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

ANNUAL REPORT

2018 年報

CONTENTS

Definitions

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

"2019 AGM"	the AGM to be held on June 21, 2019
"AGM"	annual general meeting of the Company
"Articles of Association" or "Articles"	our memorandum and articles of association, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Beijing Rich"	Beijing Rich Ruitai Clinic Co., Ltd. (北京瑞慈瑞泰綜合門診部有限公司), a company established in the PRC with limited liability on May 20, 2015 and an indirectly non-wholly-owned subsidiary of the Company
"Board of Directors" or "Board"	our board of Directors
"BVI"	British Virgin Islands
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"Changzhou Rich Hospital"	Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd.(常州瑞慈婦產醫院), a company established in the PRC with limited liability on July 12, 2016, which operates a high-end obstetrics, gynecology and pediatrics hospital established in Changzhou City, Jiangsu Province
"Chelsea Grace"	Chelsea Grace Holdings Limited (翠慈控股有限公司), a company established in the BVI with limited liability on July 11, 2014, which is entirely owned by Dr. Mei
"Chengdu Rich"	Chengdu Jinjiang Rich Clinic Co., Ltd. (成都錦江瑞慈門診部有限公司), a company established in the PRC with limited liability on November 6, 2013, which is an indirectly wholly-owned subsidiary of our Company
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Class III Hospital"	the largest and best regional hospitals in China designated as Class III hospitals by the National Health and Family Planning Commission of the PRC's hospital classification system, typically having more than 500 beds, providing high-quality professional healthcare services covering a wide geographic area and undertaking more sophisticated academic and scientific research initiatives

"Company", "our Company", "Rici", "Group", "our Group", "we" or "us"	Rici Healthcare Holdings Limited (瑞慈醫療服務控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on July 11, 2014 and except where the context indicated otherwise, (i) our subsidiaries and (ii) with respect to the period before our Company became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Company Secretary"	the secretary of the Company
"Controlling Shareholder(s)"	Dr. Mei and Chelsea Grace or any one of them
"Director(s)"	the director(s) of our Company or any one of them
"Dr. Fang"	Dr. Fang Yixin, our chairman, chief executive officer, executive Director and the spouse of Dr. Mei
"Dr. Mei"	Dr. Mei Hong, our executive Director, our Controlling Shareholder and the spouse of Dr. Fang
"Everbright (Haimen)"	Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership) (海門光控健康養老產業投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 16, 2017
"Grade A, Grade B and Grade C"	hospitals in China can be categorized into Class I, II and III in terms of service quality, management level, medical equipment, hospital size and medical technology. Each class can be further divided into Grade A, Grade B and Grade C. Class III Grade A hospitals are the top level hospitals in China
"Guizhou Saigesaisi"	Guizhou Saigesaisi Investment Co., Ltd. (貴州賽格賽思投資有限公司), a company established in the PRC with limited liability on February 24, 2006
"Hangzhou Rich"	Hangzhou Rich Medical Clinic Co., Ltd. (杭州瑞慈醫療門診部有限公司), a company established in the PRC with limited liability on December 1, 2016 and an indirectly non-wholly-owned subsidiary of the Company
"Hefei Haoze"	Hefei Haoze Health Management Co., Ltd. (合肥浩澤健康管理有限公司), a company established in the PRC with limited liability on February 16, 2015 and an indirectly non-wholly-owned subsidiary of the Company
"Hefei Rich"	Hefei Shushan Rich Clinic Co., Ltd. (合肥蜀山瑞慈健康體檢門診部有限公司), a company established in the PRC with limited liability on June 29, 2015, which is a wholly-owned subsidiary of Hefei Haoze
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, each being the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards

Definitions

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IPO"	the initial public offering of the Company, having become unconditional in all aspects on October 6, 2016
"Jinan Rich"	Jinan Rich Ruiji Health Management Co., Ltd. (濟南瑞慈瑞濟健康管理有限公司), a company established in the PRC with limited liability on July 11, 2018, which is an indirectly non-wholly-owned subsidiary of the Company
"Jinjiang Rich"	Jinjiang Rich Ruiquan Clinic Service Co., Ltd. (晉江瑞慈瑞泉門診部服務有限公司), a company established in the PRC with limited liability on July 19, 2018, which is an indirectly non-wholly-owned subsidiary of the Company
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	October 6, 2016, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nantong Meidi"	Nantong Rich Meidi Elderly Care Center Co., Ltd. (南通瑞慈美邸護理院有限公司), a company established in the PRC with limited liability on August 19, 2014, which is a subsidiary of joint venture of our Group
"Nanjing Rich"	Nanjing Rich Clinic Co., Ltd. (南京瑞慈門診部有限責任公司), a company established in the PRC with limited liability on December 1, 2008, which is an indirectly wholly-owned subsidiary of our Company
"Nantong Rich Hospital"	Nantong Rich Hospital Co., Ltd. (南通瑞慈醫院有限公司), a company established in the PRC with limited liability on August 14, 2000, which is an indirectly non-wholly-owned subsidiary of our Company
"Nantong Rich Medical"	Nantong Rich Medical Management Group Co., Ltd. (南通瑞慈醫療管理集團有限公司), a company established in the PRC with limited liability on July 14, 2014, which is an indirectly wholly-owned subsidiary of the Company
"Nomination Committee"	the nomination committee of the Board
"OGP"	obstetrics, gynecology and pediatrics

“Ping An Health Technology Fund”	Shenzhen Ping An Health and Technology Equity Investment LLP* (深圳市平安健康科技股權投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on October 9, 2015
“Prospectus”	the prospectus of the Company dated September 26, 2016
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on September 19, 2016
“Remuneration Committee”	the remuneration committee of the Board
“RMB”	Renminbi, the lawful currency of the PRC
“Rici Shuixian”	Shanghai Shuixian Obstetrics, Gynecology and Pediatric Hospital Co., Ltd. (上海瑞慈水仙婦兒醫院有限公司 (formerly known as Shanghai Shuixian Obstetrics & Gynecology Hospital Co., Ltd. (上海瑞慈水仙婦產醫院)), a company established in the PRC with limited liability on October 17, 2016 and an indirectly non-wholly-owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Rich”	Shanghai Rich Clinic Co., Ltd. (上海瑞慈門診部有限公司), a company established in the PRC with limited liability on February 14, 2007, which is an indirectly wholly-owned subsidiary of our Company
“Shanghai Rich Medical”	Shanghai Rich Medical Investment Group Co., Ltd. (上海瑞慈醫療投資集團有限公司), a company established in the PRC with limited liability on August 25, 2014, which is an indirectly wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of US$0.0001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on September 19, 2016
“Shenzhen Rich Medical Exam”	Shenzhen Rich Medical Examination Management Co., Ltd. (深圳瑞慈健康體檢管理有限公司), a company established in the PRC with limited liability on September 17, 2010, which is an indirectly wholly-owned subsidiary of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

Definitions

"Wuhan Rich"	Wuhan Rich Clinic Co., Ltd. (武漢瑞慈門診部有限公司), a company established in the PRC with limited liability on January 29, 2015, which is an indirectly wholly-owned subsidiary of our Company
"Wuxi Rich Hospital"	Wuxi Rich Obestetrics, Gynecology and Pediatric Hospital (無錫瑞慈婦兒醫院)
"%"	per cent

Corporate Profile

BOARD OF DIRECTORS

Executive Directors

Dr. Fang Yixin *(Chairman and appointed as Chief Executive Officer with effect from March 20, 2019)*
Dr. Mei Hong
Mr. Lu Zhenyu *(Chief Executive Officer and resigned with effect from March 20, 2019)*
Dr. Wang Weiping *(resigned with effect from March 20, 2019)*

Non-executive Directors

Ms. Jiao Yan
Mr. Yao Qiyong

Independent Non-executive Directors

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Jiang Peixing *(Chairman)*
Ms. Wong Sze Wing
Mr. Lu Zhenyu *(resigned with effect from March 20, 2019)*
Dr. Mei Hong *(appointed with effect from March 20, 2019)*

NOMINATION COMMITTEE

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

AUDITOR

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

20/F, Building 1
Donghang Binjiang Center
No. 277 Longlan Road
Xuhui District
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

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

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

Bank of Communications
Shanghai Zhang Jiang Sub-branch
560 Songtao Road
Pudong New District
Shanghai
PRC

Bank of Shanghai
Zhangjiang Sub-Branch
No.665 Zhang Jiang Road
Pudong New District
Shanghai
PRC

HONG KONG LEGAL ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE AND BOARD LOT

Stock Code: 1526
Board Lot: 1,000

WEBSITE

www.rich-healthcare.com

INVESTOR RELATIONS

Email: ir@rich-healthcare.com

Milestones

Year	Events
2000	• We established our first operating entity, Nantong Rich Hospital
2002	• Nantong Rich Hospital came into operation
2007	• Our first medical examination center, Shanghai Rich, was established
2008	• We expanded our medical examination business into Jiangsu Province by establishing Nanjing Rich
2010	• We expanded our medical examination business into Guangdong Province by establishing Shenzhen Rich Medical Exam
2013	• We expanded our medical examination business into Sichuan Province by establishing Chengdu Rich
2015	• We expanded our medical examination business into Hubei Province, Anhui Province and Beijing by establishing Wuhan Rich, Hefei Rich and Beijing Rich, respectively
2016	• We are listed on the Main Board of the Stock Exchange on October 6, 2016 with stock code: 1526
2017	• We expanded our medical examination business into Zhejiang Province by establishing Hangzhou Rich
	• We have finished establishment of Changzhou Rich Hospital and Rici Shuixian
2018	• We expanded our medical examination business into Fujian Province and Shandong Province by establishing Jinjiang Rich and Jinan Rich, respectively
	• We expanded our general hospital business through the expansion project of Nantong Rich Hospital Phase II
	• Nantong Rich Hemodialysis Center commenced operation

Financial Highlights

Revenue for the year ended December 31, 2018 amounted to approximately RMB1,373.9 million, representing an increase of 27.2% from approximately RMB1,080.1 million in 2017.

Gross profit for the year ended December 31, 2018 amounted to approximately RMB386.2 million, representing a decrease of 3.7% from approximately RMB401.2 million in 2017.

Loss attributable to owners of the Company for the year ended December 31, 2018 amounted to approximately RMB53.8 million, as compared to loss attributable to owners of the Company of approximately RMB62.2 million in 2017.

Adjusted EBITDA for the year ended December 31, 2018 was approximately RMB170.7 million, representing an increase of 11.1% from approximately RMB153.7 million in 2017.

Financial Summary

	For the Year Ended December 31,				
	2014	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	597,750	802,796	935,383	1,080,149	**1,373,936**
Gross profit	188,942	280,043	354,131	401,154	**386,203**
Profit/(loss) before income tax	5,933	49,587	90,982	(108,914)	**(175,747)**
Income tax (expense)/credit	(265)	(20,471)	(36,593)	6,234	**39,470**
Profit/(loss) for the year	5,668	29,116	54,389	(102,680)	**(136,277)**
Profit/(loss) attributable to:					
Owners of the Company	8,319	28,982	58,924	(62,166)	**(53,836)**
Non-Controlling interests	(2,651)	134	(4,535)	(40,514)	**(82,441)**
Adjusted EBITDA*Note*	117,233	173,802	249,922	153,721	**170,708**

	As at December 31,				
	2014	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	1,374,961	891,110	1,579,792	2,063,347	**2,362,676**
Total liabilities	806,607	683,261	629,037	1,133,293	**1,655,614**
Equity attributable to the owners of the Company	557,318	207,160	947,301	902,247	**694,501**

Note:

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

Chairman's Statement

To the Shareholders,

On behalf of the Board, I would like to present this annual report of the Group for the year ended December 31, 2018.

The year 2018 is a year of world's economy in changing, as well as a challenging year for the medical reform of our country. On December 20, 2018, six ministries and departments, including (but not limited to) National Health Commission (國家衛生健康委員會) and National Development and Reform Commission (國家發展和改革委員會), issued *the Notice on the Pilot Program of Establishment of a Sound Modern Hospital Management System* (《關於開展建立健全現代醫院管理制度試點的通知》), focusing on the promotion of modern hospital management system. Following the reform trend and adhering to the essence and nature of healthcare, the Group systematically carried out standardized, refined and scientific optimization of internal management system for its general hospital, medical examination centers and specialty hospitals, and comprehensively upgraded its hardware equipment, medical expertise, service level and brand influence during the year under review.

As a paradigm of private general hospitals in our country, Nantong Rich Hospital has been a pioneer demonstration under the background of medical reform. During the year under review, the hospital gradually moved towards the intrinsic and quality growth mode by introducing large-scale advanced equipment, establishing medical alliance system, implementing new technologies and new projects and enhancing scientific education and training. According to the latest statistics released by National Bureau of Statistics of China (中國國家統計局), China has become the country with the largest number of aged population in the world, with the population aged 60 or above reaching 249.49 million, and the elderly-care service resources are in a severe shortage. Featuring "a combination of medical treatment and elderly care", Nantong Meidi and Nantong Rich Hospital complemented with each other, and successfully realized the seamless connection between medical treatment and elderly-care resources. In 2018, Nantong Meidi made a breakthrough out of the traditional operation mode and realized diversified business development of homecare service, community nursing service, external talent training and output, elderly-care service consultation and planning, and entrusted operation service. In addition, Nantong Rich Hemodialysis Center (南通瑞慈血透中心) also commenced operation in 2018, and, together with Nantong Rich Hospital, provided professional, convenient and independent hemodialysis services for patients with kidney diseases.

The improvement of disease prevention awareness and consumption levels of residents is the driving force for the development of medical examination industry in China, while the medical safety is the eternal core for medical services. In 2018, the quality of our medical examination was further improved in medical safety, customer satisfaction and profitability. In 2018, our medical examination service segment followed the benign development laws of the medical examination industry, slowed the expansion speed down, focused on quality improvement rather than quantity expansion, and built each of our medical examination centers into an efficient and high-quality healthcare service institution. Rici also actively took advantage of the reputation of "Best User Experience Brand" based on feedback from the market, and planned to establish a high-end medical examination center brand , "CEO Health Club", to serve the ultra-high net worth individuals in 2019.

In 2016, the Group gained an insight into the policy trend of full liberalization of the "Two-child" policy and took the lead in the layout of high-end OGP services. Our hospitals in Changzhou City and Jing'an District, Shanghai commenced operation in 2018. Although the statistics released by National Bureau of Statistics of China indicated that the absolute number of new births and birth rate of China were at the record low at present, we believe that the high-end medical demand in OGP segment would still enjoy a rapid growth, driven by the trend of consumption upgrading. With good reputation of Rici in the Yangtze River Delta, our OGP hospitals fully utilized resources of OGP experts and medical technology of top public hospitals. Based on the strategic cooperation with Obstetrics and Gynecology Hospital of Fudan University (復旦大學附屬婦產科醫院) and Children's Hospital of Fudan University (復旦大學附屬兒科醫院), each of our hospitals carried out extensive technical cooperation with local Class III Grade A hospitals. For instance, Rici Shuixian is an official partner hospital of Children's Hospital of Shanghai (上海市兒童醫院), and Rich Changzhou Hospital entered into a technical cooperation agreement with The First People's Hospital of Changzhou (常州市第一人民醫院) and Changzhou Maternal and Child Health Care Hospital (常州市婦幼保健院). More importantly, we attached great importance to the cultivation of our own talents, and provided necessary science and education environment, career prospects guaranty, professional title rating and promotion channels to our doctors, leveraging the education bases and discipline advantages of Nantong Rich Hospital and the partner hospitals, to ensure the integrity, professionalism and sustainability of the talent team. In addition, Rici OGP segment is committed to creating comfortable environment and providing services comparable to five-star hotels. It adopted the labor-delivery-recovery-postpartum integrated operation mode, and actively established brand reputation, with an aim to become a group of valuable medical service institutions being needed. With the trend where consumption demand becomes more refined and families with newborns pay more attention to maternal and children healthcare, we firmly believe that "Rici OGP" brand will stand out from other competitors.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to the Shareholders, investors and cooperating partners of the Group for their continuous support and trust to us over the past year. At the same time, I would also like to express my sincere respect for the dedication and joint efforts of the management team and all the staff members. We believe that, with the deepening of medical reform by the government, the favorable policies for the private medical service industry and the ongoing efforts from the practitioners devoted into professional healthcare like us, the gap between China's medical service level and the world's top level will be gradually narrowed. Chinese people deserve first-class and convenient medical services. To achieve this target, Rici will be dedicated to promoting the business development of the Group in order to protect the health and well-being of our people and seek the highest value and return for our Shareholders.

Chairman of the Board and Chief Executive Officer
Fang Yixin

March 29, 2019

Profiles of Directors and Senior Management

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

Directors

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

Name	Age	Position	Date of Appointment as Director
Executive Directors			
Dr. Fang Yixin (方宜新)	54	Chairman, executive Director and chief executive officer	February 3, 2016 (appointed as the chief executive officer with effect from March 20, 2019)
Dr. Mei Hong (梅紅)	54	Executive Director	July 11, 2014
Mr. Lu Zhenyu (盧振宇)	49	Chief executive officer and executive Director	February 3, 2016 (resigned with effect from March 20, 2019)
Dr. Wang Weiping (王衛平)	67	Executive Director	June 23, 2016 (re-designated on June 6, 2017 and resigned with effect from March 20, 2019)
Non-executive Directors			
Ms. Jiao Yan (焦焱)	41	Non-executive Director	February 3, 2015
Mr. Yao Qiyong (姚其湧)	55	Non-executive Director	June 6, 2017
Independent non-executive Directors			
Dr. Wang Yong (王勇)	52	Independent non-executive Director	June 23, 2016
Ms. Wong Sze Wing (黃斯穎)	40	Independent non-executive Director	June 23, 2016
Mr. Jiang Peixing (姜培興)	51	Independent non-executive Director	June 6, 2017

Executive Directors

Dr. Fang Yixin (方宜新), aged 54, is the chairman, executive Director and the chief executive officer of our Company. Dr. Fang is responsible for managing the overall business operations and strategic planning of our Group. Dr. Fang has over 25 years of experience in the healthcare industry and is a founder of our Group. Prior to establishing our Group, Dr. Fang served as a medical doctor in the Affiliated Hospital of Nantong University (南通大學附屬醫院) from September 1986 to July 1992. In 1992, Dr. Fang first ventured into the healthcare industry and set up Jiangsu Tayoi Cosmetics Co., Ltd. (江蘇東洋之花化妝品股份有限公司) and has been its director since then. Dr. Fang established the first company of our Group, Nantong Rich Hospital, in August 2000. He has also served as an executive director of the majority of our Group companies. Dr. Fang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Dr. Fang graduated from Yangzhou College of Medicine (揚州醫學院) (currently known as Yangzhou University School of Medicine) majoring in medicine in August 1986 and an EMBA from Tsinghua University in July 2006. Dr. Fang is the spouse of Dr. Mei, and the father of Mr. Fang Haoze (方浩澤), the vice president of the Company and the general manager of the medical examination business department of the Company.

Dr. Mei Hong (梅紅), aged 54, is a vice president and an executive Director of our Company. Dr. Mei is responsible for supply chain management, project management, chain store development and internal audit of our Group. Prior to establishing our Group, Dr. Mei served as a medical doctor in Nantong Women and Children Health Clinic (南通市婦幼保健院) from September 1986 to December 1999. Dr. Mei, as a co-founder of our Group, has been a director of Nantong Rich Hospital since its inception and as director of the majority of our Group companies. Dr. Mei is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Dr. Mei graduated from Yangzhou College of Medicine (揚州醫學院) (currently known as Yangzhou University School of Medicine) majoring in clinical medicine in August 1986. Dr. Mei is the spouse of Dr. Fang and the mother of Mr. Fang Haoze.

Non-executive Directors

Ms. Jiao Yan (焦焱), aged 41, was appointed as a non-executive Director of our Company in February 2015. Ms. Jiao is responsible for overseeing the corporate development and strategic planning of our Group. Ms. Jiao was an analyst of Credit Suisse First Boston, LLC from July 1999 to June 2001, and subsequently a corporate strategy and development associate of Borden Chemical, Inc. from August 2001 to July 2002. Between September 2004 and November 2005, Ms. Jiao was a consultant of the Boston Consulting Group. Ms. Jiao joined Baring Private Equity Asia Limited in November 2005 and is currently holding a position as a managing director. Ms. Jiao is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Ms. Jiao received a bachelor of science in economics and a bachelor of science in chemical engineering, from Massachusetts Institute of Technology in June 1999 and subsequently an MBA from the Wharton School of the University of Pennsylvania in May 2004.

