602 ordinary shares, before the Capitalization Issue, with liquidation preference from 18 February 2016 as these shares are not considered as ordinary shares that are subordinated to all other class of equity instrument. The profit attributable to those shares is also excluded from the calculation from 18 February 2016 to 18 January 2017 when the liquidation preference right has been terminated. These shares are not included in the calculation of diluted EPS during the same period as they do not have dilutive effect.

(ii) The Company granted 9,000,000 Restricted Shares to employees on 25 July 2017 pursuant to the RSA Scheme (Note 18). As to 40% of the Restricted Shares could be vested because the employees satisfied the non-market performance by the year ended 31 December 2017, it has been taken into account of the calculation of basic EPS and diluted EPS from the grant date.

31 Cash flow information

(a) Cash generated from operation

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit before income tax	**159,918**	174,098
Adjustments for:		
– Depreciation of property, plant and equipment *(Note 6)*	**12,432**	15,413
– Amortization *(Note 7)*	**5,849**	5,806
– Share-based payment *(Note 18)*	**13,761**	–
– Other gains – net *(Note 27)*	**(14,382)**	(52,721)
– Finance Expenses– net *(Note 28)*	**13,032**	1,106
– Provision/(Reversal) of impairment of trade receivables	**22**	(61)
Changes in working capital (excluding the effects of acquisition on consolidation):		
– Inventories	**(744)**	(1,824)
– Trade and other receivables	**(14,117)**	(11,803)
– Balances with related parties	**(40,996)**	(23,454)
– Trade and other payables	**(8,556)**	18,198
– Deferred revenue	**8,820**	21,612
Cash generated from operations	**135,039**	146,370

(Listed in thousands of RMB)

31 Cash flow information (Continued)

(a) Cash generated from operation (Continued)

In the statements of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Net book amount *(Note 6)*	**117**	220
Loss on disposal of property, plant and equipment	**(117)**	(90)
Proceeds from disposal of property, plant and equipment	**–**	130

(b) Non-cash investing and financing activities.

No significant non-cash transactions for the year ended 31 December 2017.

(c) Net debt reconciliation

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Cash and cash equivalents	**763,659**	188,963
Structured deposits	**150,000**	–
Financial assets carried at fair value through profit or loss	**25,010**	–
Borrowings-repayable within one year	**–**	(19,980)
Net debt	**938,669**	168,983

(Listed in thousands of RMB)

31 Cash flow information (Continued)

(c) Net debt reconciliation (Continued)

	Cash	Structured deposits	Other assets Financial assets carried at fair value through profit or loss	Borrowings	Total
Net debt as at 1 January 2016	81,231	–	–	(19,980)	61,251
Cash flows	107,732	–	–	–	107,732
Other non-cash movements	–	–	–	–	–
Net debt as at 31 December 2016	188,963	–	–	(19,980)	168,983
Cash flows	594,216	150,000	25,000	19,980	789,196
Foreign exchange adjustments	(19,520)	–	–	–	(19,520)
Other non-cash movements	–	–	10	–	10
Net debt as at 31 December 2017	763,659	150,000	25,010	–	938,669

(Listed in thousands of RMB)

32 Commitments

(a) Capital commitments

The following is the details of capital expenditure contracted for but not recognised in the consolidated financial statements.

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Property, plant and equipment	**3,100**	125
Consideration for acquisition *(i)*		
– Chendu New Century Women's and Children's Hospital Co., Ltd.	**200,000**	–
– Renze (Beijing) International Corporation Management And Service Co., Ltd.	**18,333**	–
– Meihua Women's and Children's Clinic Co.,Ltd.	**5,000**	–
	226,433	125

(i) The details of the commitment related with the consideration for the acquisition refer to Note 35.

(b) Operating lease commitments

The Group leases certain office buildings and hospitals under non-cancellable operating lease agreements. The Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
No later than 1 year	**13,480**	11,630
Later than 1 year and no later than 5 years	**47,311**	27,284
Later than 5 years	**15,643**	–
Total	**76,434**	38,914

(Listed in thousands of RMB)

33 Significant related party transactions

(a) Parent entities

The Company is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest 2017	2016
JoeCare Investment Co., Ltd ("**JoeCare**")	Immediate parent entity	British Virgin Islands	30.42%	44.45%
Century Star Investment Co., Ltd ("**Century Star**")	Immediate parent entity	British Virgin Islands	1.84%	2.68%

Mr. Jason ZHOU is directly held the interests of the Company through JoeCare and Century Star.

As at 31 December 2017, Ms. LIANG Yanqing held 11.78% (2016: 17.22%) interests of the Company through Victor Gains Limited, a company incorporated in the British Virgin Islands. Pursuant to the voting agreement signed on 18 February 2016, Ms. LIANG Yanqing irrevocably agreed to follow Mr. Jason ZHOU's voting directions when exercising the voting rights attached to the shares beneficially owned by her during the term of the voting agreement. Accordingly, Mr. Jason ZHOU was deemed as controlling shareholder of the Company through the power to control 44.04% of interest in the Company.

(b) Subsidiaries

Interest in subsidiaries are set out in note 8.

(c) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Salaries and bonus	**9,603**	5,711
Share-based payment	**3,237**	–
Contribution to pension plans	**253**	205
Welfare and other expenses	**318**	254
Total	**13,411**	6,170

33 Significant related party transactions (Continued)

(d) Transactions with related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Other parties are also considered to be related if they are subject to common control, common significant influence or joint control, controlling shareholder, members of key management and their close family member of the Group are also considered as related parties.

The directors of the Company are of the view that the following parties that had transactions or balances with the Group are related parties:

Name	Relationship with the Group
Mr. Jason ZHOU	The controlling shareholder of the Company
Mr. XU Han	An executive Director of the Company
Ms. XIN Hong	An executive Director of the Company
Ms. ZHAO Juan	The spouse of Mr. Jason ZHOU
Mr. ZHOU Jie	The sister of Mr. Jason ZHOU
Beijing Jiahua Likang Health Investment Co., Ltd. (北京嘉華麗康醫療投資管理有限公司)	The controlling shareholder of the Company has significant influence
Beijing Children's Hospital (首都醫科大學附屬北京兒童醫院)	Significant influence on the subsidiary of the Company
Beijing MuHeJiaYe Property Management Co., Ltd. (北京睦合嘉業物業管理有限公司)	Controlled by Ms. ZHAO Juan, the spouse of the controlling shareholder of the Company

The following significant transactions were carried out between the Group and its related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(Listed in thousands of RMB)

33 Significant related party transactions (Continued)

(d) Transactions with related parties (Continued)

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Hospital consulting services provided to		
– Beijing Jiahua Likang Health Investment Co., Ltd.*(i)*	38,263	29,204

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Examination and laboratory test services received from		
– Beijing Children's Hospital	1,157	1,265
Purchase of goods from		
– Beijing Children's Hospital	593	521
Cleaning services received from		
– Beijing MuHeJiaYe Property Management Co., Ltd.	6,381	6,055
	8,131	7,841

(i) Jiahua Yihe has commenced providing hospital consulting services to Jiahua Likang for its for-profit private hospitals outside Beijing. Pursuant to a management consulting services agreement, the agreement became effective on 1 December 2015 and is valid until 30 November 2018. Under the arrangement, the hospital consulting services that Jiahua Yihe provides relate to brand licensing and authorizing use of management know-how, best practices for medical services and operations and the relevant know-how, professional development training systems and clinical experience exchange platform, procurement and supplier services support and information technology systems and support. Under the agreement, Jiahua Likang agrees to pay Jiahua Yihe a monthly base fee of RMB100,000 for each of its hospitals that receives Jiahua Yihe's specified services in the agreement. In addition, Jiahua Yihe provides other additional business operational and financial consultancy services upon request by Jiahua Likang from time to time at specified hourly rates.

(e) Year-end balances arising from sales/purchases of services

Balances with related parties as at 31 December 2017 were disclosed in Note 13.

33 Significant related party transactions (Continued)

(f) Free trademark license agreement

On 10 May 2016, Jiahua Yihe, entered into a trademark licensing and transfer agreement with Jiahua Likang pursuant to which Jiahua Likang agreed to transfer two trademarks to Jiahua Yihe and also irrevocably grant, on a royalty-free basis, a non-exclusive, non-assignable and non-transferable license to Jiahua Yihe and its affiliates to use such trademarks free of charge. The application for the trademark transfer have been approved by relevant competent authority, and trademark registers were issued on 7 May 2017 and 21 August 2017 respectively.