Mr. Yao Qiyong (姚其湧), aged 55, was appointed as a non-executive Director of our Company in June 2017. Mr. Yao is responsible for overseeing the corporate development and strategic planning of our Group. Mr. Yao has been the chairman of the board of directors of Jumbo Sheen Group (宏兆集團), a company incorporated in the PRC and principally engaged in equity investment and fund management, since 2002. Mr. Yao is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Mr. Yao received a bachelor's degree in economic and administrative management from Chinese People's Liberation Army Nanjing Political College (中國人民解放軍南京政治學院) in 2006 and an executive master of business administration degree from Cheung Kong Graduate School of Business (長江商學院) in 2009.

Independent Non-executive Directors

Dr. Wang Yong (王勇), aged 52, was appointed as an independent non-executive Director of our Company in June 2016. Dr. Wang is responsible for supervising and providing independent judgment to our Board. Dr. Wang has extensive experience in EMBA education research, particularly in the area of innovation and business growth management. Dr. Wang served as the project director of the Institute of Mechanical and Electrical, and the manager of Water and Power Equipment Plant and Exhibition Model Plant of China Institute of Water Resources and Hydropower Research (中國水利水電科學研究院) in charge of scientific research and operation management from July 1988 to July 2002. Since August 2002, Dr. Wang has been the executive deputy director, executive director and director of Tsinghua University School of Economics and Management EMBA Center (清華大學經濟管理學院EMBA教育中心) in succession. Dr. Wang served as an independent director of Shenzhen Clou Electronics Co., Ltd. (深圳市科陸電子科技股份有限公司) (stock code: 002121) and Ocean's King Lighting Science and Technology Co., Ltd. (海洋王照明科技股份有限公司) (stock code: 002724), both of which are listed on the Shenzhen Stock Exchange, from November 2009 to February 2013, and from August 2011 to August 2014, respectively. Save as disclosed above, Dr. Wang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Dr. Wang received a bachelor of science degree in hydraulic machinery from Huazhong University of Science and Technology (華中科技大學) in July 1988, a master of business administration and a doctor of business administration degree from Tsinghua University in January 2001 and January 2009, respectively.

Ms. Wong Sze Wing (黃斯穎), aged 40, was appointed as an independent non-executive Director of our Company in June 2016. Ms. Wong is responsible for supervising and providing independent judgment to our Board. Prior to joining our Group, Ms. Wong was an associate and later an audit manager of PricewaterhouseCoopers from September 2001 to December 2006. From January 2007 to April 2008, Ms. Wong was the chief finance director of Orange Sky Golden Harvest Entertainment (Holdings) Limited (橙天嘉禾娛樂(集團)有限公司) (stock code: 1132), a company listed on the Stock Exchange, and has been its independent non-executive director since April 2010, responsible for advising on strategic and financial planning in the China market. Ms. Wong was also previously the chief finance director of Avex Music and Imaging Production (China) Co., Ltd. 艾迴音樂影像製作(中國)有限公司), a joint venture company under Orange Sky Entertainment (International) Holdings Limited, from January 2007 to April 2008. Ms. Wong was the deputy chief financial officer of Yingde Gases Company Limited (盈德氣體集團有限公司), a company which was listed on the Stock Exchange (stock code: 2168) until August 21, 2017, from July 2008 to February 2009 and the joint company secretary from July 2008 to March 2017, and has been the chief finance officer since February 2009, responsible for its investor relations, financial, investment and internal control. Ms. Wong Sze Wing was appointed as an independent director of Wangsu Science & Technology Co., Ltd. (網宿科技股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300017) in April 2017, and an independent director of Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002236) in May 2017. Save as disclosed above, Ms. Wong is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Ms. Wong received a bachelor's degree in business administration from the University of Hong Kong in November 2001 and an EMBA from the China Europe International Business School (中歐國際商學院) in July 2012. Ms. Wong has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2005.

Mr. Jiang Peixing (姜培興), aged 51, was appointed as an independent non-executive Director of our Company in June 2017. Mr. Jiang is responsible for supervising and providing independent judgment to our Board. Mr. Jiang has been the chairman of Wonderland International Financial Holdings Limited (華德國際金融控股有限公司) since July 2018, the independent non-executive director of TF Futures Company Limited (天風期貨股份有限公司) since December 2017 and the founder and chairman of Huade Capital Management Co., Ltd. (華德資本管理有限公司) since May 2017, an independent non-executive director of Hebei Tangshan Rural Commercial Bank Co., Ltd. (河北唐山農村商業銀行股份有限公司) since 2015 and an independent non-executive director of Sinvo Fund Management Co., Ltd. (新沃基金管理有限公司) since 2017. Mr. Jiang has extensive experience in corporate finance. Mr. Jiang served as the chief executive officer of Zhong De Securities Company Limited (中德證券有限責任公司) from August 2011 to April 2017 and the managing director thereof from June 2011 to April 2017. Mr. Jiang served as the deputy chief executive officer of CCB International (Holdings) Limited (建銀國際(控股)有限公司) from July 2009 to June 2011. Mr. Jiang served as the general manager of the investment management department of the head office of China Merchant Bank Co., Ltd. (招商銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600036) and the Main Board of the Stock Exchange (stock code: 3968), from September 2008 to July 2009, and the general manager of the investment bank department thereof from 2006 to 2007. Mr. Jiang acted as the president of CMB International Capital Corporation Limited (招銀國際金融有限公司) from January 2005 to September 2008. Mr. Jiang served as an assistant of the president of China Galaxy Securities Co., Ltd. (中國銀河證券有限責任公司), a company listed on the Shanghai Stock Exchange (stock code: 601881) and the Main Board of the Stock Exchange (stock code: 6881), from July 2000 to January 2005, and the general manager of its Shanghai headquarters from October 2002 to April 2004. Mr. Jiang acted as the general manager of Shenzhen Yangguang Fund Management Co., Ltd. (深圳陽光基金管理有限公司) from March 1996 to February 2000. Mr. Jiang was a deputy general manager of futures business department of PICC Trust Investment Corporation (中國人保信託投資公司) from January 1994 to March 1996. Save as disclosed above, Mr. Jiang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Mr. Jiang received a bachelor's degree in information system management from Tsinghua University (清華大學) in July 1991, a master's degree in business administration from Tsinghua University in July 1999 and a master's degree in public administration from Columbia University in June 2002.

Senior Management

Dr. Wang Weiping (王衛平), aged 67, is a consultant to the chief executive officer of our Company, providing his valuable advice on the Group's business and operation. Dr. Wang served as an independent non-executive Director from June 2016 to June 2017, and an executive Director from June 2017 to March 2019. Dr. Wang has been serving at Children's Hospital of Fudan University (復旦大學附屬兒科醫院) since 1982. Dr. Wang has over 36 years of experience in clinical pediatrics care. In addition to providing medical care, Dr. Wang is a professor specializing in clinical education and research in the area of pediatrics. Dr. Wang Weiping has been an independent non-executive director of Top Education Group Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1752), since April 2018. Dr. Wang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Dr. Wang received a bachelor's degree in medicine from Norman Bethune University of Medicine (白求恩醫科大學) (currently known as Norman Bethune Health Science Center of Jilin University (吉林大學白求恩醫學部)) in August 1978, and subsequently a doctor of philosophy in pediatrics from Shanghai Medical University (上海醫科大學) in December 1988. Dr. Wang was recognized as a senior professor by Shanghai Medical University in December 1994.

Mr. Lu Zhenyu (盧振宇), aged 49, is a vice president of our Company. Mr. Lu is responsible for Beijing branch of the medical examination business department of our Group and establishment and management of our Company's major customer department in Beijing. Mr. Lu served as an executive Director from February 2016 to March 2019, and the chief executive officer of the Company from July 2014 to Mach 2019. Prior to joining our Group, Mr. Lu joined Amoi Technology Co., Ltd. (夏新電子股份有限公司) (a company listed on Shanghai Stock Exchange and now known as Xiangyu Co., Ltd. (廈門象嶼股份有限公司) and its stock code is 600057) as the president in charge of research and development, production and sales in December 2007 and served concurrently as a director and the president from September 2008 to February 2010, after which, he worked freelance until joining our Group. Between June 2004 to December 2007, Mr. Lu worked as an executive vice president in charge of research and development, production and sales of computer products for China Great Wall Computer Shenzhen Co., Ltd (中國長城計算機深圳股份有限公司) (currently known as China Greatwall Technology Group Co Ltd (中國長城科技集團股份有限公司)) (a company listed on Shenzhen Stock Exchange and its stock code is 000066). Mr. Lu is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years. Mr. Lu received a bachelor's degree in computer science and engineering from Southeast University (東南大學) in July 1991 and subsequently an EMBA from Tsinghua University (清華大學) in July 2006.

Ms. Lin Xiaoying (林曉穎), aged 41, is a vice president, chief operating officer, director of the president office of our Company and the general manager of human resources center of the Company, and is responsible for the legal affairs and information management of our Group. Ms. Lin joined our Group in July 2017 as the assistant to president and the general manager of human resources center and the director of the president's office, and was appointed as a vice president of our Company in January 2018. Prior to joining our Group, Ms. Lin served as the chief of operation management department and commerce department of ZTE handset division, the chief of commercial department of ZTE international sales division and other positions from July 1999 to July 2017. Ms. Lin is not and has not been a director of any listed company in Hong Kong or overseas in the past three years. Ms. Lin received a bachelor's degree in international economics from the Renmin University of China in 1999 and an MBA from the University of Management and Technology in June 2006.

Mr. Lin Hefei (林鶴飛), aged 52, is a vice president of our Company. He joined our Group in July 2012 and successively served as a general manager of the medical examination business department of Shenzhen Branch, general manager of the Southern area and deputy general manager of the medical examination business department, and is currently responsible for managing new brand department and health management department. Prior to joining our Company, Mr. Lin worked as an engineer of Nantong Jinghua Pharmaceutical (南通精華製藥) from July 1989 to July 1996. Mr. Lin was a sales manager, marketing director, deputy general manager and executive vice president of Jiangsu Tayoi Cosmetics Co., Ltd.*(江蘇東洋之花化妝品股份有限公司) from July 1996 to July 2012. Mr. Lin is not and has not been a director of any listed company in Hong Kong or overseas in the past three years. Mr. Lin received a bachelor's degree in engineering from Nanjing Tech University (南京工業大學) in 1989.

Dr. Zhao Lin (趙林), aged 64, is a vice president of our Company and general manager of Nantong business department of the Company. Dr. Zhao is responsible for operation and management of hospital business, hemodialysis business and elderly care business of our Group in Nantong. Dr. Zhao acted as a vice president of our Group and general manager of hospital construction business department from June 2017 to December 2017, the vice president of our Group and general manager of hospital business department from December 2014 to June 2017, and a president of Nantong Rich Hospital from April 2000 to June 2017. Prior to joining our Group, Dr. Zhao was the director of traumatology department and emergency surgery department of the hospital affiliated to Nantong Medical School (南通醫學院) from December 1982 to April 2000. Dr. Zhao is not and has not been a director of any listed company in Hong Kong or overseas in the past three years. Dr. Zhao received a bachelor's degree in medicine and a master's degree in surgery from Nantong Medical School in 1982 and 1988, respectively, and a doctoral degree in business administration from American University in California (加利福利亞美洲大學) in September 2010.

Mr. Fang Haoze (方浩澤), aged 30, is a vice president of our Company and the general manager of the medical examination business department of the Company. Mr. Fang is responsible for the overall operation and management of the medical examination business department and the brand management. Mr. Fang received a bachelor's degree in economics from Penn State University in 2014 and joined our Group in August 2014. Mr. Fang has not been a director of any other listed company in Hong Kong or overseas in the past three years. Mr. Fang is the son of Dr. Fang and Dr. Mei.

Management Discussion and Analysis

Industry Overview

With the advancement of medical reform progress and the change of residents' healthcare consumption concept, the healthcare service market of China was in a good development trend and became one of the industries that maintained stable development and even achieved a growth in spite of the slowdown of overall economic development.

With respect to hospitals, according to the statistics released by National Health Commission in January 2019, as of the end of November 2018, there were more than 20,400 private hospitals across the country, representing a year-on-year growth of 12.7%, and accounting for 62.8% of the total number of hospitals in China. From January to November 2018, the number of patients treated in private hospitals reached 473 million, representing a year-on-year increase of 13.6%, which was significantly higher than a year-on-year increase of 5.3% of the number of patients treated in all hospitals in China. The percentage of the number of patients treated in private hospitals in proportion to the number of patients treated in all hospitals in China increased from 13.6% for the corresponding period in last year to 14.6%. The market size of private hospitals kept expanding with room for a further growth.

With respect to obstetrics, gynecology and pediatrics, although the birth rate in China declined as the effect of "Two-child" policy weakened and the fertility willingness further declined, there is still room for a growth in the demand for high-quality obstetrics services, as a result of the promotion for labor analgesia under the national policies and the ever-improved requirements for comfortability of birth experience. Besides, the shortage of public medical resources in gynemetrics and pediatrics will exist in a short to medium term. The mid-end to high-end private maternal and child care hospitals with high medical quality, service quality, operation experience and brand reputation still have sufficient market demand and competitiveness.

With respect to medical examination industry, thanks to the continuous improvement of public health awareness, the penetration rate of medical examination among the public was ever increasing. According to the China Health Statistics Yearbook (中國衛生和計劃生育統計年鑑) and as forecasted by ASKCI Consulting (中商產業研究院) in August 2018, the number of medical examination visitors in China reached 575 million in 2018 and accounted for 41.2% of the total population of China (2017: 501 million, 36.0%). There is a relatively large potential market for medical examination services when compared with the penetration rate of above 70% in developed countries and areas, such as Europe and the United States of America.

In the next phase, the governmental policy on the private healthcare industry of our country will reflect a trend of "easy entry and strict supervision". The restrictions on planning of private hospitals and clinics have gradually been reduced in various regions, the approval requirements for the setup of medical institutions below class II have gradually been canceled, and the approval mechanism for the setup of private elderly care institutions was changed to filing mechanism. Meanwhile, governmental authorities in charge of matters including healthcare supervision and public medical insurance keep strengthening the supervision on the private healthcare service institutions. In the long run, high-level private healthcare service institutions focusing on medical care, service quality and operation management standardization will stand out from other competitors and become the pillar of the industry development.

General Hospital Business

Nantong Rich Hospital, which is also known as the Fourth Clinical College of Yangzhou University (揚州大學第四臨床醫學院), is the medical center in the southeast area of Nantong City and the only high-graded general hospital in Nantong economic and technological development zone. Nantong Rich Hospital commenced operation in 2002, and it has been a Class III Grade B general hospital and one of the National Standardized Medical Residency Training Coordination Bases (國家級住院醫師規範化培訓協同基地). As of December 31, 2018, the hospital had 520 registered beds, 253 doctors, 90 medical technicians and 370 nurses, and it also has established medical alliance relationship with Shanghai Ruijin Hospital (上海瑞金醫院) for in-depth technical cooperation. During the year under review, Nantong Rich Hospital focused on development of disciplines and construction of hospital. It has one National Key Clinical Discipline (國家臨床重點專科), one Provincial Key Clinical Discipline (省級重點建設專科), five Municipal Key Clinical Disciplines (市級臨床重點專科), and one Municipal Key Discipline Under Construction (市級重點建設專科); two talents under "226 Program" in municipal level (one for level 2 and one for level 3), and three municipal young talents; and won 12 awards and recognitions, including being listed in Top 100 Private Healthcare Institutions for 2018 (2018非公醫療百強榜) (ranking No.39). In addition, all disciplines of the hospital vigorously carried out 248 new technology researches and new projects at national, provincial and municipal levels, 16 ongoing research projects and published 35 papers in SCI journals, international journals and core journals. The hospital also introduced advanced large-scale equipment in Nantong in 2018, including linear accelerator, gamma knife, hybrid knife system, minimally invasive rotary breast cutting system and 256-row CT, to provide hardware support for the 6 key departments, such as the advanced tumor center and minimally invasive surgery center. In addition, Nantong Rich Hospital actively responded to the national call for tiered diagnosis and treatment and cooperated with the neighboring hospitals to promote the construction of three medical alliances with itself as the core. It entered into agreements with more than 20 cooperating enterprises for green channel for medical treatment, and actively offered affordable medical services to residents in Nantong economic and technological development zone, in order to fully perform its social responsibilities. Moreover, the expansion project of Nantong Rich Hospital Phase II is progressing in an orderly manner.

During the year under review, the numbers of outpatient and inpatient visits in Nantong Rich Hospital were 335,552 and 22,528, respectively (2017: 324,487, 20,157), representing an increase of 3.4% and 11.8% as compared with 2017, respectively.

The Group established Nantong Meidi and Nantong Rich Hemodialysis Center, leveraging on the medical resources of Nantong Rich Hospital. Featuring "a combination of medical treatment and elderly care", Nantong Meidi focused on providing high-end elderly care services to the elderly with disability and dementia. Currently, Nantong Meidi is not only a designated medical institution for public medical insurance reimbursement and public basic care insurance reimbursement in Nantong, but also a practice base for students of Nanjing University of Science and Technology (南京理工大學) majoring in social work, a social practice base for students of Jiangsu College of Engineering and Technology (江蘇工程職業技術學院), and a research base of Jiangsu Association of Gerontology (江蘇省老年學學會). During the year under review, the elderly care center served 105 elderly people with full occupancy (2017: 103 elderly people, 100% occupancy rate). The customer structure was optimized as compared with 2017, as the occupants mainly required grade one and above nursing service, by means of which the economic benefits per bed were maximized and 100% occupancy rate was ensured. In addition, leveraging on its advanced operational experience and concept, Nantong Meidi took the lead to establish alliance with elderly-care institutions to promote the positive competition and development of the elderly-care industry in Nantong. Nantong Meidi was actively engaged in business of training talent in elderly-care industry, project planning and consultation business in elderly-care industry, and community-based homecare services, to further increase its brand perception and profit contribution.

Nantong Rich Hemodialysis Center commenced operation in September 2018. 25 of its 50 haemodialysis machines were in use at early stage, with an aim to provide individualized and scientific dialysis solution and independent and professional healthcare management services to patients with nephropathy, to improve the life quality of frequent hemodialysis patients and their survival rate. In 2018, Nantong Rich Hemodialysis Center served a total of 52 contracted patients and provided dialysis treatment at 1,998 times.

Medical Examination Business

Medical examination business of the Group focused on optimizing its medical technology and management to heighten the barrier. Through the methods of technical modification, equipment upgrading, joint training and medical supervision and monitoring, medical technical level, customer service satisfaction level and operation quality of the medical examination centers were improved significantly. As of December 31, 2018, the Group had 55 medical examination centers in China (as of December 31, 2017: 44), representing a year-on-year growth of 25.0% covering 27 cities (as of December 31, 2017: 23) with improved geographical layout, among which, 44 centers were under operation (as of December 31, 2017: 30), representing a year-on-year growth of 46.7%.

During the year under review, the number of visits of customers under medical examination business was 1,948,973 (2017: 1,542,577), representing a year-on-year increase of 26.4% and corporate customers were the principal customer category, the visits of which accounting for 82.8% of the total visits of customers under medical examination business in 2018. During the year under review, the numbers of corporate and individual customers were 1,614,527 and 334,446, respectively (2017: 1,281,013 and 261,564), representing a year-on-year increase of 26.0% and 27.9%, respectively. The average per capita spending of customers increased to RMB504 (2017: RMB489), representing a year-on-year increase of 3.1%. During the year under review, the e-commerce channel of the Group achieved outstanding results on shopping festivals such as "618" and "Double Eleven", and we were granted the title of "Best User Experience Brand" by Ali Health, which directly drove the growth of individual customer base and spending of customers per capita.

Specialty Hospital Business

The year 2018 is the first year for the business launch of Rici OGP segment. The orderly and comprehensive implementation of this segment included the construction of seven systems, including medical quality management and monitoring system, integrated target responsibility system, performance evaluation and management system, price management system, human resources management and talent team construction system. As a result, the Group laid foundation for brand awareness and market expansion. During the year under review, speciality hospitals under the Group served a total of 6,677 outpatients and 281 inpatients.