(g) Provision of premises by a related party

The Group has established BNC Children's Hospital based on a public-private-partnership arrangement with BCH, a public hospital in Beijing, the PRC. Pursuant to the cooperation agreement in 2002, BCH has agreed to provide premises on its allocated land for the business operation of BNC Children's Hospital without extra payments to each other. The term of the cooperation with BCH lasts until 12 December 2022.

34 Contingencies

The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. As of the reporting date, there is no outstanding lawsuit of the Group and no material contingent liabilities.

35 Event occurring after reporting period

(a) Acquisition of 85% of equity interest of Chengdu New Century Women's and Children's Hospital Co., Ltd. ("Chengdu NC")

On 6 December 2017, the Company's wholly-owned subsidiary, Jiahua Yihe has entered into the sale and purchase agreement with Jiahua Likang and Chengdu NC, pursuant to which Jiahua Yihe has conditionally agreed to acquired 85% of equity interest of Chengdu NC for a consideration of RMB200,000,000. The completion of the acquisition is conditional upon the satisfaction of certain conditions precedent, which are included: the sale and purchase agreement and all necessary transactional documents having been signed by Jiahua Likang and Jiahua Yihe; all the required internal authorizations and government approvals and shareholder approvals have been obtained; approval have been obtained from the independent shareholders at the EGM in accordance with the listing rules and the articles of association for the sale and purchase agreement.

Upon the completion of the acquisition, the Company will indirectly hold 85% of equity interest in the Chengdu NC through its wholly owned subsidiary, Jiahua Yihe, and Chengdu NC will become a subsidiary of the Company. The remaining 15% of equity interest of Chengdu NC is still held by Chengdu Women's and Children's Central Hospital, a public hospital in Chendu. The identifiable assets and liabilities of Chengdu NC will be accounted for in the Group at their fair values using the acquisition accounting method in accordance with HKFRR3 (Revised) "Business Combinations".

As the transaction has not been completed as at the reporting date because the related government approval process have not been completed, the Company have not obtained the control over Chengdu NC. The director of the Company have not commenced the purchase price allocation of the acquisition. The directors of the Company will allocate the purchase price before the end of the first annual period beginning after the acquisition date.

35 Event occurring after reporting period (Continued)

(b) Acquisition of Beijing Meihua Women and Children Clinic Co., Ltd. ("Meihua Clinic")

On 16 January 2018, BNC Women's and Children's Hospital entered into a sale and purchase agreement with Shanghai Meihua Medical Investment Management Co., Ltd., Ms. ZHAO Fangli and Meihua Clinic. Pursuant to the sale and purchase agreement, BNC Women's and Children's Hospital agreed to acquire 100% equity interest of Meihua Clinic for a cash consideration of RMB5,000,000. The day on which all precedent conditions listed in the agreement have been fulfilled or exemption in written form from BNC Women's and Children's Hospital is received will be recognized as the completion date of the acquisition. On 27 February 2018, Meihua Clinic completed the alteration registration with the relevant industrial and commercial administration authority. As at the reporting date, the directors of the Company have not finalised the allocation of purchase price with the acquisition. The directors of the Company will allocate the purchase price before the end of 2018.

(c) Acquisition of Renze (Beijing) International Corporation Management and Service Co., Ltd. ("Renze")

On 31 October 2017, BNC Women's and Children's Hospital entered into a sale and purchase and capital contribution agreement with Beijing Zhaotai Group Co., Ltd. Mr. LIANG Fengyou and Renze. Pursuant to the agreement, BNC Women's and Children's Hospital agreed to acquire 65% equity interest of Renze for a cash consideration of RMB18,500,000, and further make capital injection to Renze, amounting to RMB4,830,000. Finally BNC Women's and Children's Hospital will hold 70% equity interest of Renze. The day on which all the consideration are settled will be recognized as the completion date of the acquisition. BNC Women's and Children's Hospital paid RMB5,000,000 on 22 December 2017 and further RMB13,500,000 on 18 January 2018. On 9 February 2018, Renze completed the alteration registration with the relevant industrial and commercial administration authority. As at the reporting date, the Directors of the Company have not finalised the allocation of purchase price to be recognized from the acquisition. The directors of the Company will allocate the purchase price before the end of 2018.

(Listed in thousands of RMB)

36 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		**1,747,198**	1,733,437
Total non-current assets		**1,747,198**	1,733,437
Current assets			
Cash and cash equivalents		**31,981**	1,852
Other receivables, deposits and prepayments		**–**	825
Amounts due from subsidiaries		**741,310**	–
Total current assets		**773,291**	2,677
Total assets		**2,520,489**	1,736,114
EQUITY			
Equity attributable to owners of the Company			
Share capital		**335**	66
Share premium		**2,576,094**	1,538,282
Reserves	(a)	**(88,146)**	(101,907)
Retain earnings	(a)	**23,766**	33,292
Total equity		**2,512,049**	1,469,733

(Listed in thousands of RMB)

36 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

		As at 31 December	
		2017	2016
	Note	*RMB'000*	*RMB'000*
LIABILITIES			
Non-current liabilities			
Convertible preferred shares		–	169,695
Other non-current liabilities		–	80,122
Total non-current liabilities		–	249,817
Current liabilities			
Amounts due to subsidiaries		4,893	4
Accruals, other payables and provisions		3,547	16,560
Total current liabilities		8,440	16,564
Total liabilities		8,440	266,381
Total equity and liabilities		2,520,489	1,736,114

The balance sheet of the Company was approved by the Board of Directors on 28 March 2018 and signed on its behalf:

Name of Director　　　　*Name of Director*

(Listed in thousands of RMB)

36 Balance sheet and reserve movement of the Company (Continued)

(a) Retain earnings and Reserve movement of the Company

	Retain earnings	Reserves
	RMB'000	*RMB'000*
At 1 January 2016	(4,207)	1,192,374
Comprehensive income		
– Income for the year	37,499	–
– Issuance of ordinary shares	–	(1,192,374)
Transactions with owners		
– Deemed distribution to the controlling shareholder	–	(101,907)
At 31 December 2016	33,292	(101,907)
Comprehensive income		
– Loss for the year	(9,526)	–
Share-based payment	–	13,761
At 31 December 2017	**23,766**	**(88,146)**

(Listed in thousands of RMB)

37 Benefits and interests of directors

(a) Directors and chief executive emoluments

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

For the year ended 31 December 2017	Fees	Salaries	Share-based payment	Discretionary bonuses	Housing allowance	Welfare and other expenses	Contribution to a pension plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	RMB'000
Executive directors								
Mr. Jason ZHOU	–	1,119	–	1,262	–	–	–	2,381
Mr. XU Han	–	784	673	395	32	32	50	1,966
Ms. XIN Hong	–	784	673	395	32	32	50	1,966
	–	2,687	1,346	2,052	64	64	100	6,313
Independent non-executive directors								
Mr. WU Guanxiong	100	–	–	–	–	–	–	100
Mr. SUN Hongbin	100	–	–	–	–	–	–	100
Mr. JIANG Yanfu	100	–	–	–	–	–	–	100
Dr. MA Jing	100	–	–	–	–	–	–	100
	400	–	–	–	–	–	–	400
	400	2,687	1,346	2,052	64	64	100	6,713

(Listed in thousands of RMB)

37 Benefits and interests of directors (Continued)

(a) Directors and chief executive emoluments (Continued)

For the year ended 31 December 2016	Fees	Salaries	Share-based payment	Discretionary bonuses	Housing allowance	Welfare and other expenses	Contribution to a pension plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors								
Mr. Jason ZHOU	–	740	–	–	–	–	–	740
Mr. XU Han	–	952	–	–	29	29	47	1,057
Ms. XIN Hong	–	959	–	–	29	29	47	1,064
	–	2,651	–	–	58	58	94	2,861

On 18 February 2016, the Company appointed Mr. Jason ZHOU, Mr. XU Han and Ms. XIN Hong as the directors, Ms. LIANG Yanqing, Dr. HE Xin, Mr. WANG Siye and Ms. ZHANG Lan as the non-executive directors. Mr. GUO Qizhi had been appointed as a non-executive director of the Company with effect from 1 January 2018 to succeed Dr. HE Xin who has retired from the Board on 1 January 2018. No remuneration paid to the non-executive directors for the year ended 31 December 2017 and 2016.