Changzhou Rich Hospital commenced operation in January 2018 with 101 beds in use. With medical quality and safety as the core and with the great support of the administrative logistics and under the guidance of the positive hospital culture, the hospital paid equal focus on marketing and talent team build-up. During the year under review, Changzhou Rich Hospital received full recognition from hospitals and customers in Shanghai and Changzhou and entered into technical cooperation agreements with Shanghai First Maternity and Infant Hospital (上海第一婦嬰保健院), The First People's Hospital of Changzhou, Changzhou Maternal and Child Health Care Hospital and Changzhou Children's Hospital (常州市兒童醫院), creating a good competition environment of complementary business operation and synergetic development.

Rici Shuixian commenced operation in June 2018 with 78 beds in use. It is a partner hospital of Obstetrics and Gynecology Hospital of Fudan University and Children's Hospital of Fudan University and became a partner hospital of Children's Hospital of Shanghai in January 2019. The hospital has offered pediatric outpatient and inpatient services and established children healthcare department since March 18, 2019 to provide one-stop services of gynecology, obstetrics, pediatrics and postpartum rehabilitation for Shanghai citizens. The hospital aims to expand its market share and foster brand awareness and reputation of Rici OGP segment through promotion by key opinion leaders on the Internet, cross-industry alliance, word-of-mouth advertising, new media operation, TV advertisements and interview programs.

In addition, to fully take advantage of national policy liberalisation on private medical institutions and the local favorable policies, such as "50 Guidelines for Shanghai Healthcare Service Industry (上海健康服務業50條)", Changzhou Rich Hospital has been a designated medical institution for public medical insurance reimbursement in Changzhou since February 2, 2019, while Rici Shuixian has submitted the application materials and is expected to be included into public medical insurance reimbursement system in Shanghai in 2019. If Rici Shuixian passes the medical insurance review, the patient sources and payment methods will be further diversified, and greater consumer demands are estimated to be stimulated.

Wuxi Rich Hospital is scheduled to commence operation in 2019 after it finishes its construction and preliminary preparation. The project of Shanghai Rich Gaojing Obstetrics Gynecology and Pediatric Hospital (上海瑞慈高境婦兒醫院) is also in an orderly progress.

Prospects

The year of 2019 will be a "Year of High Quality Development" under the Group's strategic guidance. Improvement of both medical quality and service quality is a top priority of our Group. With the smooth progress of the expansion project of Nantong Rich Hospital Phase II and the introduction of high-end equipment, Nantong Rich Hospital will promote the medical market expansion in key areas (such as Nantong economic and technological development zone) based on the medical alliance platform in 2019. In addition, it will introduce senior experts and academicians from Shanghai and develop six key centers, namely tumor center, heart center, brain center, orthopedic center, geriatric rehabilitation center and minimally invasive surgery center, which will be pillar departments of the hospital in the future. With the core competitiveness of high-quality healthcare services and rich medical resources, Nantong Meidi will maximize the economic benefits per bed by continuously optimizing the customer structure. It will continue to adhere to the development mode of being based on homecare, relying on community-based care and supported by pension institutions, further explore business for customers requiring door-to-door service, cooperate with the small-scale community-based multi-functional elderly-care institutions, and actively expand such new businesses as elderly-care talent training and output, case-by-case solution consultation and planning, in order to create a replicable diversified elderly-care service brand and become an industry leader. Nantong Rich Hemodialysis Center will take advantage of the synergy between the medical examination centers located in Nantong and Nantong Rich Hospital and cooperate with the vascular surgery department to pursue technical innovation, in order to provide customized vascular access maintenance solution for the patients with kidney diseases and improve the transformation of the coupling services of "hospital — medical examination — elderly care — hemodialysis".

Medical examination is the most basic method for the people to manage their health. However, according to the *National Health Insight Report for 2019* (《2019年國民健康洞察報告》) published by Dingxiangyuan (丁香園), only 41% of interviewees received regular medical examination, and there is large room for the improvement of public health awareness in terms of medical examination. Interviewees receiving regular medical examination had higher requirements on medical examination, out of which 56.0% purchased medical examination products at their own expenses, and 29.0% received all the medical examination services at their own expenses. According to the above-mentioned report, although having medical examination service in public hospitals was still the mainstream, the market share of private medical institutions offering medical examination service increased from 15.6% in 2017 to 21.0% in 2018, which indicates that the private medical institution market is still in a rising trend, and the capacity to provide medical services and service quality are the development directions of the medical examination industry. In 2019, Rici's medical examination business will strive to maintain its high-end position in the medical-grade health examination business, and will focus on the strict control of report quality, medical safety and operation procedures in the medical management system. While ensuring steady expansion, it will focus on improving the operation efficiency of each existing medical examination center. In addition, leveraging on its medical resource advantages, our medical examination business will introduce the high-end sophisticated physical examination and prevention concepts and medical health management service process from Japan to create a new high-end medical examination center, CEO Health Club, so as to provide customized one-stop health management service for ultra-high net wealth individuals and customers with ultra-high requirements on health services, and bring new highlights and growth points to the medical examination segment. In the future, Rici medical examination segment will continue to focus on the Yangtze River Delta, gradually realize the deployment in key cities across the country and enhance operating efficiency of each center, in order to realize the strategic goal of becoming the best brand in the high-end market of the medical health service industry.

With the slowdown of birth rate growth, the birth of each infant becomes more precious. The mid-end to high-end maternal market is no longer narrowly targeting at the high-income group, but also targeting at each family with potential willingness to bear a child. The parents would be more willing to provide high-quality maternal environment to strengthen such willingness of their young adult children, and the young people are also willing to spend more to ensure that no regrets would be left in their once-in-a-life experiences. Therefore, the high-end gynecology and pediatrics business still have strong inherent driving force. Rici OGP segment will continue to focus on medical quality and medical safety, improve the medical technology and capacity of the hospital, introduce new clinical techniques and methods in a timely manner, and offer diagnosis and treatment services for targeted difficult diseases. While focusing on medical quality and reputation build-up, it will make an all-out effort to drive marketing through the combination of all-staff marketing, cross-industry cooperation and industry alliance, to accelerate the turnover rate of the existing beds. In the future, the access to public medical insurance system will help the hospital expand the customer base and strengthen customer stickiness. In 2019, the Group will fully support the operation and development of Changzhou Rich Hospital, Rici Shuixian and Wuxi Rich Hospital, to lay a solid foundation for the future duplicability of the Rici OGP brand.

Financial Review

Revenue

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

	Year ended December 31,		
	2018 (RMB'000)	2017 (RMB'000)	% of Change
General hospital business	**389,923**[1]	346,825	12.4%
Medical examination business	**989,114**[2]	764,443[2]	29.4%
Specialty hospital business	**10,714**	—	
Unallocated	**2,647**[3]	—	
Inter-segment	**(18,462)**[4]	(31,119)	(40.7%)
Total	**1,373,936**	1,080,149	27.2%

Notes:

(1) Included the revenue from hemodialysis business.

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

(3) Unallocated revenue represented the revenue from selling medical equipment by a wholly-owned leasing company under the Group to other subsidiaries of the Group, which was eliminated between segments.

(4) Inter-segment revenue mainly represented the revenue of RMB15.3 million from outsourced testing conducted by general hospitals for medical examination business.

Our revenue increased by 27.2% from RMB1,080.1 million in 2017 to RMB1,373.9 million in 2018, mainly due to an increase in revenue from both general hospital business and medical examination business.

Our revenue from general hospital business in 2018 amounted to RMB374.6 million, representing an increase of 18.5% from RMB316.3 million in 2017, excluding inter-segment revenue of RMB15.3 million and RMB30.5 million in 2018 and 2017, respectively. The increase was mainly attributable to the active improvement of our operational efficiency, which led to a decline in the average length of stay of our patients and an increase in the number of inpatient visits and inpatient revenue by 2,371 and RMB46.9 million respectively, while inpatient revenue per capita increased by 7.4% accordingly. Meanwhile, the number of outpatient visits in 2018 increased by 13,063 and the outpatient revenue per capita increased by 9.5%, which led to an increase in outpatient revenue of RMB11.4 million.

Revenue from medical examination business in 2018 amounted to RMB988.6 million, representing an increase of 29.4% from approximately RMB763.9 million in 2017, excluding the inter-segment revenue of RMB0.5 million and RMB0.6 million in 2018 and 2017, respectively. The improvement of our service quality and the increasing awareness of the people on high-end medical examination services brought an increase in the number of visits for medical examination service as well as the spending per capita. In 2018, the number of visits for our medical examination services was 1,948,973, representing an increase of 26.4% from 1,542,577 in 2017. The spending per capita of medical examination business was RMB504.4 in 2018, representing an increase of 3.1% from RMB489.0 in 2017. Besides, 14 newly-operated medical examination centers recorded a revenue of RMB86.6 million from medical examination.

Medical examination business includes business of our embedded clinics in medical examination centers. In 2018, revenue from business of our embedded clinic in medical examination centers amounted to RMB6.2 million (2017: RMB6.7 million), which was mainly from diagnostic income.

In 2018, our revenue from specialty hospital business amounted to RMB10.7 million.

Cost of Sales

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

	Year ended December 31,		
	2018 (RMB'000)	2017 (RMB'000)	% of Change
General hospital business	**291,558**[(1)]	242,415	20.3%
Medical examination business	**601,092**[(2)]	467,699[(2)]	28.5%
Specialty hospital business	**112,608**	—	
Unallocated	**2,647**[(3)]	—	
Inter-segment	**(20,172)**	(31,119)	(35.2%)
Total	**987,733**	678,995	45.5%

Note:

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

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

(3) Unallocated cost represented the cost of sales incurred from selling medical equipment by a wholly-owned leasing company under the Group to other subsidiaries of the Group, which was eliminated between segments.

Our cost of sales increased by 45.5% from RMB679.0 million in 2017 to RMB987.7 million in 2018, mainly due to the operation of fourteen new medical examination centers and two new specialty hospitals, and the expansion of the scale of our general hospital business.

Cost of sales of our general hospital business in 2018 amounted to RMB291.6 million, representing an increase of 20.3% from RMB242.4 million in 2017, mainly attributable to the increase in pharmaceutical costs and medical consumable costs and medical staff's costs following the expansion of revenue scale in 2018.

Cost of sales of our medical examination business in 2018 amounted to RMB601.1 million, representing an increase of 28.5% from RMB467.7 million in 2017. The increase was mainly attributable to (i) the increase in variable costs of our medical examination centers, including medical consumable costs and outsourced testing expenses, which was in line with the growth of revenue of our medical examination business in general; and (ii) the operation of new medical examination centers, resulting in an increase in certain fixed costs, such as rental expenses and depreciation and amortization expenses.

Cost of sales of specialty hospital business in 2018 amounted to RMB112.6 million, which mainly included remuneration expenses of medical staff, rental expenses, depreciation and amortization expenses, medical consumable costs and outsourced testing expenses.

Gross Profit

Our gross profit decreased by 3.7% from RMB401.2 million in 2017 to RMB386.2 million in 2018. Gross profit margin decreased from 37.1% in 2017 to 28.1% in 2018, primarily because two new specialty hospitals were under early phase of development in 2018. Besides, gross profit margin of our general hospital business decreased by 4.9% from 30.1% in 2017 to 25.2% in 2018, as a result of the changes in remuneration and performance system. In addition, gross profit margin of the medical examination business remained generally stable at 39.2% in 2018 (2017: 38.8%).

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses increased by 28.3% from RMB175.3 million in 2017 to RMB225.0 million in 2018. The growth was mainly due to our medical examination business, which was in line with the growth in revenue from the medical examination business. Besides, the distribution costs and selling expenses of our two newly-operated specialty hospitals in 2018 amounted to approximately RMB6.2 million.

Administrative Expenses

Our administrative expenses increased by 12.3% from RMB292.8 million in 2017 to RMB328.9 million in 2018. The increase was mainly due to (i) the increase of approximately RMB13.6 million in share option expenses as a result of the inclusion of options granted on November 24, 2017 into the annual expenses of 2018; and (ii) the increase in remuneration and office expenses due to the growth in the number of managerial employees resulting from the development of the Group's business.

Other Income

Our other income, which mainly represented government subsidies, amounted to approximately RMB14.6 million in 2018 (2017: approximately RMB11.8 million).

Other Losses

Our other losses in 2018 amounted to approximately RMB2.4 million, as compared to the other loss of approximately RMB2.5 million in 2017. Other losses mainly represented (i) the compensation of RMB1.0 million paid to Ping An Health Technology Fund in respect of the termination of the investment agreement for the establishment of a joint venture with Ping An Health Technology Fund, and (ii) losses on disposal of equipment and other miscellaneous losses.

Finance Costs — net

We had net finance costs of RMB11.1 million in 2018, as compared to net finance costs of RMB51.4 million in 2017. The interest expenses, interest income and exchange gain incurred during 2018 amounted to approximately RMB42.0 million, RMB12.2 million and RMB18.7 million, respectively.

Share of Results

For the year ended December 31, 2018, the Group recognized a share of loss of RMB0.1 million (2017: profit of RMB0.2 million) in its consolidated results, mainly from (i) the operating profit of RMB0.74 million of Nantong Meidi, a subsidiary of a joint venture of the Company primarily engaged in providing elderly care services. Its business operation has been stable since its establishment in the second half of 2014; and (ii) the operating loss of RMB0.84 million of Neijiang Rich Ruichuan Clinic Co., Ltd. (內江瑞慈瑞川門診部有限公司), an associate of the Company primarily engaged in providing medical examination services.

Income Tax Credit

For the year ended December 31, 2018, income tax credit amounted to RMB39.5 million (2017: RMB6.2 million), mainly because the new medical examination centers and specialty hospitals incurred more losses, which was recognized as the deferred income tax assets, and therefore offset the income tax expenses.

Loss for the Year

For the foregoing reasons, in 2018, we recorded net loss of RMB136.3 million (2017: net loss of RMB102.7 million), mainly due to the losses incurred from the new medical examination centers and specialty hospitals, which were at the early stage of operation, and the increase in the number of employees as required by the Group's business expansion as well as the improvement of remuneration and benefits.

Adjusted EBITDA

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

	Year ended December 31,	
	2018 (RMB'000)	2017 (RMB'000)
Adjusted EBITDA calculation		
Loss for the year	**(136,277)**	(102,680)
Adjusted for:		
Income tax credit	**(39,470)**	(6,234)
Finance costs — net	**11,077**	51,449
Depreciation and amortization	**127,053**	84,795
Pre-opening expenses and EBITDA loss of soft-opening[1]	**182,507**	114,136
Share option expenses	**25,818**	12,255
Adjusted EBITDA	**170,708**	153,721
Adjusted EBITDA margin[2]	**12.4%**	14.2%

Note:

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

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

We recorded an adjusted EBITDA of RMB170.7 million in 2018, representing an increase of 11.1% from RMB153.7 million in 2017, mainly due to improvement of our operational efficiency of medical examination business.

Financial Position

Property and Equipment

Property and equipment primarily consist of buildings, medical equipment, general equipment, leasehold improvement and construction in progress. As at December 31, 2018, the property and equipment of the Group amounted to RMB1,048.9 million, representing an increase of RMB270.6 million as compared to RMB778.3 million as at December 31, 2017. The increase of property and equipment was primarily due to the acquisition of equipment as well as the renovation for new medical examination centers and specialty hospitals.

Inventories

Inventories increased from RMB24.0 million as at December 31, 2017 to RMB31.3 million as at December 31, 2018.

Trade Receivables

As at December 31, 2018, the trade receivables of the Group were RMB268.7 million, representing an increase of RMB73.2 million as compared to RMB195.5 million as at December 31, 2017, mainly due to (i) the faster growth of the medical examination business of the Group in 2018; and (ii) larger unsettled medical insurance receivables from social insurance bureau as a result of the scale expansion of our general hospital business.

Net Current Assets and Liabilities

As at December 31, 2018, the Group's current liabilities exceeded its current assets by RMB234.3 million, as compared to net current assets of RMB44.7 million as at December 31, 2017. The change of the position was mainly due to the Group's consumption of current assets and increase in current liabilities for the construction and operation needs of the new medical examination centers and specialty hospitals.

Liquidity and Capital Resources

As at December 31, 2018, the Group had cash and bank balance of RMB495.4 million, with available unutilised bank facilities of RMB293.8 million. As at December 31, 2018, the Group had outstanding bank borrowings amounting to RMB721.9 million, including non-current long-term bank borrowings of RMB119.3 million. Based on the Group's historical experience and good credit standing, the Directors are confident that these bank facilities could be renewed and/or extended for at least another twelve months upon renewal. For the currency in which cash and bank balance is denominated, please refer to Note 16 to the consolidated financial information.

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

	Year ended December 31,	
	2018	2017
	(RMB'000)	(RMB'000)
Net cash generated from operating activities	**42,640**	27,280
Net cash used in investing activities	**(396,632)**	(407,241)
Net cash generated from financing activities	**234,172**	129,106
Net decrease in cash and cash equivalents	**(119,820)**	(250,855)

Net Cash Generated from Operating Activities

For the year ended December 31, 2018, the net cash generated from operating activities was RMB42.6 million, primarily attributable to (i) the cash generated from operating activities of approximately RMB99.5 million; (ii) the interest paid of approximately RMB37.3 million; and (iii) the income tax paid of RMB19.6 million.

Net Cash Used in Investing Activities

For the year ended December 31, 2018, the net cash used in investing activities was RMB396.6 million, primarily attributable to (i) the purchases of property and equipment and intangible assets of RMB299.7 million; (ii) the acquisition of equity interests in subsidiaries without change of control of RMB94.4 million; (iii) the acquisition of a company at a consideration of RMB6.8 million; (iv) the investment in an associate of RMB1.8 million; (v) the investment in financial assets at fair value through profit or loss of RMB3.0 million and (vi) the temporary funding provided to non-controlling interests of a subsidiary of RMB1.3 million, partially offset by the proceeds from disposal of equipment of RMB0.1 million and the interest received from bank deposits of RMB10.3 million.

Net Cash Generated from Financing Activities

For the year ended December 31, 2018, the net cash generated from financing activities was RMB234.2 million, primarily attributable to (i) the capital contribution of RMB15.7 million from non-controlling interests of subsidiaries; (ii) the net proceeds from bank borrowings of RMB127.2 million; (iii) the net proceeds of loan from non-controlling interests of a subsidiary of RMB6.7 million; (iv) the proceeds from other financial liabilities of RMB100.0 million; and (v) the proceeds from disposal of equity interests in subsidiaries without change of control of RMB10.2 million, partially offset by the payment for finance lease of RMB7.5 million and increase in restricted cash of RMB18.1 million.