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

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 for the year ended 2017 (2016: Nil).

Financial Summary

	For the year ended December 31,				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**536,460**	490,933	258,196	249,013	238,770
Profit before income tax	**159,918**	174,098	91,984	100,698	110,748
Income tax expense	**(45,031)**	(37,137)	(24,789)	(26,383)	(28,038)
Total comprehensive income	**114,887**	136,961	67,195	74,315	82,710
Total comprehensive income attributable to:					
– Owners of the Company	**73,493**	98,635	40,903	46,705	53,566
– Non-controlling interests	**41,394**	38,326	26,292	27,610	29,144

	As of December 31,				
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**1,441,935**	636,749	532,063	155,430	166,636
Total liability	**203,498**	502,228	564,457	57,968	48,638
Total equity	**1,238,437**	134,521	(32,394)	97,462	117,998
Equity attributable to:					
– Owners of the Company	**1,193,645**	79,185	(43,501)	63,088	79,786
– Non-controlling interests	**44,792**	55,336	11,107	34,374	38,212

"AGM"	annual general meeting of the Company;
"Articles of Association"	the articles of association of the Company adopted on December 22, 2016 which became effective on the Listing Date, as amended from time to time;
"Audit Committee"	the audit committee of the Board;
"BCH"	Beijing Children's Hospital, Capital Medical University (首都醫科大學附屬北京兒童醫院), a connected person of the Company on the subsidiary level only due to its 35.0% interest in BNC Children's Hospital;
"BNC Children's Hospital"	Beijing New Century Children's Hospital Co., Ltd. (北京新世紀兒童醫院有限公司), a company incorporated in the PRC with limited liability on December 13, 2002, which is a non-wholly-owned subsidiary of the Company;
"BNC Harmony Clinic"	Beijing New Century Ronghe Outpatient Service Co., Ltd. (北京新世紀榮和門診部有限公司), a company incorporated in the PRC with limited liability on May 30, 2012, which is a non-wholly-owned subsidiary of the Company;
"BNC Women's and Children's Hospital"	Beijing New Century Women's and Children's Hospital Co., Ltd. (北京新世紀婦兒醫院有限公司), a company incorporated in the PRC with limited liability on January 4, 2012, which is a non-wholly-owned subsidiary of the Company;
"Board" or "Board of Directors"	the board of Directors of the Company;
"Boyu AH"	Anyi Hekang (Tianjin) Investment Partnership L.P. (安怡和康(天津)投資合夥企業(有限合夥)), a limited liability partnership formed in the PRC on July 30, 2015 whose general partner is Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司). Boyu AH is an Independent Third Party at the time;
"BVI"	the British Virgin Islands;
"CDH Fuji"	Shanghai Fuji Investment Partnership L.P. (上海孚紀投資合夥企業(有限合夥)), a limited liability partnership formed in the PRC on July 30, 2015 whose general partner is CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司) and is controlled by Tianjin Taiding Investment which is a substantial Shareholder of the Company by virtue of its control over CDH Fuji and CDH Fuyi;