Significant Investments, Material Acquisitions and Material Disposals

For the year ended December 31, 2018, save as disclosed below, the Group did not have any significant investment, material acquisition or material disposal:

(i) on August 31, 2018, Nantong Rich Hospital, Nantong Rich Medical, Dr. Fang Yixin, Dr. Mei Hong and Everbright (Haimen) entered into an investment agreement in relation to the investment by Everbright (Haimen) in Nantong Rich Hospital for the purpose of its second-phase renovation and expansion. Pursuant to such investment agreement, the total investment of RMB100.0 million from Everbright (Haimen) would be contributed in cash. As at the date of this annual report, the investment was completed and the registered capital of Nantong Rich Hospital was held by Everbright (Haimen) and Nantong Rich Medical as to 4.41% and 95.59%, respectively;

(ii) certain subsidiaries of the Company entered into a series of equity transfer agreements dated October 11, 2018 with Guizhou Saigesaisi, in respect of the transfer of Guizhou Saigesaisi's equity interest in the target companies, namely Beijing Rich, Nanjing Rich Ruixing Clinic Co., Ltd. (南京瑞慈瑞星門診部有限公司), Shanghai Rich Ruijin Clinic Co., Ltd. (上海瑞慈瑞錦門診部有限公司) and Shanghai Rich Ruixin Clinic Co., Ltd. (上海瑞慈瑞鑫門診部有限公司), to the Group at a total consideration of RMB53.0 million. As at the date of this annual report, the transaction was completed and Guizhou Saigesaisi ceased to hold any equity interest in the target companies;

(iii) Shanghai Rich Medical entered into an equity transfer agreement dated November 5, 2018 with Mr. Wang Dejun (王德軍), in respect of the transfer of Mr. Wang Dejun's equity interest in Beijing Rich, Nanjing Rich Ruixing Clinic Co., Ltd., Shanghai Rich Ruijin Clinic Co., Ltd. and Shanghai Rich Ruixin Clinic Co., Ltd. to the Group at a total consideration of RMB68.0 million. Upon completion of the equity transfer, Mr. Wang Dejun will cease to hold any equity interest in Beijing Rich, Nanjing Rich Ruixing Clinic Co., Ltd., Shanghai Rich Ruijin Clinic Co., Ltd. and Shanghai Rich Ruixin Clinic Co., Ltd. ;

(iv) on November 5, 2018, Chengdu Kangruiheng Commerce and Trade Co., Ltd. (成都康瑞恒商貿有限公司) entered into a legally binding memorandum of understanding with Shanghai Rich Medical in respect of the transfer of its all equity interest in Chengdu Gaoxin Rich Ruigao Clinic Co., Ltd. (成都高新瑞慈瑞高門診部有限公司) and part of its equity interest in Chengdu Wenjiang Rich Ruiwen Clinic Co., Ltd. (成都温江瑞慈瑞文門診部有限公司) to Shanghai Rich Medical at nil consideration. Upon completion of the equity transfer, Chengdu Gaoxin Rich Ruigao Clinic Co., Ltd. will be a wholly-owned subsidiary of Shanghai Rich Medical, and Chengdu Wenjiang Rich Ruiwen Clinic Co., Ltd. will be held as to 88.6% and 11.4% by Shanghai Rich Medical and Chengdu Kangruiheng Commerce and Trade Co., Ltd., respectively; and

(v) on December 14, 2018, the Company, Shanghai Rich Medical, Chelsea Grace, Dr. Fang Yixin, Dr. Mei Hong and Ping An Health Technology Fund (collectively, the "**Parties**") entered into a termination agreement, pursuant to which (a) the investment agreement dated November 8, 2017 entered into by the same parties and all related ancillary agreements would be terminated on the date of receipt of RMB1.0 million by Shenzhen Ping An Decheng Investment Co., Ltd. (深圳市平安德成投資有限公司), the manager of Ping An Health Technology Fund, from Shanghai Rich Medical, as reimbursement for expenses in relation to due diligence work of Ping An Health Technology Fund; (b) Ping An Health Technology Fund should cooperate and provide assistance to release the pledge of the Shares by Chelsea Grace and the shares of the joint venture by Shanghai Rich Medical; and (c) Ping An Health Technology Fund would transfer its 27.27% equity interest in the joint venture to Shanghai Rich Medical at nil consideration, which was arrived at after arm's length negotiations taking into account that Ping An Health Technology Fund did not make any capital contribution in respect of such 27.27% equity interest in the joint venture. The Parties subsequently agreed to dissolve the joint venture. As at the date of this annual report, the investment agreement and all related ancillary agreements were terminated, the pledge was released and the joint venture was under the process of dissolution.

Please refer to the announcements of the Company dated September 3, 2018, October 11, 2018, November 5, 2018 and December 14, 2018, respectively, for more details.

Capital Expenditure and Commitments

For the year ended December 31, 2018, the Group incurred capital expenditures of RMB395.2 million (as at December 31, 2017: RMB479.8 million), primarily due to purchases of medical equipment for our new medical examination centers and specialty hospitals.

As at December 31, 2018, the Group had a total capital commitment of RMB274.4 million (as at December 31, 2017: RMB702.8 million), mainly comprising the related contracts of capital expenditure in equity investment and newly built medical examination centers and specialty hospitals.

Borrowings

As at December 31, 2018, the Group had total bank and other borrowings of RMB738.2 million (as at December 31, 2017: RMB594.7 million). Please refer to Note 22 to the consolidated financial information for more details.

Contingent Liabilities

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

Financial instruments

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

Gearing Ratio

As at December 31, 2018, on the basis of net debt divided by total capital, the Group's gearing ratio was 25.6% (as at December 31, 2017: (0.2%)). The increase in gearing ratio mainly resulted from the Group's use of its internal funding and the increase in bank borrowings for the fund required for the construction of new medical examination centers and specialty hospitals.

Cash Flow and Fair Value Interest Rate Risk

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

Borrowings obtained at variable rates expose us to cash flow interest rate risk. Borrowings obtained at fixed rates expose us to fair value interest rate risk. As at December 31, 2018, borrowings of RMB638,007,000 were at floating interest rate. We did not hedge our cash flow and fair value interest rate risk during 2018.

Foreign Exchange Risk

For the year ended December 31, 2018, the Group was not exposed to significant foreign currency risk, except for the bank deposits from the initial public offering, which were denominated in Hong Kong dollar, and the bank deposits denominated in US dollar and Euro. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit Risk

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

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

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

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

Liquidity Risk

Our finance department monitors rolling forecasts of our liquidity requirements to ensure we have sufficient cash to meet operational needs and maintain sufficient headroom on our undrawn borrowing facilities at all times so that we do not breach borrowing limits or covenants (where applicable) on any of our borrowing facilities. We expect to fund the future cash flow needs through cash flows generated from operations, borrowings from financial institutions and issuing debt instruments or capital contribution from the Shareholders, as necessary. Based on contractual undiscounted payments, our financial liabilities were RMB1,517.4 million as at December 31, 2018 (as at December 31, 2017: RMB928.0 million).

Pledge of Assets

As at December 31, 2018, the Group had property assets with a total carrying amount of RMB101,115,000 (as at December 31, 2017: property assets of RMB80,944,000) and restricted deposits with an amount of USD34,059,970 (as at December 31, 2017: restricted deposits of USD33,000,000) pledged for borrowings. Besides, the Group had 22.06% equity interest of Nantong Rich Hospital (as at December 31, 2017: Nil) secured to guarantee the exercise of the option right granted to Everbright (Haimen).

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended December 31, 2018.

1. CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. The Company has complied with the code provisions as set out in the CG Code for the year ended December 31, 2018. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

2. THE BOARD

(1) Responsibilities

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

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

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

The Company has arranged appropriate liability insurance to indemnify the Directors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis and the Board has reviewed the insurance coverage for the year ended December 31, 2018.

(3) Board Composition

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

Executive Directors

Dr. Fang Yixin *(Chairman and appointed as Chief Executive Officer with effect from March 20, 2019)*
Dr. Mei Hong
Mr. Lu Zhenyu *(Chief Executive Officer and executive Director, resigned with effect from March 20, 2019)*
Dr. Wang Weiping *(resigned with effect from March 20, 2019)*

Non-Executive Directors
Ms. Jiao Yan
Mr. Yao Qiyong

Independent Non-Executive Directors
Dr. Wang Yong
Ms. Wong Sze Wing
Mr. Jiang Peixing

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

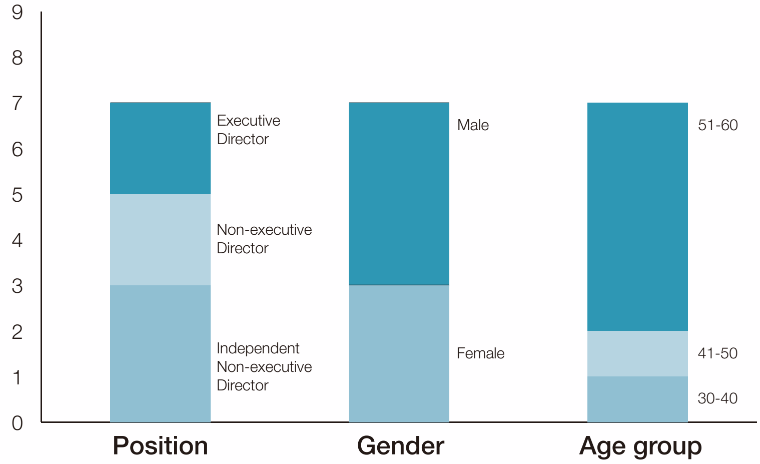
For the year ended December 31, 2018 and up to the date of this annual report, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of independent non-executive Directors representing at least one-third of the Board. Among the three independent non-executive Directors, Ms. Wong Sze Wing has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

(4) Board Diversity Policy

Pursuant to Rule 13.92 of the Listing Rules, the Nomination Committee (or the Board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report. The policy specifies that in designing the composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. The appointment of Directors will be based on meritocracy, and candidates will be evaluated against objective criteria, having due regard for the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, knowledge and skills.

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

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



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

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

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

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

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

(6) Induction and Continuous Professional Development

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

Pursuant to the code provision A.6.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. For the year ended December 31, 2018, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year of 2018, all Directors participated in continuous professional development to develop and refresh their knowledge and skills. The Company's external lawyers have facilitated directors' training by the provision or recommendation of presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company director. Dr. Fang Yixin, Dr. Mei Hong, Mr. Lu Zhenyu, Dr. Wang Weiping, Ms. Jiao Yan, Mr. Yao Qiyong, Dr. Wang Yong, Ms. Wong Sze Wing and Mr. Jiang Peixing all received this training. The Directors are asked to submit a signed training record to the Company on an annual basis.

(7) Chairman and Chief Executive Officer

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

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

(8) Appointment and Re-Election of Directors

Each of the executive Directors has entered into a service contract with the Company on June 23, 2016 for a term of three years commencing from their respective appointment date and may be terminated by not less than three months' notice in writing served by either of the executive Director or the Company.

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

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

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

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

(9) Board Meetings and Committee Meetings

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

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

Apart from the regular Board meetings, the Chairman also held a meeting on December 21, 2018 with all independent non-executive Directors without the presence of executive Directors.

For the year ended December 31, 2018, ten Board meetings were held and the attendance of the individual Directors at these meetings is set out in the table below:

Directors	Attended/Eligible to attend
Dr. Fang Yixin *(Chairman, Executive Director and appointed as Chief Executive Officer with effect from March 20, 2019)*	10/10
Dr. Mei Hong *(Executive Director)*	10/10
Mr. Lu Zhenyu *(Chief Executive Officer and Executive Director, resigned with effect from March 20, 2019)*	10/10
Dr. Wang Weiping *(Executive Director, resigned with effect from March 20, 2019)*	10/10
Ms. Jiao Yan *(Non-executive Director)*	10/10
Mr. Yao Qiyong *(Non-executive Director)*	10/10
Dr. Wang Yong *(Independent Non-executive Director)*	9/10
Ms. Wong Sze Wing *(Independent Non-executive Director)*	10/10
Mr. Jiang Peixing *(Independent Non-executive Director)*	10/10

(10) Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code for the year ended December 31, 2018.

(11) Delegation by the Board

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

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

(12) Corporate Governance Function

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

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

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

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

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

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

3. BOARD COMMITTEES

(1) Nomination Committee

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

The principal duties of the Nomination Committee include the following:

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

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

One meeting of the Nomination Committee was held for the year ended December 31, 2018 and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Dr. Fang Yixin *(Chairman)*	1/1
Dr. Wang Yong	1/1
Mr. Jiang Peixing	1/1

In the meeting held on March 29, 2018, the Nomination Committee reviewed and discussed the policy, procedure and criteria for nomination of the Directors, reviewed and discussed the Board diversity policy, assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the non-executive Director and fulfilled duties as required aforesaid.

(2) Nomination Policy

The Board has adopted the following policy with regard to nomination of Directors.

1 Objective

1.1 The Nomination Committee is committed to ensuring the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and shall identify, consider and nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election or re-election as the Directors at general meetings or appoint as Directors to fill casual vacancies or as an addition to the Board.

1.2 The Nomination Committee may, as it considers appropriate, nominate a number of candidates more than the number of Directors to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

1.3 The Nomination Committee shall make recommendations to the Board on the succession planning for Directors, in particular, the chairman of the Board and the chief executive officer of the Company.

2 **Selection Criteria**

2.1 The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

- Reputation for integrity;
- Accomplishment and experience;
- Commitment in respect of available time and relevant interest;
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and
- In the case of independent non-executive Directors, the independence of the candidate.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

2.2 Subject to the provisions of the Articles of Association, retiring Directors are eligible for nomination by the Board to stand for re-election at a general meeting.

2.3 Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

2.4 The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

3 **Nomination Procedures**

3.1 The Secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

3.2 For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

3.3 Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

3.4 In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular will be sent to shareholders. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.

3.5 A shareholder can serve a notice to the Company Secretary within the lodgment period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.

3.6 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company Secretary.

3.7 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

4 Confidentiality

4.1 Unless required by law or any regulatory authority, under no circumstances shall a member of the Nomination Committee or a staff member of the Company disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the circular to shareholders, as the case may be, is issued. Following the issue of the circular, the Nomination Committee or Company Secretary or other staff member of the Company approved by the Nomination Committee may answer enquiries from the regulatory authorities or the public but confidential information regarding nominations and candidates should not be disclosed.

5 Monitoring and Reporting

The Nomination Committee will report annually a summary of the nomination policy including the nomination procedures, criteria for selection, the diversity policy and the progress made towards achieving these objectives in the Company's corporate governance report.

6 **Review of the Policy**

The Nomination Committee will review the nomination policy as appropriate and recommend revisions, if any, to the Board for consideration and approval.

(3) Remuneration Committee

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

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

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

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

One meeting of the Remuneration Committee was held for the year ended December 31, 2018 and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Jiang Peixing *(Chairman)*	1/1
Mr. Lu Zhenyu *(resigned with effect from March 20, 2019)*	1/1
Ms. Wong Sze Wing	1/1
Dr. Mei Hong *(appointed with effect from March 20, 2019)*	N/A

In the meeting held on March 29, 2018, the Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, assessed performance of executive Directors, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management and fulfilled duties as required aforesaid.

Details of the remuneration by band of the members of the senior management of the Company for the year ended December 31, 2018 are set out below:

Remuneration band (HK$)	Number of individual
1,000,000 and below	6

(4) Audit Committee

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

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

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

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

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

- To perform the Company's corporate governance functions with details set out in the paragraph headed "2. THE BOARD — (13) Corporate Governance Function" above.

Three meetings of the Audit Committee were held for the year ended December 31, 2018 and the attendance record of the Audit Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Ms. Wong Sze Wing *(Chairlady)*	3/3
Ms. Jiao Yan	3/3
Dr. Wang Yong	2/3

For the year ended December 31, 2018, the Audit Committee reviewed the Group's policies on corporate governance and discussed the same with the Board, reviewed the financial reporting system, compliance procedures, internal control and risk management systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions) and associated processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

The Audit Committee also reviewed the interim results for the six months ended June 30, 2018, the annual results of the Company and its subsidiaries for the year ended December 31, 2018 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit.

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

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

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2018 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

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

5. RISK MANAGEMENT AND INTERNAL CONTROL

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

Risk Management and Internal Control Structure

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

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

Risk Management

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

The following were the major risks of the Company identified during the annual risk review in 2018. The Board held strategic meetings with responsible persons in charge of risks to discuss and review the management measures of relevant risks and recorded major risks and changes into a list.

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

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

Number	Major Risk	Main Description of Risk	Changes after 2017	Major Monitoring Measures and Risk Control Strategies
1	Business Expansion and Standardization Risk	Headquarters provide newly expanded business with insufficient support due to business overexpansion of the Company. The lack of adequate expansion plan that promotes corporate control system and standardized operational procedures would result in the risk of decline in quality of the newly expanded business and incapability to meet corporate standard.	• Unchanged	• The Company has established management and control mechanism and standardized operating procedures for business expansion, and will further rationalize the standardization procedures within the Group; • The Company assessed business development plans on a regular basis, and adjusted the plans based on the macro environment and the Company's own position.

Number	Major Risk	Main Description of Risk	Changes after 2017	Major Monitoring Measures and Risk Control Strategies
2	Competition Risk	Low entry barrier for products/services of the Company, severe homogeneousness with products/services of competitors as well as the risk of failure to develop products that cannot be replicated with competitive advantages (for example, mid-to-high-end customer orientation).	• Decreased	• To establish a dedicated team, enhance backend service for medical examination and promote product upgrade; • To categorize the product market to carry out centralized marketing; • To allocate further resources to enhance customer services in order to provide medium-to-high-end quality services.
3	Investment Risk	Unscientific investment decision-making procedures and insufficient investment assessment would result in the outweighing of investment scale over the enterprise capacity or lack of investment effectiveness.	• Decreased	• Based on the investment management measures, the Company optimized the investment model, enhanced investment forecast, and continued to strictly control investment approval, project budget, project management, post-investment evaluation and other relevant procedures; • Return of investment is considered as one of the indicators for management performance evaluation.
4	Informatization Construction Risk	The failure of IT construction and planning to meet future operation development requirements of the Company which may cast limitations to the development of the Company and impact the achievement of the Company's strategic goals.	• Unchanged	• The Company increased investment in IT, streamlined business scenarios and integrated business data to effectively support financial and operational analysis; • To establish a data maintenance team, implement information stratification and access control through the system, and ensure customer data protection and information security.

Number	Major Risk	Main Description of Risk	Changes after 2017	Major Monitoring Measures and Risk Control Strategies
5	Human Resources Risk	The failure of the structure of staffing/quality of staff to satisfy the Company's requirements for its current development, as evidenced by the failure to timely adjust staffing structure and to timely adjust the appraisal system and update the training content to satisfy the Company's requirements for its current development, or the failure of the Company to timely acquire talents (through internal training or external recruitment) that satisfy the requirements for the Company's current stage of development, which may result in the slowdown of the overall development scale of the Company and the failure of the achievement of expected strategic planning and gradual loss of industry position. The high turnover rate of personnel may result in the increase of operating costs, leakage of commercial confidentiality and vacancies in key positions of the Company, and may harm the overall image of the Company.	• Unchanged	• To enhance the establishment of a diversified recruitment channel system, especially the recruitment channels of medical personnel that are closely related to the Group's business; to develop scientific channels with respect to supplier assessment and management system in order to ensure the satisfaction of personnel demand for business development; to enhance the training and education of administrators and other professional medical personnel (including physicians, nurses and pharmacists, etc.) and to improve their occupational skills and administration quality and provide customers and patients with services of better quality; • To provide competitive remuneration and benefits, enhance the sense of belonging of the staff, and provide different promotion opportunities based on the performance of the employees; • To cooperate with external resources, and build and cultivate our own professional team, core team and supporting team; • To strengthen the corporate culture, strengthen human care, and increase the sense of cohesion of the corporate culture.

Number	Major Risk	Main Description of Risk	Changes after 2017	Major Monitoring Measures and Risk Control Strategies
6	Capital Management Risk	The unauthorized transactions of capital business would affect the safety and integrity of the Company's capital; unreasonable capital holdings, inappropriate capital occupations or capital backlogs would not exert the advantages of centralized capital management and result in a decrease in profitability of the Company or insufficient capital and payment difficulties, which would affect the reputation of the Company or damage the Company's interests.	• Decreased	• To optimize the efficiency of the use of injected capital; • To strategically adjust the pace of operations and reasonably control cash flows; • To develop plans for funds and perform unified management of the funds of the Company's subsidiaries; and the management regularly monitored, analyzed, estimated and tracked the funds on a monthly basis.
7	Medical Dispute Risk	The Company is exposed to inherent risks of medical disputes and legal proceedings against the Company arising from its operation which may result in significant cost and have material adverse impact on our business operation and reputation.	• Unchanged	• The Company formulates standardized operational procedures for business workflow and enhances the training, education and monitoring of current medical staff (including physicians, nurses and pharmacists, etc.) in accordance with laws and regulations and industry norms in order to reduce the risk of medical disputes between the Company and customers due to the failure of strict compliance with internal control procedures; • The Company has purchased medical liability insurance for Nantong Rich Hospital; • The Company has set up relevant departments to deal with medical disputes to protect the Company's interests from the greatest extent, and analyze the causes and ensure accountability on responsible person after the occurrence of incidents, which will be improved in future operations.

Number	Major Risk	Main Description of Risk	Changes after 2017	Major Monitoring Measures and Risk Control Strategies
8	Control and Compliance Risk	The defective standardized operation procedure of the Company and the failure of operation staff to strictly meet the operation requirements would result in the failure of business undertaken to satisfy the workflow settings of the Company that in turn would affect the operation effectiveness of the Company and hinder the completion of transformation from "the rule of man" to "rule of law".	• Decreased	• The Company established a specialized function department, being responsible for collecting laws and regulations and industry standards, and formulating operation procedures of various operating business and regularly conducting training and monitoring of operation staff; • The Company improved the compliance system, assessed compliance risks and developed case-handling procedures for non-compliance incidents to clarify the follow-up actions, the responsible persons and the rewards and punishments. The Company also conducted regular checks on medical hygiene, health and safety field; • The Company formulated an operational manual on medical-related business standards to clarify the standards for all business processes, and strictly assessed the qualifications of the relevant employees; • The Company published the regulation of advertising terms and interpretation of laws and regulations, with a view to optimizing the release process of advertising documents and effectively preventing advertising violations.

Number	Major Risk	Main Description of Risk	Changes after 2017	Major Monitoring Measures and Risk Control Strategies
9	License Management Risk	The Company conducts business in a heavily regulated industry. If the Company fails to obtain or renew any licenses, permits, approvals and certificates required for our operations, or are found to be non-compliant with such licenses, permits, approvals and certificates or any applicable laws or regulations, the Company may face penalties, suspension of operations or even revocation of such licenses, depending on the results of such events. Any of such events could materially and adversely affect the results of operations of the Company.	• Decreased	• The Company established a license management system to clarify the borrowing and returning of licenses, the deregistration requirements and the management responsibilities; • The headquarter of the Company established a license database to perform unified management of the licenses of all organizations. A specialized counting and examination mechanism for licenses was also established to enhance the control over the integrity and effectiveness of licenses.
10	Litigation Risk	The non-compliance in respect of fraud caused by the practice of the Company would result in risks of legal sanctions, regulatory penalties or material financial loss or reputation loss.	• Decreased	• The Company has established anti-fraud systems and conduct staff training in order to enhance antifraud awareness; • The Company has set up whistleblowing channels including mailbox and direct line in order to encourage whistleblowing from staff against fraudulent practices and provide protection for whistleblowers; • The Company further clarified the duties and authorities of each department. The legal department made early intervention in major transactions and prevented corruptions.

Internal Control

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

The internal control system of the Company is established in accordance with the principles of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In the meantime, the internal audit department conducted independent audit (including interviews, walkthrough tests and risk-oriented testing on sample basis) during the year ended December 31, 2018 on the business segments that had material impact on corporate strategies and internal control and monitoring and prepared the internal control and monitoring report submitted for the approval of the Audit Committee and the Board. During the year under review, under the assistance of the Audit Committee and taking into consideration of the confirmation of evaluation on the efficiency and effectiveness of the risk management and internal control systems conducted by the management and the Audit Committee and the assessment results, the Board confirmed that the risk management and internal control systems of the Company were effective and adequate.

Inside Information

The Board leads the overall risk management and internal control and has the decision-making power to monitor and disclose inside information. The senior management of the Company is responsible for the establishment and implementation of the Company's information disclosure mechanism, and reports to the Board as to its efficiency and effectiveness. The legal department of the Company is responsible for coordinating different departments of the Company as to information disclosure, establishing standards to assess and identify inside information pursuant to Rules 13.09 and 13.10 of the Listing Rules and the provisions in relation to inside information under Part XIVA of the Securities and Futures Ordinance, communicating to all relevant staff on the policies of inside information reporting and disclosure and providing related training and timely disclosing inside information in accordance with the requirements set out in the Securities and Futures Ordinance and the Listing Rules.

6. AUDITOR'S REMUNERATION

Audit fees of the Group for the year ended December 31, 2018 payable to the external auditors were approximately RMB2.6 million. And the Group incurred approximately RMB0.4 million in 2018 for non-audit services related to the provision of consultation services in respect to internal control systems pursuant to the CG Code and tax planning, etc.

7. COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

The Company engaged Ms. Chau Hing Ling, the director of Corporate Services of Vistra Corporate Services (HK) Limited (a company secretarial service provider), as the company secretary of the Company. Her primary contact at the Company is Ms. Cao Zhi, general manager of the legal affairs center of the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. Chau Hing Ling undertook not less than 15 hours of relevant professional training to update her skills and knowledge during the year ended December 31, 2018.

8. GENERAL MEETING

For the year ended December 31, 2018, one annual general meeting of the Company was held. The attendance record of the Directors is set out in the table below:

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

Certain Directors did not attend the annual general meeting due to other business commitments. The Directors who did not attend the annual general meeting have followed-up with the other Directors to understand and discuss the subject matters.

9. COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

10. SHAREHOLDERS' RIGHTS

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

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

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

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

(2) Procedures for putting forward proposals at general meeting

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

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

(3) Enquiries to the Board

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

Address: 20/F, Building 1, Donghang Binjiang Center, No. 277 Longlan Road, Xuhui District, Shanghai, PRC
Attention: Board of Directors office
Tel: 021-50623902
Fax: 021-68865390

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

11. CHANGE IN CONSTITUTIONAL DOCUMENTS

No changes were made to the Articles of Association during the year ended December 31, 2018.

Environmental, Social and Governance Report

In 2018, the Group continues to improve its environmental, social and governance system in accordance with the relevant laws and regulations of the People's Republic of China and the Environmental, Social and Governance Reporting Guide of Appendix 27 to the Listing Rules. The Group adheres to the sustainable development strategy, and is committed to providing high-quality healthcare services for the society. The purpose of this report is to provide stakeholders with objectives, performance and future plans of the Group in respect of the environment and the society, including the impact of the Group's operations to the environment, society and economy.

The Group attaches great importance to the transparency of information, and reports annually on its environmental and social practices and progress and manages its results in a responsible manner. This report complies with the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide. This report also helps the Group to establish standards for environmental and social work, identify areas where the performance can be enhanced, and make adjustments based on the progress of each year and the opinions collected from stakeholders.

The Group engaged in four major businesses, namely general hospital, specialty hospital, medical examination and clinic, and is currently focusing on general hospital and medical examination. This report focuses on the Group's specific guidelines and performance in environmental and social work as of December 31, 2018, covering the relevant performance and measures of the hospital segment (Nantong Rich Hospital) and the medical examination segment (including the Group's headquarters and 44 medical examination centers under operation).

ENVIRONMENTAL PROTECTION

Environmental protection is one of the most important social responsibilities of corporate citizens. On the basis of operating in compliance with laws and regulations, the Group has taken all necessary measures on protecting the environment and preventing pollution, actively reduced the consumption of various resources and increased the recycling rate of resources, in order to reduce the impact of corporate business activities on the environment. Also, the Group strived to reduce emissions of various pollutants such as atmospheric emissions and solid wastes, continuously improved corporate environmental management, and vigorously promoted the concept of green office and low-carbon travel, in order to create an environmental-friendly society.

The Group, on the aspect of its organizational structure, has commenced the construction of its environmental health and safety management system which has gradually formed a top-to-bottom management mechanism covering the Board to each business segment, so that every employee of each level has its own responsibility for the implementation of environmental health and safety work. Each segment is staffed with specialists being responsible for the management and exercise of environmental health and safety work, which forms work groups with clearly defined responsibilities and capabilities in the exercise of the duties delegated.

The impact of the Group's business activities on the environment is mainly the consumption of relevant resources, such as water resources, electricity consumption and fuel consumption required in daily operations. The main sources of environmental pollution are atmospheric emissions (greenhouse gases, vehicle exhausts, etc.), and the main pollution factors are carbon dioxide, nitrogen oxides, sulphur oxides, particulates and solid wastes (hazardous wastes include medical wastes from hospital and medical examination services, and harmless wastes include domestic wastes from office and kitchen).

COMPLIANCE OF ENVIRONMENTAL PROTECTION MANAGEMENT

The Group adheres to the compliance of environmental protection laws and regulations. All subsidiaries and branches have timely been registered upon application with local environmental management institutions in accordance with the environmental protection laws and regulations for admitting themselves into the scope of legal supervision of the local environmental protection institutions. In the area where the pollutant discharge license system is implemented, all subsidiaries have applied for and obtained the "pollutant discharge permit" (《排污許可證》) from the local environmental protection departments, or are in the process of applying for the "wastewater discharge permit" (《排水許可證》). The results of the environmental monitoring report of the subsidiaries of the Group issued by the local environmental monitoring institutions or third parties show that, in 2018, all subsidiaries met the requirements for comprehensively controlling the emissions of the three wastes.

PROMOTION OF ENVIRONMENTAL PROTECTION

In the design of office environment and actual operation, the Group has always adhered to the requirements of protecting the environment under the laws and regulations, endeavoured to carry out its operations under the standards required for energy-saving, emission reduction and recycling of resources, with an objective to integrate the concept and action of environmental protection into the daily operations of the enterprise. The Group has taken the following environmental protection measures to reduce the impact of business operations to the environment:

In term of the use of electricity and water

- Turning off all unnecessary electricity consumption equipment (such as computer, air conditioning, lighting, etc.) during nonworking hours
- Increasing the number of lighting switches or changing the lightings to sensitive-lightings, and replacing lighting tubes with LED lightings
- Inspecting water supply facilities on a regular basis, checking whether the response to the shutting down instruction is timely and whether there are faults, in order to prevent water leakage and eliminate evaporation, emission, drip and leakage
- Water is consumed for office use and used by healthcare workers in hospitals/medical examination centers during working hours. The healthcare industry requires healthcare workers to wash their hands and clean their tools frequently to prevent the spread of diseases, and thus water consumption (especially the water consumption of hospital segment) is required for medical needs and infection prevention and control measures

In term of the use of paper

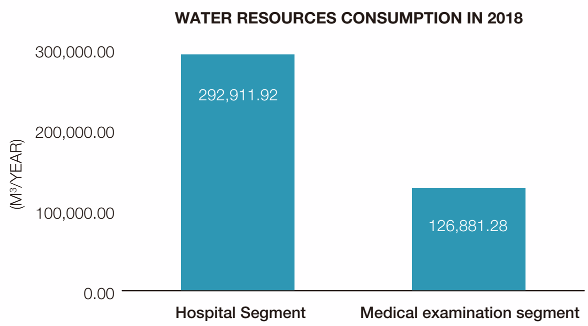
- Printing double-sided and reducing the amount of paper use to half by certain office floors
- Designating a responsible person to record the usage amount for each printer
- Careful checking is required before printing to avoid duplicate printing
- Sharing documents among staff, and if not necessary, performing internal communications through e-mails and instant communication tools instead of issuing paper documents

In term of low-carbon transportation

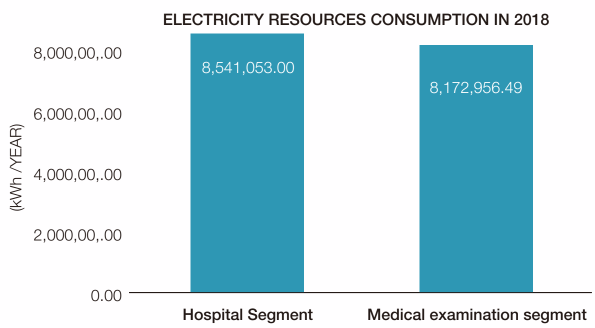
- Encouraging employees to commute by public transportation and providing commuting shuttle buses for hospital employees in order to reduce the use of private cars
- Whenever the use of private cars for business trip is required, asking the relevant persons to share personal cars in order to reduce fuel consumption

Use and consumption of resources

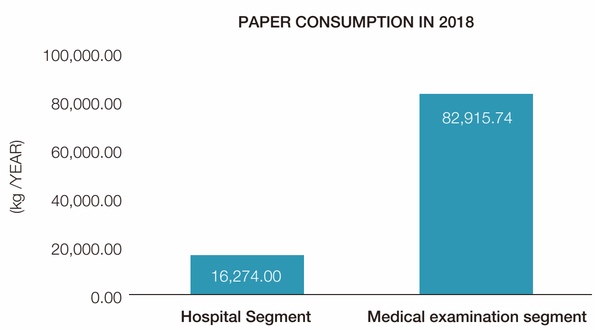
Different from the manufacturing industry, the Group (the medical examination segment of which includes the Group's headquarters and 44 medical examination centers under operation, and the hospital segment of which is Nantong Rich Hospital) does not have production-related businesses, and thus the consumption density per unit of production and other indicators do not apply to the Group. The Group has strictly complied with the "Water Law of the People's Republic of China" (《中華人民共和國水法》), the "Electric Power Law of the People's Republic of China" (《中華人民共和國電力法》), the "Renewable Energy Law of the People's Republic of China" (《中華人民共和國可再生能源法》), the "Energy Saving Law of the People's Republic of China" (《中華人民共和國節約能源法》) and other relevant laws and regulations. In 2018, the statistics of water, electricity, fuel and paper consumed by our operation of services are as follows:



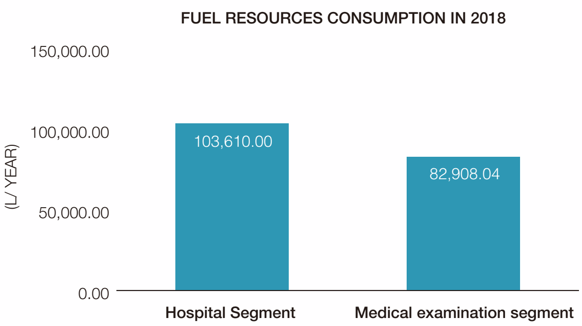
In 2018, the Group consumed a total of 419,793.20 cubic meters of water resources, among which, the medical examination segment consumed 126,881.28 cubic meters of water resources, and the hospital segment consumed 292,911.92 cubic meters of water resources.



In 2018, the Group consumed a total of 16,714,009.49 kWh of electricity resources, among which, the medical examination segment consumed 8,172,956.49 kWh of electricity resources, and the hospital segment consumed 8,541,053.00 kWh of electricity resources.



In 2018, the Group consumed a total of 99,189.74 kilograms of paper, among which, the medical examination segment consumed 82,915.74 kilograms of paper, and the hospital segment consumed 16,274.00 kilograms of paper.



In 2018, the Group consumed a total of 186,518.04 liters of fuel resources, among which, the medical examination segment consumed 82,908.04 liters of fuel resources, and the hospital segment consumed 103,610.00 liters of fuel resources.

CONTROL AND EMISSION OF ENVIRONMENTAL POLLUTANTS

In 2018, the main business of the Group (the medical examination segment of which includes the Group's headquarters and 44 medical examination centers under operation, and the hospital segment of which is Nantong Rich Hospital) is medical services. The pollutants generated from the Group's operation of services are mainly medical wastes and medical waste water. The Group has strictly complied with the Administrative Measures for Medical Wastes Management (《醫療廢物管理辦法》), Administrative Measures for Medical Wastes Management of Medical and Health Institutions (《醫療衛生機構醫療廢物管理辦法》) and other relevant laws and regulations, signed a cooperation agreement with local medical waste centralized disposal units and will dispose such wastes in strict accordance with the agreement. The statistics of hazardous wastes generated are as follows:

- Medical examination segment: 142,705.86 kg/year
- Hospital segment: 139,233.70 kg/year

For harmless waste from daily operations, the Group developed and complied with "Waste Management Process" (《垃圾管理流程》), some of the requirements are as follows:

1. Strengthen the promotion and guidance of education on clean working environment of all organizations, and strengthen the employees' awareness of less generation and proper disposal of waste.

2. Departments communicate through email and electronic document to minimize the use of paper, thereby reducing waste paper.

3. All waste products are put into the garbage house, classified and stored, and cleaned regularly.

4. Employ qualified institutions or organizations to carry out the clean-up work.

As the current data collection mechanism for harmless waste is incomplete and cannot provide accurate statistics, the Group plans to conduct survey when appropriate in the future and disclose the data in a timely manner.

Different from the heavy industries, the Group (the medical examination segment of which includes the Group's headquarters and 44 medical examination centers under operation, and the hospital segment of which is Nantong Rich Hospital) does not have emissions from fixed combustion sources. The direct emissions of exhaust gas and greenhouse gases are mainly from the emissions of vehicles owned by the Group. In 2018, the statistics of greenhouse gas emissions from the Group's operation of services are as follows:

Emissions	Business segment	Emissions in 2018
Carbon dioxide (ton)	Medical examination segment	6,112.37
	Hospital segment	6,361.77
Nitrogen oxides (kg)	Medical examination segment	562.52
	Hospital segment	269.68
Sulphur oxides (kg)	Medical examination segment	1.21
	Hospital segment	0.58
Particulates (kg)	Medical examination segment	53.90
	Hospital segment	25.84

QUALITY SERVICE PRACTICE

Bringing prolonging and healthier lives for people is the mission of the Group. The Group is persistently committed to providing high-quality services to customers and creating values for employees, customers and shareholders while pursuing integration of economic benefits and social benefits.

PROVISION OF HIGH-QUALITY SERVICES

Medical quality is the core value and eternal subject of the Group's medical service management. The Group puts the quality of medical care at the first place of work, and integrates the target of continuously enhancing the quality of medical care and raising the service level into each work of the Group.

In order to regulate medical activities, strengthen the quality management of the Group's medical services, ensure medical security, protect the legitimate rights and interests of customers, comprehensively improve the quality of medical care and enhance the quality of medical services, we have established the medical examination business department service leading group in the medical examination segment, and set up the quality and safety management committee, the medical records management committee, the pharmacy management committee, the hospital infection management committee and the blood transfusion management committee in the hospital segment. All quality management and enhancement structures are deployed with full-time or part-time employees being responsible for the quality management work.

At the same time, we have established a green channel emergency rescue mechanism in hospitals to regulate the charges, admission, examination, rescue and treatment of patients from cooperated units or emergency medical center, in order to provide timely, standardised, efficient and considerate medical services, increasing the success rate of rescue and reducing medical risks.

The Group has documented its work on the management of service quality, and the record issued by the quality management department would be reported and escalated on a regular basis progressively. Through measures such as inspection, analysis, evaluation and feedback, we continuously enhance the medical quality and service standard.

The Group has formulated assessment and evaluation criteria for relevant full-time or part-time staff, and carried out whole-process monitoring and continuous improvement on the medical service quality and service standard. At the end of 2018, the Group, with medical quality as the core, conducted a comprehensive performance evaluation, and the results of the evaluation showed that the medical quality of each subsidiary of the Group significantly improved as compared with that of the previous year.

SOCIAL HONOURS

Some of the significant awards and certifications received by the Group in 2018 are as follows:

2018 Honest Enterprise in the Honest Building Scheme

People's Government of Changzheng Town, Putuo District, Shanghai

Alibaba Healthcare Jinlu Award for "2018 Top of Customers Experience Brand"

Alibaba Healthcare Brand Convention

Fashion Pregnant Life's 2018 Chic and Best Looking Award (Pregnancy Clothes)

Fashion Pregnant Life Media

8th Shanghai Silver Awards for Excellence in Public Relations

Shanghai Public Relations Association

MEDICAL COMPLAINTS AND MEDICAL DISPUTES

The Group attaches great importance to the handling of medical complaints. Designated team of the Group is responsible for the reception and handling of medical complaints, and compiles complaints handling records in details, patiently explains to complainants, and gives satisfactory replies to complainants.

- Medical examination segment

  The customer services department of each medical examination center is responsible for receiving various kinds of complaints and disputes related to medical examination, while the customer services department in the headquarters is responsible for collecting various kinds of complaints and disputes related to medical examination received by each medical examination institution on a regular basis and following-up the status of complaints handled at the early stage, and summarising and preparing the "List of National Customer Complaint".

- Hospital segment

  Complaints of the hospital segment are mainly handled by the doctor-patient communication office, with the involvement of relevant functional departments. The hospital has established medical malpractice handling procedures and management systems, such as the "Doctor Patient Communication System" (《醫患溝通制度》), the "Complaints Management Approach of Nantong Rich Hospital" (《南通瑞慈醫院投訴管理辦法》), the "Punishment Approach of Nantong Rich Hospital's Doctor-patient Disputes Involving Economic Loss" (《南通瑞慈醫院涉及經濟損失醫患糾紛的處罰辦法》) and the "Responsibilities of Relevant Department of Nantong Rich Hospital in the Handling of Medical Disputes" (《南通瑞慈醫院相關部門在醫療糾紛處理中職責》), which cover the collection of information on medical disputes, communication channels, the time limit requirements for follow-up handling, the punishment standard after the identification of responsibilities and the division of responsibilities of relevant departments. The doctor-patient communication office is responsible for the collection, handling and follow-up of medical disputes, and has established medical disputes accounts to record the status of complaints handling and follow-up. The medical department and the head of each department discuss and analyse all recent medical disputes during meetings, and discuss the next step of handling measures regarding the medical disputes which cannot be solved.

As Rici Healthcare Group and its subsidiaries are engaged in medical services and are not involved in the manufacture of products, there is no recall in the products sold or shipped due to safety and health problems, and there is no product manufacturing quality and recall procedures.