"CDH Fuyi"	Shanghai Fuyi Investment Partnership L.P. (上海孚怡投資合夥企業(有限合夥)), a limited liability partnership formed in the PRC on August 3, 2015 whose general partner is CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司) and is controlled by Tianjin Taiding Investment which is a substantial Shareholder of the Company by virtue of its control over CDH Fuji and CDH Fuyi;
"CDH Investments I"	collectively, CDH Weixin, CDH Weisen and CDH Asana;
"CDH Weisen"	Beijing CDH Weisen Venture Investment Center L.P. (北京鼎暉維森創業投資中心(有限合夥)), a limited liability partnership formed in the PRC on August 6, 2010 whose general partner is CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司) and is controlled by Tianjin Taiding Investment which is a substantial Shareholder of the Company by virtue of its control over CDH Fuji and CDH Fuyi;
"CDH Weixin"	Beijing CDH Weixin Venture Investment Center L.P. (北京鼎暉維鑫創業投資中心(有限合夥)), a limited liability partnership formed in the PRC on May 19, 2010 whose general partner is CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司) and is controlled by Tianjin Taiding Investment which is a substantial Shareholder of the Company by virtue of its control over CDH Fuji and CDH Fuyi;
"Century Star"	Century Star Investment Co., Ltd., a company incorporated in the BVI with limited liability on August 14, 2015 and is wholly-owned by Mr. Zhou;
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
"Chengdu Sale and Purchase Agreement"	the share transfer agreement dated December 6, 2017 entered into between Jiahua Yihe and Jiahua Likang in respect of the acquisition of the sale shares representing 85.0% equity interest of Chengdu New Century Women's and Children's Hospital Co., Ltd.;
"China" or "PRC"	the People's Republic of China; for the purpose of this annual report only, references to "China" or the "PRC" do not include Taiwan, the Macau Special Administrative Region and Hong Kong;
"Company"	New Century Healthcare Holding Co. Limited (新世紀醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability on July 31, 2015, the Shares of which are listed on the Main Board of the Stock Exchange;

"Controlling Shareholder(s)"	Mr. Zhou, JoeCare and Century Star;
"Director(s)"	director(s) of the Company;
"Economic Benefits"	all the economic rights and benefits and other similar rights attaching or accruing to (i) the 100% equity interest in Jiahua Kangming held by Ms. Zhao and Ms. ZHOU Jie, and (ii) the 30% equity interest in each of BNC Women's and Children's Hospital and BNC Harmony Clinic held by Jiahua Kangming, on or after the completion of the transactions contemplated under the VIE Acquisition Agreement, to the extent permitted under the applicable laws and regulations;
"FY"	financial year;
"GMP Certificate"	Certificate of Good Manufacturing Practices for Pharmaceutical Products;
"Group", "our Group", "we" or "us"	the Company and its subsidiaries;
"GSP Certificate"	The Good Supply Practices for Pharmaceutical Products Certificate;
"HKEx"	Hong Kong Exchanges and Clearing Limited;
"HKFRS"	Hong Kong Financial Reporting Standards;
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;
"Independent Third Party(ies)"	any individual(s) or entity(ies) who, as far as our Directors are aware, is/are not connected with the Company or our connected persons within the meaning ascribed under the Listing Rules;
"IPO"	initial public offering of Shares and listing of the Group on the Stock Exchange on the Listing Date;
"Jiahua Kangming"	Beijing Jiahua Kangming Medical Investment and Management Co., Ltd. (北京嘉華康銘醫療投資管理有限公司), a company incorporated in the PRC with limited liability on December 18, 2015 and is a connected person of the Company;
"Jiahua Kangyong"	Beijing Jiahua Kangyong Investment and Management Co., Ltd. (北京嘉華康永投資管理有限公司), a company incorporated in the PRC with limited liability on June 22, 2007, which is owned as to 90% and 10% by Mr. Zhou and Ms. Zhao, respectively, and is a connected person of the Company;

"Jiahua Likang"	Beijing Jiahua Likang Medical Investment and Management Co., Ltd. (北京嘉華麗康醫療投資管理有限公司), a company incorporated in the PRC with limited liability on April 16, 2009, whose registered shareholders include Jiahua Kangyong (as to 41.3%), a company controlled by Ms. Liang (as to 33.7%), and CDH Investments I (as to 25.0%), and is a connected person of the Company;
"Jiahua Yihe"	Beijing Jiahua Yihe Management and Consulting Co., Ltd. (北京嘉華怡和管理諮詢有限公司), a company incorporated in the PRC with limited liability on June 15, 2015 and wholly-owned by the Company;
"JoeCare"	JoeCare Investment Co., Ltd., a company incorporated in the BVI with limited liability on July 16, 2015 and wholly-owned by Mr. Zhou. JoeCare is one of our Controlling Shareholders;
"Latest Practicable Date"	March 28, 2018;
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange;
"Listing Date"	the date on which dealings in the Shares first commenced on the Stock Exchange i.e. January 18, 2017;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
"Memorandum of Association"	the memorandum of association of the Company adopted on December 22, 2016 which became effective on the Listing Date, as amended from time to time;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
"Mr. Zhou"	Mr. Jason ZHOU, Chairman of the Board, chief executive officer, an executive Director and one of our Controlling Shareholders;
"Ms. Liang"	Ms. LIANG Yanqing (梁艷清), a non-executive Director and one of our substantial Shareholders;
"Ms. Zhao"	Ms. ZHAO Juan (趙娟), the spouse of Mr. Zhou;
"Muhe Jiaye"	Beijing Muhe Jiaye Property Management Co., Ltd (北京睦合嘉業物業管理有限公司), a company incorporated in the PRC with limited liability on May 4, 2010, a connected person of the Company;
"Nomination Committee"	the nomination committee of the Board;