As of December 31, 2018, there were 55 service disputes of the Group across the country in 2018, with 43 from the medical examination segment and 12 from the hospital segment. The responsible department, after-sales service team and special team for doctor-patient relationship shall timely record the incidents, communicate with customers/patients, and if necessary, identify and determine the responsibilities of medical incidents, in order to handle the incidents property as soon as possible.

CUSTOMER PRIVACY PROTECTION

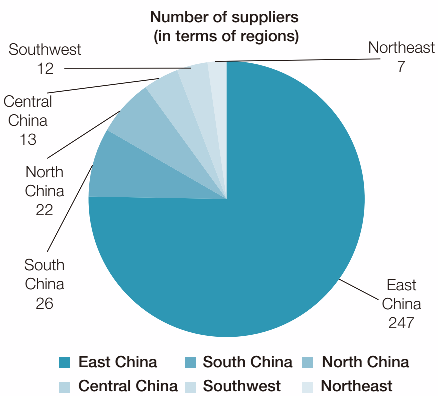
The Group attaches great importance to the privacy of customer information, and has strictly implemented relevant state laws and regulations (such as the "Regulations on Medical Records Management of Medical Institutions" (《醫療機構病歷管理規定》), the "Law on Practicing Doctor of the People's Republic of China" (《中華人民共和國執業醫師法》) and the "Administrative Measures of Nurses of the People's Republic of China" (《中華人民共和國護士管理辦法》)) and the "Information Data Security Management System" (《信息數據安全管理制度》), in order to strictly protect customers' data and privacy while providing services to customers. Customer data security management primarily ensures the safe storage and use of customer data, including private data, medical records, diagnosis, prescriptions and other data. The Group has appointed designated staff to be responsible for proper safekeeping customers' data and maintaining the relevant systems for processing and storing data. The Group has implemented a confidential data security policy which requires all employees to keep all customer data confidential and receive mandatory trainings on data security policies; take security measures while transmitting, storing and disposing customer information; and which stipulates that customer data can only be used for the provision of services to customers or for research purposes in anonymous manner.

The Group has taken a number of measures to ensure network and data security, including installing web application firewall systems to block external-sourced attacks and malicious access; installing a database review system to monitor and analyze all requests for internal data access and identify and reject suspicious requests for data access; installing internal access gateways in medical examination centers and hospitals to control and ensure the safety of data exchange between medical examination centers and hospitals and the central database; and installing gateways and firewalls to limit the access of external network from the internal computer network.

During the reporting period, we did not receive any valid complaints about the breach of customer privacy or loss of customer information.

SUPPLIER MANAGEMENT

Supplier management is one of the most important segments in quality control of the medical industry. The choice of suppliers directly affects the quality and standard of the Group's medical services. Therefore, the Group has always adhered to an open and transparent supplier screening and review process, and would select qualified suppliers which commensurate with our standards, on the basis of providing high-quality services to the community, and giving priority to cooperate with suppliers with the commitment to social responsibilities.



Each segment of the Group adopts a unified procurement strategy. As of December 31, 2018, the number of suppliers to the Group's medical examination segment and hospital segment totaled 327, of which 247 were in East China, 26 were in South China, 22 were in North China, 13 were in Central China, 12 were in Southwest China and 7 in Northeast China.

SUPPLIER SELECTION MECHANISM

Based on the standardised supplier assessment screening criteria, the Group, taking into account of its peculiarity and complexity of the medical industry, has established a mature procurement system. In terms of supplier screening, the Group has developed stringent access requirements: suppliers must have a positive sense of service and reputation, and must be selected with preference to manufacturers and regional agents with strong establishment. For the procurement management of pharmaceuticals, the Group requires strict inspection on the legal qualifications and quality reputation of the supplying enterprises, in order to ensure the rationality and security of procurement. First-time suppliers/categories purchased have to be assessed and approved by the procurement department and the pharmacy committee. Through the comprehensive consideration of quality assurance, supply capacity, technical capability and product price, the Group ensures that the selected suppliers meet the Group's standards.

In addition, for all procurement business, in order to prevent and combat unfair competition to reflect the spirit of fair cooperation between the two parties, the Group requires itself to sign a "Corruption-free Agreement" (《廉潔協議》) with the suppliers.

PERIODIC ASSESSMENT OF SUPPLIERS

The Group has established a supplier review system that all materials used are procured from suppliers with legitimacy, relevant qualifications and quality assurance capabilities. In supplier management, the Group's procurement department, together with the warehouse department and the departments that consume the materials, assesses the performance of suppliers annually according to the usage, supply capacity and after-sales service, etc., of the materials procured and conducts annual assessment on suppliers and forms the "supplier annual assessment" (《供應商年度評估》), and the annual assessment results are reviewed by the management. The assessment results are considered as the justifications for the selection of qualified suppliers and elimination of unqualified suppliers.

OUR EMPLOYEES

CORPORATE CULTURE

The Group's corporate culture includes two main aspects, namely values and culture.

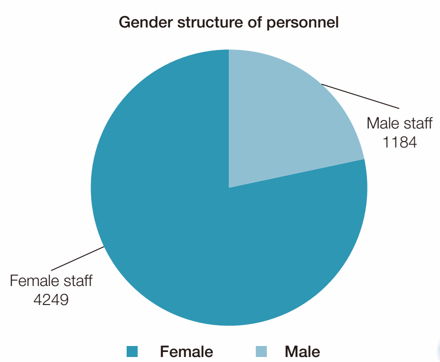
Values
- Being Rici for a lifetime, building health assets for society, enterprise, employees, and customers
- Creating healthy homes, innovation, integrity, dedication and environmental protection, together setting up enterprise energy

Culture
- Reverence for life is the basis of faith
- Caring for life is the basis of moral
- Engaging in life is the basis for happiness
- Enhancing life is the basis for development

We protect lives for our customers, enhancing health values	We construct platforms for our employees, achieving personal values	We build an ideal return on assets for investors	We establish positive values for the society, setting up an enterprise model
We continuously innovate, enhancing service capability through innovation	We adhere to integrity, believing that integrity is the basis for establishment	We dedicate and devote to our work, being responsible to every life	We conserve energy and protect the environment, constructing environmental sustainability

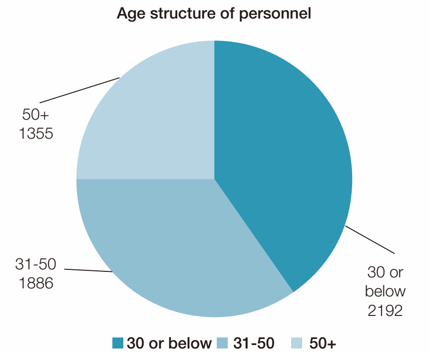
SUSTAINABLE DEVELOPMENT OF TALENTS

The Group firmly believes that excellent talents are valuable assets of the enterprise and the cornerstone of the sustainable development of the Company. Through the combination of external recruitment and internal trainings, the Group actively attracts external talents, and at the same time strengthens internal trainings and enhancement, building a high-calibre pool of talents for the Group. As at December 31, 2018, the total number of employees of the Group's medical examination and hospitals segments was 5433, of which 1252 were from the hospital segment and 4181 were from the medical examination segment. The ratio of male to female staff was 22:78.

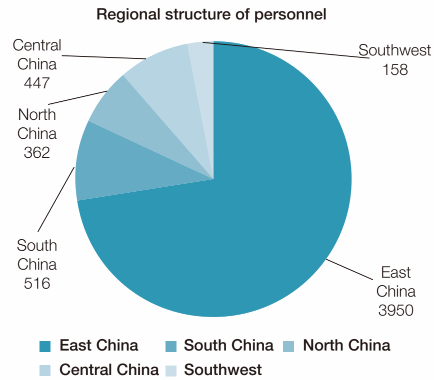


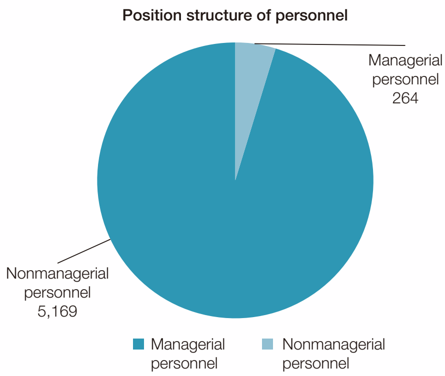
PIONEER EMPLOYER

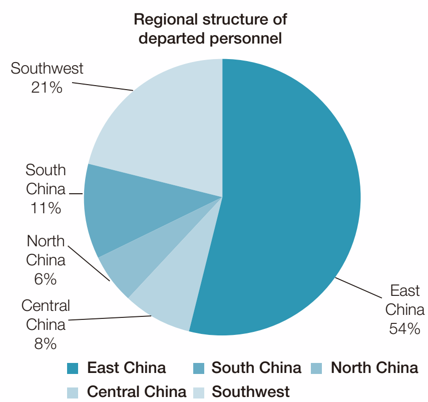
The Group adheres to nurture staff through excellent corporate culture, conscientiously building a comprehensive and caring platform for the employees. The Group never employs child labor or forced labor. Despite the absence of similar problems, the Group still regularly reviews the employment policies to ensure that all employment practices are strictly implemented and incorporated into the human resources policies. In 2018, the total number of employees aged under 50 in the medical examination and hospital segments of the Group was 4078, accounting for 75% of our total employees. More and more young talents have become the backbone of the development of the Group.

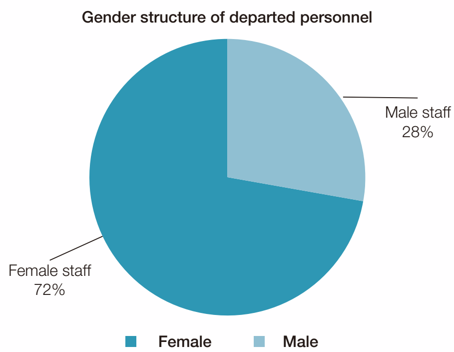


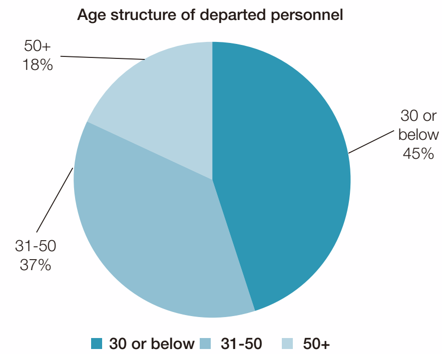
- The staff of the Group can be divided into East China, South China, Central China, Southwest, and North China by region. The proportion of it is 73%, 9%, 8%, 3%, and 7%, respectively;
- The staff of the Group can be divided into managerial personnel and ordinary staff in terms of positional characteristics. The proportion of it is 5% and 95%, respectively;
- The average turnover rate of the Group in 2018 was 9.37%.











HEALTH AND SAFETY

The Group regards human resources as the most valuable asset and is committed to providing a safe, healthy and harmonious working environment for all employees. From aspects such as system construction, formulation of technical standards, enhancement of employees' risk awareness and supervision and evaluation management, the Group has conducted prevention and control on the health and safety risks of the employees. In 2018, the Group's medical examination and hospital segments had a total of 3 work-related injuries and loss of 90 working days due to work injuries, and no incidents of death of employees occurred.

1. **System construction**

   In accordance with the "Law of the People's Republic of China on the Prevention and Treatment of Infectious Diseases" (《中華人民共和國傳染病防治法》), the Group has formulated 20 professional protection standards such as the "Sterilisation and Isolation System" (《消毒隔離制度》), the "Infectious Disease Case Monitoring and Reporting System" (《感染病例監測與報告制度》) and the "Medical Personnel Occupational Protection System" (《醫務人員職業防護制度》), and revised the safe operation practices for positions with close contacts to infectors in accordance with the standards. Through the systemisation of the occupational health and safety management system and the clarification of responsibilities, the Group's work on infection management switched from passive to active and from post-handling to prevention. Through the systematic and comprehensive safety management standards, the infection rate and infection incidents arising from the ineffective prevention and monitoring are reduced, and this protected the safety of lives and properties of employees and patients.

2. **Raising personnel's risk awareness**

   At the beginning of each year, the Group formulates infection management annual training programs for personnel at all levels, and according to the training programs, conducts trainings and examinations for the employees on the knowledge and skills related to infection policies and regulations, medical wastes treatment and occupational protection, assisting employees to become familiar with the rules and regulations and operation process on occupational health and safety, in order to enhance the ability to prevent infection incidents and control occupational hazards.

DEVELOPMENT AND TRAINING

The Group actively supports employees' development of professional skills, and through the enhancement of employees' knowledge and skills, promotes the healthy development of the Group's business. Supported by its corporate culture, the Group has carried out four series of training courses: "new staff training", "leadership development training", "professional development training" and "general working skills training".

- New staff training

  In order for new staff to quickly adapt to the new working environment and to integrate better into the team, the Group provides a variety of induction training activities for new staff. In the medical examination segment, the institution provides trainings for new staff on enterprise briefing, employee information, sales and customer guidance, etc., in order to improve their background knowledge and professionalism. The business department of the respective company also organises field visit for new staff, assisting them to have a better understanding of the corporate culture and system. New staff trainings of the hospital segment comprise internal training and external training. One-week group training for new recruits will be conducted first and then professional pre-job skills training will follow, so that new staff can quickly understand and master the responsibilities of the position and specific working procedures.

- Leadership development training

  In January each year, the Group conducts a series of seminars and conference on leadership training for general managers, institution heads and department heads. Management staff with certain experience and seniority are provided with training projects targeting the enhancement of management ability and leadership.

- Professional development training

  Integrating specific needs of different professional lines, the Group has developed systematic and advanced professional courses for staff at key positions, in particular, doctors and nurses. In 2018, each line actively carried out professionalised learning activities, and through exchange and visits with domestic and foreign advanced enterprises, advanced skills were introduced and taken as reference.

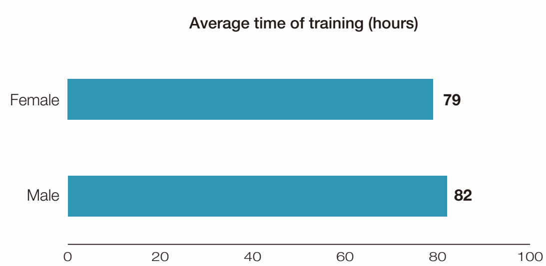
- General working skills training

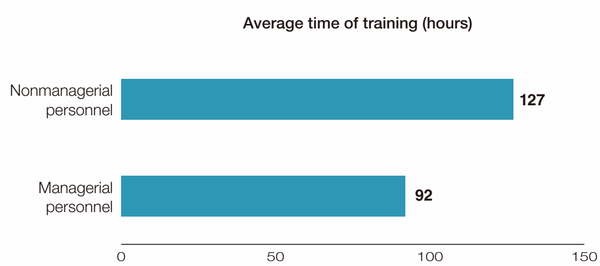
  "Customer-oriented" care model is one of the core corporate cultures of the Group, and hence the Group's human resources center and corporate culture department regularly carry out "service etiquette" training. In 2018, through methods such as lectures and role simulation, the Group actively conveyed the common knowledge and skills of service etiquette to its employees.

- Performance evaluation

  The Group stresses "to assess a person through performance", and adheres to the allocation principles of prioritising performance, working harder and earning more, allocating jobs according to workload and taking into account of fairness, in order to stimulate the enthusiasm and creativity of employees. The design, implementation and results of the performance management system of the Group focus on the comprehensive and objective evaluation of the overall performance of employees, in order to enhance the matching of employees' quality, ability, performance, and position requirements.

In 2018, the Group (the medical examination segment of which includes the Group's headquarters and 44 medical examination centers under operation, and the hospital segment of which is Nantong Rich Hospital) carried out appropriate professional trainings for all staff (including middle and senior management). The details are summarized as follows:





EMPLOYEE CARE

The Group always adheres to the principle of fairness, opposes discrimination, achieves equal pay for employees, abided by the same minimum wage standard and equal pay for equal work. In respect of employee composition of 2018, female employees accounted for 78%.

The Group has strictly complied with the labour laws and regulations of the places where it operates, and provides statutory benefits and paid leave for all full-time employees. The Group provides leave and benefits in line with national and local laws for all female employees during pregnancy, maternity and lactation, and male workers with pregnant spouse can also enjoy paternity leave.

As an "in-depth medical examination" advocate and practitioner, the Group always concerns about the health of its employees. The Group formulated the "Employee Care Program" (《員工關懷計劃》) to provide employees and their families with free medical examinations for RMB1,500 each year, or to provide discounted medical examination gift cards, in order to enhance employees' sense of identity and belonging to the Group, so that employees can grow up and develop together with the Group.

SOCIAL INVESTMENT

On the pledge of the continuously performing corporate citizenship responsibility and the concept of sincerely serving the society, the Group actively participates in various community activities such as charity donation, voluntary medical services, continuously bringing positive changes to the society. In 2018, the Group held a number of social charity activities, intending to invest over RMB13 million. A donation amount of RMB5 million was paid in 2018 pursuant to the relevant contractual agreement.

CHARITY DONATIONS

PROMOTE INDUSTRIAL TRANSFORMATION AND HEALTHY CHINA DREAM

On 27 August, 2018, Rici Healthcare Group entered into a donation agreement amounting to RMB10 million with Tsinghua University Education Foundation. A donation amount of RMB2 million was paid pursuant to the contractual agreement. It will carry out relevant Internet IT technology training, Internet technology service training, platform training regarding smart management platform and directional entrusted training around smart medical. Meanwhile, it will develop the in-depth application of artificial intelligence technology in the medical field, and jointly build a large digital pathology database, combined with big data analysis and artificial intelligence technology to achieve innovation in smart medical imaging technology, thereby promoting the research and practice of industrial transformation. The traditional industries will then be integrated with the Internet deeply to help Healthy China dreams to realize the its strategy.

DONATION TO BEAUTIFUL GARDENER FOUNDATION, PROMOTING THE DEVELOPMENT OF BASIC EDUCATION

On 28 May 2018, Shanghai Rici Medical donated RMB3 million to the Shenzhen Beautiful Gardener Foundation (深圳美麗圓丁教育基金會) to support teachers and students with difficulties in life, to fund teachers' continuing education, and to promotes the educational level in underdeveloped areas which are remoted, in poverty, economically-undeveloped and with uneven distribution of educational resources, thereby promoting the overall development of basic education in the country.

VOLUNTARY MEDICAL CONSULTATION SERVICES

On 1 December 2018, the 8th Shanghai Nantong Association of Promoting Renowned Doctors Conference, jointly organized by the Nantong Municipal Health Planning Commission, the Shanghai Municipal Liaison Office and the Rici Healthcare Group, was held in Nantong. Since its establishment in 2012, Shanghai Nantong Association of Promoting Renowned Doctors adheres to the mission of "rewarding the society with their medical skills, and achieving a win-win development". It insists on carrying out the "Nantong Large-scale Clinics" every year to provide a variety of services, such as consultation, medical treatment, education, scientific research, health promotion, etc. for the hometown people and medical institutions. The service has benefited thousands of people and has made positive contributions to Nantong's healthcare industry. The volunteer team is mainly composed of well-known experts in Shanghai. The activities are mainly based on expert consultation, multidisciplinary consultation, teaching rounds, etc., and the experts also entered the Rici Hospital and Nantong First People's Hospital to provide medical consultation services. Meanwhile, the renowned doctor lectures were also successfully held at the Qixiu Campus of Nantong University and the Nantong Stomatological Hospital. Among them, the series of talks including "Being a Doctor with Bitterness and Happiness", "Caring for Life, Science and Cancer" and "The Relationship between Smoking, Haze and Lung Cancer" generated significant enthusiasm.

ANTI-CORRUPTION

The Group has always been pursuing strict policies to prevent corruption, and has set "striving to uphold integrity and believing that integrity is the basis for establishment" as its core values, and embedded such value in the daily operation.

On the basis of strict adherence to the laws and regulations such as the "Criminal Law of the People's Republic of China" (《中華人民共和國刑法》) and 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》), and in accordance with the internal management needs of the Company, the Group has formulated the "Regulations on Fraud and Violation of the Group"《集團舞弊及違規行為條例》, which has defined the fraud and violation monitoring mechanism.

The Group has developed a formal staff handbook with clear guidelines on aspects such as conflicts of interest, privacy and confidentiality, prevention of bribery and corruption. All employees must comply with the relevant system and code of conduct formulated by the Group. The staff handbook is also an important part of the new staff induction training, and all new employees must pass the code of conduct assessment before they can be officially posted.