"Over-Allotment Shares"	10,025,000 Shares issued and allotted by the Company pursuant to the partial exercise of the Over-Allotment Option;
"PPP"	public-private partnership, a business cooperation that is formed and operated through an equity or contractual based cooperation between a public sector party and one or more private sector companies;
"Prospectus"	the prospectus dated December 30, 2016 issued by the Company;
"Remuneration Committee"	the remuneration committee of the Board;
"Reorganization"	the reorganization of our Group in preparation for the IPO, details of which are set out in "History, Reorganization and Development – Our Reorganization" of the Prospectus;
"RMB"	Renminbi, the lawful currency of the PRC;
"RSA Scheme"	the restricted share award scheme approved and adopted by the Company on August 29, 2016;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Shares(s)"	ordinary share(s) of US$0.0001 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"State Council"	State Council of the PRC (中華人民共和國國務院);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subsidiaries"	has the meaning ascribed to it in section 2 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
"Tianjin Taiding Investment"	Tianjin Taiding Investment Co., Ltd. (天津泰鼎投資有限公司), a company incorporated in the PRC with limited liability on May 8, 2008 and is owned by Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司) (whose entire issued share capital is held by Mr. WU Shangzhi) as to 34.2% and by certain other shareholders as to 65.8%, none of which is entitled to exercise or control the exercise of one third or more of the voting rights of Tianjin Taiding Investment. Tianjin Taiding Investment is a substantial Shareholder of the Company by virtue of its control over CDH Fuji and CDH Fuyi;

"Tier 1 Cities"	Beijing, Shanghai, Guangzhou and Shenzhen or, where the context so requires, any of them;
"Victor Gains"	Victor Gains Limited, a company incorporated in the BVI with limited liability on February 2, 2010 and wholly-owned by Ms. Liang, and one of our substantial shareholders;
"VIE Acquisition Agreement"	the agreement dated September 26, 2017 entered into between Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming pursuant to which Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming conditionally agreed to enter into the VIE Contracts with, among others, Jiahua Yihe on or before November 3, 2017 and to cause Jiahua Yihe to perpetually and factually enjoy all the Economic Benefits from the date of completion;
"VIE Contracts"	a series of structured contracts to be entered into on November 3, 2017 between Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic that would allow Jiahua Yihe to control and consolidate Jiahua Kangming to prevent leakages of equity and values to the minority shareholder of BNC Women's and Children's Hospital and BNC Harmony Clinic, and to obtain the 30% economic benefits of these two medical institutions attributable to Jiahua Kangming;
"Voting Agreement"	an agreement entered into between Mr. Zhou and Ms. Liang on February 18, 2016 with an initial term of three years from the date thereof, pursuant to which Ms. Liang irrevocably agreed to follow Mr. Zhou's voting directions when exercising the voting rights attached to the Shares beneficially owned by her during the term of such agreement;
"YoY"	year-on-year;
"Zhonghe Qingrun"	Beijing Zhonghe Qingrun Investment Co., Limited (北京眾和清潤投資有限公司), an investment company incorporated in the PRC with limited liability on January 25, 2005, which is owned by Ms. Liang as to 51.0%, Mr. LIANG Yanmin as to 39.0%, Ms. GAN Feng as to 5.0% and Ms. GAN Hui as to 5.0%, respectively and is a connected person of the Company; and
"%"	Percent.

In this annual report, the terms "associate", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.