In order to strengthen the ideological education of honest and integrity in practice and improve the awareness of business ethics, the Group has conducted online and offline promotion and trainings related to anti-corruption for all employees. On the Group's portal website, the legal department of our medical examination segment has set up e-learning trainings related to anti-corruption. At the same time, in respect of offline exercise, our hospital segment has extended the targets of anticorruption training from medical staff to management staff, and through weekly meetings, carried out anti-corruption trainings and promotion on the theme of industry corruption warning education cases to medical and logistics staff.

The Group has set up anti-fraud and anti-commercial bribery provisions in procurement contracts, requiring third parties to be honest and incorruptive and law-abiding in the process of dealing with the Company in order to improve business ethics and the integrity of the management culture.

The Group has established and implemented a series of anti-corruption reporting and monitoring mechanisms. Employees can report directly through reporting mail and reporting line, and all reports are handled in a prudent and confidential manner. Through departmental self-monitoring and internal audit, the Company ensures timely detection and handling of matters on anticorruption and anti-fraud, and hence reduces the negative impact of corruption and fraud.

During the reporting period, we were not served any litigation on corruption involving Rici Healthcare or the employees of the Group.

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2018.

PRINCIPAL ACTIVITIES

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

The activities and particulars of the Company's subsidiaries are shown under Note 42 to the consolidated financial statements. An analysis of the Group's revenue and net results for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmentally friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Further details of the Group's environmental policies and performance are set out in the environmental, social and governance report of the Company for the year ended December 31, 2018 on pages 57 to 71 of this annual report.

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended December 31, 2018 are set out on page 100 of this annual report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2018.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**"). The Dividend Policy aims to set out the principles and guidelines that Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. The Board has adopted the policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles of the Association and all applicable laws and regulations and the factors including but not limited to:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans; and
- interests of shareholders.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles of Association. The Board will review the Dividend Policy as appropriate from time to time.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from June 18, 2019 to June 21, 2019, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2019 AGM. In order to be eligible to attend and vote at the 2019 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on June 17, 2019.

FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended December 31, 2018 are set out in Note 7 to the consolidated financial statements on pages 148 to 149 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended December 31, 2018 are set out in Note 18 to the consolidated financial statements on page 159 of this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended December 31, 2018 are set out in Note 20 to the consolidated financial statements on page 161 and Note 43 to the consolidated financial statements on pages 195 to 196 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2018, the Company's distributable reserves were RMB792.4 million.

BORROWINGS

As at December 31, 2018, the Group had outstanding borrowings of RMB738.2 million. Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 22 to the consolidated financial statements.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2018.

PRE-EMPTIVE RIGHTS

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

USE OF NET PROCEEDS FROM THE IPO

The net proceeds from the IPO amounted to RMB682.7 million after deducting share issuance costs and listing expenses. As at December 31, 2018, the proceeds raised by the Company from the IPO have not been fully utilized and the remaining net proceeds amounted to RMB221.9 million. During the year ended December 31, 2018, such net proceeds were applied in accordance with the proposed applications as set out in the section headed "Future Plan and Use of Proceeds" in the Prospectus. In 2019, the Company will use the proceeds raised from the IPO in accordance with its development strategies, market conditions and intended use of such proceeds. The following table sets forth a breakdown of the Group's use of proceeds up to December 31, 2018 and its remaining proceeds:

	Net amount available as at December 31, 2017 RMB'000	Actual net amount utilized in the year ended December 31, 2018 RMB'000	Unutilized amount as at December 31, 2018 RMB'000
Expansion plans			
• Establishment of a premium pediatrics specialty hospital	—	—	—
• Establishment of six new medical examination centers	—	—	—
• Establishment of our multi-function facility	220,808	—	220,808
• Expansion of Nantong Rich Hospital	36,914	(35,791)	1,123
Partial repayment of our bank and other borrowings	—	—	—
For additional working capital and other general corporate purposes	51,350	(51,350)	—
Total	309,072	(87,141)	221,931

DIRECTORS

The Board currently consists of the following seven Directors:

Executive Directors

Dr. Fang Yixin *(Chairman and appointed as Chief Executive Officer with effect from March 20, 2019)*
Dr. Mei Hong
Mr. Lu Zhenyu *(Chief Executive Officer and resigned with effect from March 20, 2019)*
Dr. Wang Weiping *(resigned with effect from March 20, 2019)*

Non-executive Directors

Ms. Jiao Yan
Mr. Yao Qiyong

Independent Non-executive Directors

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

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

DIRECTORS' SERVICE CONTRACTS

Each of Dr. Fang, Dr. Mei and Mr. Lu Zhenyu (resigned with effect from March 20, 2019) has entered into a service contract with the Company dated June 23, 2016 under which he/she agreed to act as an executive Director for an initial term of three years commencing from his/her respective appointment date. Dr. Wang Weiping (resigned with effect from March 20, 2019) entered into a service contract with the Company under which he agreed to act as an executive Director for an initial term of three years commencing from June 6, 2017. The term of office of each executive Director may be terminated by not less than three months' notice in writing served by either of the executive Director or the Company.

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

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

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

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the sections headed "Connected Transaction", "Related Party Transactions" and "Management Discussion and Analysis" and Note 41 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended December 31, 2018 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended December 31, 2018 or subsisted at the end of the year.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than disclosed in the sections headed "Connected Transaction", "Related Party Transactions" and "Management Discussion and Analysis" and Note 41 to the consolidated financial statements contained in this annual report, no transaction, arrangement or contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2018.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 32 to the consolidated financial statements on pages 173 to 175 of this annual report.

For the year ended December 31, 2018, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the year ended December 31, 2018.

The Company has also adopted the Pre-IPO Share Option Scheme and the Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" in this annual report and in Note 19 to the consolidated financial statements on page 160 of this annual report.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2018, by our Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

On January 26, 2018, Chelsea Grace, a Controlling Shareholder wholly-owned by Dr. Mei, pledged 88,200,000 ordinary shares in the issued share capital of the Company in favour of Ping An Health Technology Fund, as security for the convertible bonds issued by a non-wholly-owned subsidiary with a principal amount of RMB75.0 million to Ping An Health Technology Fund, pursuant to the investment agreement dated November 8, 2017. The transaction was subsequently terminated on December 14, 2018 and such pledge of Shares by Chelsea Grace was released on January 18, 2019. Details of the transaction are set out in the Company's announcements dated November 8, 2017, January 26, 2018 and December 14, 2018 and the circular dated December 8, 2017.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

DEED OF NON-COMPETITION

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

The Controlling Shareholders confirmed that they have complied with the Deed of Non-competition for the year ended December 31, 2018. The independent non-executive Directors have conducted such review for the year ended December 31, 2018 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-competition has been fully complied with.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters as disclosed in the section headed "Directors' Service Contracts" in this annual report, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended December 31, 2018.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2018.

LOAN AND GUARANTEE

Save as disclosed in this annual report, during the year ended December 31, 2018, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective associates (as defined in the Listing Rules).

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

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

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

On September 19, 2016, options (exercisable for 10 years subject to vesting schedule as set out below) to subscribe for an aggregate of 47,710,500 Shares were conditionally granted by the Company under the Pre-IPO Share Option Scheme to a total of three grantees, including two executive Directors. Such options were granted based on the performance of the grantees that have made important contributions or are important to the long term growth and profitability of the Group. The exercise price is HK$1.60 per Share as determined by the Board taking into account of the grantees' contribution to the development and growth of the Group. Apart from the above share options, no options were granted under the Pre-IPO Share Option Scheme. In addition, no further options can be granted under the Pre-IPO Share Option Scheme on or after the Listing Date. The total number of Shares currently available for issue under the Pre-IPO Share Option Scheme is 47,710,500 Shares, representing approximately 3.0% of the issued share capital of the Company as at the date of this annual report.

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

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

Details of movement of the share options granted under the Pre-IPO Share Option Scheme for the year ended December 31, 2018 are set out below:

	Number of options					
Name of option holders	Outstanding as at January 1, 2018	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at December 31, 2018	Exercise Price
Directors of the Company						
Dr. Fang Yixin	15,903,500	–	–	–	15,903,500	HK$1.60
Dr. Mei Hong	15,903,500	–	–	–	15,903,500	HK$1.60
Senior management and other employees of the Group						
CAO Ying	15,903,500	–	–	–	15,903,500	HK$1.60
Total	**47,710,500**	**–**	**–**	**–**	**47,710,500**	

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

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

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

Share Option Scheme

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

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

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

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

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

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

Name of Director/ Director's Associate	Position	Number of options granted
Mr. Lu Zhenyu	Executive Director and the Chief Executive Officer of the Company *(resigned with effect from March 20, 2019)*, Vice President of the Company *(appointed with effect from March 20, 2019)*	10,957,500
Mr. Mei Ye[(1)]	Deputy General Manager of Medical Examination Business Department	700,000
Total		**11,657,500**

Note:

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

Details of the options granted under the Share Option Scheme and those remained outstanding as at December 31, 2018 are as follows:

Name and Class of Grantees	Date of Grant	Number of Options Outstanding as at January 1, 2018	Granted during the Year Ended December 31, 2018	Exercised during the Year Ended December 31, 2018	Cancelled during the Year Ended December 31, 2018	Lapsed during the Year Ended December 31, 2018	Outstanding As at December 31, 2018	Exercise Price
(1) Director								
Mr. Lu Zhenyu *(resigned with effect from March 20, 2019)*	November 24, 2017	10,957,500	–	–	–	–	10,957,500	HK$2.42
(2) Associate of Director								
Mr. Mei Ye[(1)]	November 24, 2017	700,000	–	–	–	–	700,000	HK$2.42
(3) Other Employees	November 24, 2017	67,860,000	–	–	(4,200,000)	–	63,660,000	HK$2.42
Total		**79,517,500**	**–**	**–**	**(4,200,000)**	**–**	**75,317,500**	

Note:

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

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

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

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

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at December 31, 2018, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Long/short position in ordinary Shares

Name of Director	Long position	Capacity	Number of ordinary shares interested(1)	Approximate percentage+ of the Company's issued share capital
Dr. Mei Hong(2)	Long position	Interest in controlled corporation;	872,550,000 (L)	54.81%
	Short position	Interest in controlled corporation	252,200,000 (S)(5)	15.84%
Dr. Fang Yixin(3)	Long position	Interest of spouse	872,550,000 (L)	54.81%
	Short position	Interest of spouse	252,200,000 (S)(5)	15.84%

(B) Long position in underlying shares of the Company — physically settled unlisted equity derivatives

Name of Director	Capacity	Number of underlying shares in respect of the share options granted(1)(2)	Approximate percentage+ of the Company's issued share capital
Dr. Mei Hong(2)	Beneficial owner; Interest of spouse	31,807,000 (L)	2.00%
Dr. Fang Yixin(3)	Beneficial owner; Interest of spouse	31,807,000 (L)	2.00%
Mr. Lu Zhenyu(4) *(resigned with effect from March 20, 2019)*	Beneficial owner	10,957,500(L)	0.69%

Notes:

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

(2) Chelsea Grace was beneficially interested in the 872,550,000 Shares as at December 31, 2018. Under the SFO, Dr. Mei is deemed to be interested in all the Shares held by Chelsea Grace by reason of her 100% interest in its issued share capital and is also deemed to be interested in all the interests held by Dr. Fang as she is the wife of Dr. Fang. Dr. Mei is granted an option to subscribe for 15,903,500 Shares under the Pre-IPO Share Option Scheme.

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

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

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

\+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at December 31, 2018.

(C) Interest in associated corporation

Name of Director	Associated corporation	Capacity/nature of interest	Number of shares	Percentage of shareholding interest
Dr. Mei Hong(1)	Chelsea Grace(2)	Beneficial owner	1	100%
Dr. Fang Yixin(1)	Chelsea Grace(2)	Interest of spouse	1	100%

Notes:

(1) Dr. Fang is the husband of Dr. Mei. Therefore, under the SFO, Dr. Fang is deemed to be interested in Dr. Mei's interests in Chelsea Grace.

(2) Under the SFO, a holding company of the listed corporation is regarded as an "associated corporation". As at December 31, 2018, Chelsea Grace held 54.81% of our issued share capital and thus was our associated corporation.

Save as disclosed in this annual report and to the best knowledge of the Directors, as at December 31, 2018, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at December 31, 2018, the following corporations/persons (other than Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Number of ordinary Shares interested[(1)]	Approximate percentage+ of the Company's issued share capital+
Chelsea Grace[(2)(3)]	Beneficial owner	872,550,000 (L)	54.81%
	Beneficial owner	252,200,000 (S)	15.84%
Renaissance Healthcare Holdings Limited ("**Baring Investor**")	Beneficial owner	268,286,800 (L)	16.85%
The Baring Asia Private Equity Fund V, L.P.[(4)]	Interest of a controlled corporation	268,286,800 (L)	16.85%
Baring Private Equity Asia GP V, L.P.[(4)]	Interest of a controlled corporation	268,286,800 (L)	16.85%
Baring Private Equity Asia GP V Limited[(4)]	Interest of a controlled corporation	268,286,800 (L)	16.85%
Jean Eric Salata[(4)]	Interest of a controlled corporation	268,286,800 (L)	16.85%
Haitong International Financial Solutions Limited[(2)]	Person having a security interest in shares	164,000,000 (L)	10.30%
Haitong International Holdings Limited[(2)]	Interest of a controlled corporation	164,000,000 (L)	10.30%
Haitong International Securities Group Limited[(2)]	Interest of a controlled corporation	164,000,000 (L)	10.30%
Haitong Securities Co., Ltd.[(2)]	Interest of a controlled corporation	164,000,000 (L)	10.30%
Ping An Insurance (Group) Company of China, Ltd.[(3)]	Interest of a controlled corporation	88,200,000 (L)	5.54%
Shenzhen Ping An Health and Technology Equity Investment LLP[(3)]	Person having a security interest in shares	88,200,000 (L)	5.54%

Notes:

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

(2) On January 23, 2018, Chelsea Grace provided an interest in the Shares as security. Such security interest is held by Haitong International Financial Solutions Limited, a wholly-owned subsidiary of Haitong International Finance Company Limited, which is wholly-owned by Haitong International (BVI) Limited, a wholly-owned subsidiary of Haitong International Securities Group Limited. Haitong International Securities Group Limited is held as to 62.43% by Haitong International Holdings Limited, a wholly-owned subsidiary of Haitong Securities Co., Ltd.

(3) On January 26, 2018, Chelsea Grace pledged 88,200,000 ordinary shares in the issued share capital of the Company in favour of Ping An Health Technology Fund as security for the convertible bonds issued by a joint venture with a principal amount of RMB75.0 million to Ping An Health Technology Fund pursuant to the investment agreement dated November 8, 2017. The manager of Ping An Health Technology Fund is indirectly wholly-owned by Ping An Insurance (Group) Company of China, Ltd. Therefore, Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in all the interests held by Ping An Health Technology Fund. The transaction was subsequently terminated on December 14, 2018 and such pledge of Shares by Chelsea Grace was released on January 18, 2019. Details of the transaction are set out in the Company's announcements dated November 8, 2017, January 26, 2018 and December 14, 2018 and the circular dated December 8, 2017.

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

\+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at December 31, 2018.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2018, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customers accounted for 3.4% of the Group's total revenue. The Group's five largest customers accounted for 8.2% of the Group's total revenue.

In the year under review, the Group's largest suppliers accounted for 13.0% of the Group's total purchase. The Group's five largest suppliers accounted for 38.4% of the Group's total purchase.

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

HUMAN RESOURCES

The Group had approximately 5,687 employees as at December 31, 2018, as compared to 4,734 employees as at December 31, 2017. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, allowances, bonus, share option and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel, including a management trainee program.

RETIREMENT BENEFITS SCHEME

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

Details of the pension obligations of the Company are set out in Note 2.21 to the consolidated financial statements in this annual report.

EQUITY-LINKED AGREEMENTS

During the year ended December 31, 2018, other than the Pre-IPO Share Option Scheme and the Share Option Scheme as set out in the section under "Pre-IPO Share Option Scheme and Share Option Scheme" and Note 19 to the consolidated financial statements, the Company has not entered into any equity-linked agreement.

CONNECTED TRANSACTION

On October 11, 2018 (after trading hours), Guizhou Saigesaisi, a then connected person of the Company at the subsidiary level, entered into a series of equity transfer agreements, with Shanghai Rich Medical, Nantong Rich Medical and Nantong Haoze Medical Management Group Co., Ltd. (南通浩澤醫療管理集團有限公司) in respect of the transfer of its equity interest in certain subsidiaries, at a total consideration of RMB53.0 million. An announcement was made on the same date in accordance with Chapter 14A of the Listing Rules.

On November 5, 2018 (after trading hours), Mr. Wang Dejun (王德軍), a then connected person of the Company at the subsidiary level, entered into an equity transfer agreement with Shanghai Rich Medical in respect of the transfer of his equity interest in certain subsidiaries, at a total consideration of RMB68.0 million. On November 5, 2018 (after trading hours), Chengdu Kangruiheng Commerce and Trade Co., Ltd., a connected person of the Company at the subsidiary level then, entered into a legally binding memorandum of understanding with Shanghai Rich Medical in respect of the transfer of its equity interest in Chengdu Gaoxin Rich Ruigao Clinic Co., Ltd. and Chengdu Wenjiang Rich Ruiwen Clinic Co., Ltd. to Shanghai Rich Medical at nil consideration. An announcement in respect of such transactions was made on the same date in accordance with Chapter 14A of the Listing Rules.

Save as disclosed above, during the year ended December 31, 2018, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended December 31, 2018 are set out in Note 41 to the consolidated financial statements contained herein.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

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

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

INDEMNITY OF DIRECTORS

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

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

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

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

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

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 33 to 56 of this annual report.

DONATIONS

During the year ended December 31, 2018, the Group made charitable donations in the amount of RMB5.0 million (2017: Nil).

AUDITOR

The Shares were listed on the Stock Exchange on October 6, 2016, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the year ended December 31, 2018 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2018, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

Save as disclosed in this annual report, there was no change in the Board and the information of Directors since the date of the Company's 2018 interim report.

On behalf of the Board

Fang Yixin
Chairman and Chief Executive Officer

Hong Kong, March 29, 2019

Independent Auditor's Report

To the Shareholders of Rici Healthcare Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Rici Healthcare Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 97 to 196, which comprise:

- the consolidated balance sheet as at December 31, 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Recognition of deferred tax assets arising from tax losses
- Impairment assessment of property and equipment

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of deferred tax assets arising from tax losses	
Refer to Note 5(b) (Critical accounting estimates and judgements — Current and deferred income tax) and Note 12 (Deferred income tax) to the consolidated financial statements. As at December 31, 2018, the Group had deferred tax assets amounting to RMB106.2 million in respect of recoverable tax losses, representing 4.5% of the Group total assets. Meanwhile, the Group did not recognise deferred tax assets of RMB26.7 million in relation to tax losses of RMB106.9 million incurred by certain subsidiaries within the Group. In assessing the amounts of deferred tax assets arising from tax losses that should be recognised, management exercised significant judgements to assess the probability that future taxable profit would be available against which the tax losses could be utilized. These included judgements on the amount and timing of future taxable profits to be generated by those subsidiaries that are currently recording tax losses. We focused on this area due to the significance of the amount and the judgement involved, especially in assessing the reasonableness of the profit forecasts for the relevant subsidiaries, which form the bases to assess whether future taxable profit would be available and eligible to utilise against these tax losses.	We tested the deferred tax assets calculation schedule for mathematical accuracy, and agreed the future taxable profit projection and available tax loss information to underlying supporting evidence. In regard of the availability and eligibility of tax losses already incurred, we tested on a sample basis the tax loss information (including the respective expiry periods) to accounting records and supporting evidence including the tax filings and correspondence with the tax authorities. In regard of the taxable profit to be generated in the future periods, we obtained the profit forecasts of the relevant subsidiaries prepared by management and checked the mathematical accuracy. We tested on a sample basis management's reconciliation of the profit forecasts to taxable profit calculations. With regards to the above profit forecasts: • We assessed the reasonableness of the key input data and the underlying assumptions adopted in the profit forecasts, especially the long-term revenue growth rates (which are the most significant assumption in the forecasts), by comparing them with management's approved budgets, recent actual performances and future business plans; • We challenged management on the adequacy of their sensitivity calculations as these calculations were most sensitive to assumptions of the revenue growth rates. We calculated the degree to which these assumptions would need to move in order to result in future taxable profits being insufficient to utilize the current tax losses, and assessed management's assertions that such a movement is unlikely. We found that the Group's key estimates and judgements used in recognizing deferred tax assets arising from tax losses were supported by the evidence we gathered.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property and equipment	
Refer to 5(e) (Critical accounting estimates and judgements — Impairment of property and equipment) and Note 7 (Property and equipment) to the consolidated financial statements. As at December 31, 2018, the carrying amount of property and equipment of the Group was RMB1,048.9 million, representing 44.4% of the Group's total assets. Management is required to perform impairment review if a potential impairment is indicated. Management concluded that there was no indication of impairment of property and equipment of the Group other than those related to certain medical examination centers which have been in operation for more than two years as at December 31, 2018 but incurred operating losses in recent years, and those related to specialty hospitals which started operation recently, but incurred operating loss larger than budgeted loss. For the purpose of performing the recoverability assessment on the property and equipment for these medical examination centers and specialty hospitals, as these property and equipment do not generate cash flow independently, management identified each of medical examination center and specialty hospital as a Cash Generating Unit ("**CGU**"). The recoverable amount of the underlying CGU was determined based on the value-in-use calculations. No provision for impairment was made based on management's assessment. We focused on this area as these assets are significant to the consolidated financial statements of the Group and management's assessment involved significant estimates and judgement including revenue growth rate and discount rate.	We obtained an understanding of and evaluated the management's procedures in identifying the CGUs having impairment indicators. With regard to calculation of the recoverable amounts obtained from management: • we worked with our in-house valuation specialist to assess the appropriateness of the valuation methodology adopted by management. We also evaluated the appropriateness of the discount rate adopted by management by comparing it with the costs of capital of comparable companies as well as considering territory specific and other factors. • we corroborated the key input data and major assumptions of the future cash flows projection adopted in the valuation model, including revenue growth rate, by comparing them with historical actual operating results, budgets approved by management and future business projections. • we tested the mathematical accuracy of the underlying value-in-use calculations. • we also evaluated management's sensitivity analysis around the key assumptions adopted to ascertain the extent of changes in these assumptions required to trigger an impairment of the relevant assets, and considered the likelihood of such changes in those key assumptions. Based on our work performed, we considered the valuation methodology used by the management was appropriate and the key assumptions applied in the value-in-use calculations were supported by the evidence we gathered.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis section of the Annual Report 2018 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, Corporate Profile, Milestones, Financial Highlights, Financial Summary, Profiles of Directors and Senior Management, Corporate Governance Report, Environmental, Social and Governance Report and Directors' Report, which are expected to be made available to us after that date.

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 29, 2019

Consolidated Balance Sheet

As at December 31, 2018

	Note	As at December 31, 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property and equipment	7	**1,048,912**	778,333
Land use rights	8	**3,298**	3,398
Intangible assets	9	**15,405**	17,528
Investments accounted for using equity method	10	**6,926**	5,166
Financial assets at fair value through profit or loss		**3,000**	—
Deposits for long-term leases	11	**33,318**	27,110
Deferred income tax assets	12	**142,880**	81,988
Prepayments	17	**19,041**	62,734
		1,272,780	976,257
Current assets			
Inventories	13	**31,317**	23,978
Trade receivables	14	**268,727**	195,462
Other receivables	15	**26,812**	26,625
Prepayments	17	**32,723**	27,225
Amounts due from related parties	41	**1,150**	1,627
Cash and cash equivalents	16	**495,407**	596,544
Restricted cash	16	**233,760**	215,629
		1,089,896	1,087,090
Total assets		**2,362,676**	2,063,347
Equity attributable to owners of the Company			
Share capital	18	**1,066**	1,066
Reserves	20	**693,435**	901,181
		694,501	902,247
Non-controlling interests	21	**12,561**	27,807
Total equity		**707,062**	930,054

Consolidated Balance Sheet

As at December 31, 2018

	Note	As at December 31, 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**128,227**	15,667
Other financial liabilities	23	**103,649**	—
Other long-term liabilities	24	**99,530**	75,280
		331,406	90,947
Current liabilities			
Borrowings	22	**610,010**	579,000
Contract liabilities	25	**227,371**	—
Trade and other payables	26	**463,383**	377,146
Amounts due to related parties	41	**3,530**	898
Income tax payables		**10,513**	8,864
Deferred income	27	**5,605**	74,345
Current portion of other long-term liabilities	24	**3,796**	2,093
		1,324,208	1,042,346
Total liabilities		**1,655,614**	1,133,293
Total equity and liabilities		**2,362,676**	2,063,347

The notes on pages 103 to 196 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 97 to 196 were approved by the Board of Directors on March 29, 2019 and were signed on its behalf by:

Fang Yixin
Director

Mei Hong
Director

Consolidated Statement of Profit or Loss

For the year ended December 31, 2018

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Revenue	28	**1,373,936**	1,080,149
Cost of sales	31, 32	**(987,733)**	(678,995)
Gross profit		**386,203**	401,154
Distribution costs and selling expenses	31, 32	**(225,014)**	(175,324)
Administrative expenses	31, 32	**(328,917)**	(292,818)
Net impairment losses on financial assets	31	**(8,976)**	—
Other income	29	**14,566**	11,784
Other losses	30	**(2,429)**	(2,468)
Operating loss		**(164,567)**	(57,672)
Finance expenses	33	**(42,000)**	(58,875)
Finance income	33	**30,923**	7,426
Finance costs — net	33	**(11,077)**	(51,449)
Share of results	10	**(103)**	207
Loss before income tax		**(175,747)**	(108,914)
Income tax credit	34	**39,470**	6,234
Loss for the year		**(136,277)**	(102,680)
Loss attributable to:			
Owners of the Company		**(53,836)**	(62,166)
Non-controlling interests		**(82,441)**	(40,514)
Loss for the year		**(136,277)**	(102,680)
Losses per share for loss attributable to owners of the Company			
— Basic	35	**RMB(0.03)**	RMB(0.04)
— Diluted	35	**RMB(0.04)**	RMB(0.04)

The notes on pages 103 to 196 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2018

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Loss for the year	**(136,277)**	(102,680)
Other comprehensive income	**—**	—
Total comprehensive loss for the year	**(136,277)**	(102,680)
Attributable to:		
Owners of the Company	**(53,836)**	(62,166)
Non-controlling interests	**(82,441)**	(40,514)
Total comprehensive loss for the year	**(136,277)**	(102,680)

The notes on pages 103 to 196 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

	Note	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to Owners of the Company				
		(Note 18)	(Note 20)			
Balance at January 1, 2017		1,066	946,235	947,301	3,454	950,755
Comprehensive income						
Loss for the year		–	(62,166)	(62,166)	(40,514)	(102,680)
Total comprehensive loss		–	(62,166)	(62,166)	(40,514)	(102,680)
Changes in ownership interests in subsidiaries without change of control		–	5,177	5,177	7,473	12,650
Acquisition of a subsidiary		–	–	–	574	574
Share option scheme	19	–	11,935	11,935	320	12,255
Capital contribution by non-controlling interests of subsidiaries		–	–	–	56,500	56,500
Total transaction with owners in their capacity as owners		–	17,112	17,112	64,867	81,979
Balance at December 31, 2017		1,066	901,181	902,247	27,807	930,054
Balance at December 31, 2017 as originally presented		**1,066**	**901,181**	**902,247**	**27,807**	**930,054**
Change in accounting policy	2.1.1	**–**	**(491)**	**(491)**	**–**	**(491)**
Restated total balance at January 1, 2018		**1,066**	**900,690**	**901,756**	**27,807**	**929,563**
Comprehensive income						
Loss for the year		**–**	**(53,836)**	**(53,836)**	**(82,441)**	**(136,277)**
Total comprehensive loss		**–**	**(53,836)**	**(53,836)**	**(82,441)**	**(136,277)**
Changes in ownership interests in subsidiaries without change of control	39	**–**	**(125,725)**	**(125,725)**	**(1,778)**	**(127,503)**
Other transactions with non-controlling interests		**–**	**(52,493)**	**(52,493)**	**52,493**	**–**
Acquisition of a subsidiary		**–**	**–**	**–**	**(229)**	**(229)**
Share option scheme	19	**–**	**24,799**	**24,799**	**1,019**	**25,818**
Capital contribution by non-controlling interests of subsidiaries	21(a)	**–**	**–**	**–**	**15,690**	**15,690**
Total transaction with owners in their capacity as owners		**–**	**(153,419)**	**(153,419)**	**67,195**	**(86,224)**
Balance at December 31, 2018		**1,066**	**693,435**	**694,501**	**12,561**	**707,062**

The notes on pages 103 to 196 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2018

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Cash flow from operating activities			
Cash generated from operations	36	**99,520**	88,822
Interest paid		**(37,270)**	(24,825)
Income tax paid		**(19,610)**	(36,717)
Net cash generated from operating activities		**42,640**	27,280
Cash flow from investing activities			
Purchases of property and equipment		**(298,639)**	(396,825)
Purchases of intangible assets		**(1,020)**	(12,726)
Proceeds from disposal of property and equipment		**90**	71
Temporary funding provided to non-controlling interests of a subsidiary		**(1,310)**	—
Temporary funding provided to related parties	41	**—**	(1,000)
Repayments received from related parties		**—**	1,000
Acquisition of ownership interests in subsidiaries without change of control		**(94,400)**	—
Interest received		**10,296**	4,318
Investment in associate	10	**(1,863)**	(1,000)
Investment in financial assets at fair value through profit or loss		**(3,000)**	—
Acquisition of a subsidiary	40	**(6,786)**	(1,079)
Net cash used in investing activities		**(396,632)**	(407,241)
Cash flows from financing activities			
Loan from non-controlling interests of a subsidiary	26(b)	**17,185**	6,000
Repayment of loan to non-controlling interests of a subsidiary	26(b)	**(10,500)**	—
Capital contribution from non-controlling interests of subsidiaries		**15,690**	58,950
Proceeds from other financial liabilities	23	**100,000**	—
Proceeds from bank borrowings		**881,140**	770,400
Repayments of bank borrowings		**(753,950)**	(490,298)
Repayments for finance lease liabilities		**(7,462)**	
Restricted bank deposits		**(18,131)**	(215,629)
Temporary funding from related parties	41	**—**	4,000
Repayments to related parties		**—**	(4,000)
Disposal of ownership interests in subsidiaries without change of control		**10,200**	—
Payments for initial public offering fees		**—**	(317)
Net cash generated from financing activities		**234,172**	129,106
Net decrease in cash and cash equivalents		**(119,820)**	(250,855)
Cash and cash equivalents at beginning of the year		**596,544**	881,028
Exchange gains/(losses) on cash and cash equivalents		**18,683**	(33,629)
Cash and cash equivalents at end of the year		**495,407**	596,544

The notes on pages 103 to 196 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended December 31, 2018

1 General information

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

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

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

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

For a detailed discussion about the Group's performance and financial position please refer to our operating and financial review on pages 19 to 32.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Going concern

As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately RMB234,312,000. The directors considered that the contract liabilities and the deferred income included in current liabilities of the Group as at 31 December 2018 amounting to RMB232,976,000 will not require cash outflow from the Group. The Group meets its day-to-day working capital requirements, depending on cash flow generated from operating activities, bank borrowings, credit facility with banks in PRC, and additional capital contributions from non-controlling interests. Based on the Group's past experience and good credit standing, the directors are confident on future operating cash flows and that these bank financing could be renewed and/or extended for at least another twelve months upon renewal. The Group's non-controlling interests have committed to fulfill capital contributions to the Group. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

(b) 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 January 1, 2018.

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions — Amendments to HKFRS 2
- Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts — Amendments to HKFRS 4
- Annual improvements 2014—2016 cycle
- Transfers of Investment property — Amendments to HKAS 40, and
- HKFRIC 22 Foreign Currency Transactions and Advance Consideration.

The Group had to change its accounting policies and make retrospective adjustments if necessary, following the adoption of HKFRS 9 and HKFRS 15. The effects of the adoption of HKFRS 9 and HKFRS 15 are disclosed in Note 2.1.1. The other standards, amendments and interpretations listed above are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements both for prior years and current year.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) New standards and interpretations but not yet adopted by the Group

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

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

The Group's assessment of the impact of these new standards and interpretations is set out below:

(i) HKFRS 16 Leases

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB2,270,696,000.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) New standards and interpretations but not yet adopted by the Group (continued)

(i) HKFRS 16 Leases (continued)

For the lease commitments the Group expects to recognize right-of-use assets of approximately RMB1,822,057,000 on January 1, 2019, lease liabilities of RMB1,799,542,000 (after adjustments for prepayments and accrued lease payments recognized as at December 31, 2018). Overall net assets will be approximately RMB103,326,000 higher, and net current assets will be RMB161,303,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately RMB33,248,000 for 2019 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows decrease by approximately RMB165,099,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of January 1, 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy

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

As explained in 2.1.1(i), in accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at December 31, 2017 but in the opening balance sheet as at January 1, 2018.

As explained in 2.1.1(ii), the Group has elected to use the modified retrospective approach in HKFRS 15 which would recognize the cumulative effect of initial application as an adjustment to the opening balance sheet of retained earnings at January 1, 2018.

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

Consolidated balance sheet (extract)	As at December 31, 2017 as originally presented RMB’000	HKFRS 9 RMB’000	HKFRS 15 RMB’000	As at January 1, 2018 restated RMB’000
Trade receivables	195,462	(654)	—	194,808
Deferred income tax assets	81,988	163	—	82,151
Contract liabilities	—	—	143,358	143,358
Deferred income	74,345	—	(68,711)	5,634
Trade and other payables	377,146	—	(74,647)	302,499
Accumulated losses	(63,026)	(491)	—	(63,517)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy (continued)

(i) HKFRS 9 Financial instruments

Impact of adoption

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

The adoption of HKFRS 9 from January 1, 2018 resulted in changes in accounting policies and adjustments to the amount recognized in the financial statements.

The new accounting policies are set out in Note 2.10 and Note 2.13. In accordance with transactional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

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

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

Classification and measurement

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

There is no impact on the Group's measurement or classification 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)

2.1.1 Changes in accounting policy (continued)

(i) HKFRS 9 Financial instruments

Impairment of financial assets

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

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

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

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the invoice date.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The expected loss rate was determined and disclosed in Note 3.1(b).

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy (continued)

(ii) HKFRS 15 Revenue from contract with customers

Impact of adoption

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

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

Presentation of assets and liabilities related to contracts with customers.

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

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

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

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

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

2.2.2 Associates

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

2.2.3 Joint arrangements

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

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.4 Equity Accounting

Under the equity method of accounting, investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's movements in other comprehensive income of investee in other comprehensive income. When the Group's share of losses in an equity-accounted investment exceeds its interest in the entity, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

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

2.2.5 Changes in ownership interests in subsidiaries without change of control

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 recognized in a separate reserve within equity attributable to owners of the Company.

2 Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.6 Disposal of subsidiaries

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

2.2.7 Separate financial statements

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

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

2.3 Business combinations

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

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

2 Summary of significant accounting policies (continued)

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

2 Summary of significant accounting policies (continued)

2.5 Foreign currency translation (continued)

(c) Group companies (continued)

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

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

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

2.6 Property and equipment

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.6 Property and equipment (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within “other gains/(losses)” in the consolidated statement of profit or loss.

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

2.7 Land use rights

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

2.8 Intangible assets

(a) Computer software

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

(b) Goodwill

Goodwill is measured as described in note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2 Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets

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

2.10 Investment and other financial assets

2.10.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

As at 31 December 2018, all the Group's financial assets except "financial assets at fair value through profit or loss", which include "trade receivables", "other receivables", "amounts due from related parties" and "cash and bank balances" in the consolidated balance sheet (Note 14, Note 15, Note 41 and Note 16) are those to be measured at amortized cost. Financial assets at fair value through profit or loss are measured at fair value.

2 Summary of significant accounting policies (continued)

2.10 Investment and other financial assets (continued)

2.10.1 Classification (continued)

Accounting policies applied until 31 December 2017

Until 31 December 2017, the Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Summary of significant accounting policies (continued)

2.10 Investment and other financial assets (continued)

2.10.3 Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (continued)

2.10 Investment and other financial assets (continued)

2.10.3 Measurement (continued)

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see note 14 for further details.

Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

The measurement at initial recognition did not change on adoption of HKFRS 9, see 2.10.2 above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were subsequently carried at amortised cost using the effective interest method.

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

2 Summary of significant accounting policies (continued)

2.10 Investment and other financial assets (continued)

2.10.3 Measurement (continued)

Accounting policies applied until 31 December 2017 (continued)

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract As a practical expedient, the group could 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 decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Inventories

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

2 Summary of significant accounting policies (continued)

2.13 Trade receivables and other receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.10 for further information about the Group's accounting for trade receivables and other receivables and a description of the Group's impairment policies.

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary shares are classified as equity.

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

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.17 Borrowings

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

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

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

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

2.18 Borrowing costs

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

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

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

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

2 Summary of significant accounting policies (continued)

2.19 Other financial liabilities

A contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount (for example, for the present value of the forward repurchase price, option exercise price or other redemption amount). Such as written put option that gives the owner of a non-controlling interest the right to sell an entity's own equity instruments to the entity for a fixed or variable price. The financial liability is recognized initially at the present value of the redemption amount, and is reclassified from equity. The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

A non-controlling interest is recognized in equity to the extent that the risks and rewards of ownership substantially remain with the non-controlling interest during the contract period. Where all of the risks and rewards of ownership have transferred to the parent, a non-controlling interest is not recognized. Irrespective of whether the non-controlling interest is recognized, a financial liability (recognized at the present value of the redemption amount) is recorded to reflect the forward or put option.

2.20 Current and deferred income tax

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

(a) Current income tax

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

2 Summary of significant accounting policies (continued)

2.20 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized in full, 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.

Outside basis differences

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

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

(c) Offsetting

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

2 Summary of significant accounting policies (continued)

2.21 Employee benefits

(a) Pension obligations

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

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

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

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

2.22 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

2 Summary of significant accounting policies (continued)

2.22 Share-based payments (continued)

(a) Equity-settled share-based payment transactions (continued)

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

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

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

(b) Share-based payment transactions among group entities

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

2.23 Provisions and contingent liabilities

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

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

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

2 Summary of significant accounting policies (continued)

2.23 Provisions and contingent liabilities (continued)

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

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

2.24 Leases

2.24.1 Operating leases

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

2.24.2 Finance leases

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

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership at the end of lease term.

2 Summary of significant accounting policies (continued)

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for service rendered and pharmaceuticals sold. The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services/goods underlying the particular performance obligation is transferred to customers.

Control of the services/goods is transferred over time or at a point in time.

There has been no substantial changes to the revenue recognition policies of the Group other than the changes from "risks and rewards" approach to "control" approach.

(a) Revenue from general hospital service and specialty hospital service

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

(b) Revenue from medical examination service

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

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

(c) Dividend income

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

2 Summary of significant accounting policies (continued)

2.25 Revenue recognition (continued)

Accounting policies applied until 31 December 2017

Until 31 December 2017, the Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described above.

2.26 Interest income

Interest income on financial assets at amortized cost and financial assets at FVOCI (2017 — available-for-sale securities and loans and receivables) calculated using the effective interest method, is recognized in the statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.27 Government grants

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

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

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

2.28 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

At December 31, 2018, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, post-tax profit for the year would have been RMB60,706 (2017: RMB974,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

At December 31, 2018, if RMB had weakened/strengthened by 5% against the EURO with all other variables held constant, post-tax profit for the year would have been RMB855,355 (2017: RMB Nil) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank

At December 31, 2018, if RMB had weakened/strengthened by 5% against USD with all other variables held constant, post-tax profit for the year would have been RMB19,915,000 (2017: RMB20,296,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

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

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

As at December 31, 2017 and 2018 if interest rates had risen/fallen by 50 basis points with all other variables held constant, the Group's net results for the year would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Net results increase/(decrease)		
— risen 50 basis points	**(2,840)**	(1,772)
— fallen 50 basis points	**2,840**	1,772

(b) Credit risk

The Group's credit risk arises from cash and cash equivalents, trade receivables and other receivables, amounts due from related parties and deposits for long-term leases. The credit risk of hospital segment is from the recoverability of trade receivables and other receivables. The credit risk of medical examination segment is from the length of the overdue period of trade receivables and other receivables by corporate customers. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets

The Group has below financial assets that are subject to the expected credit loss model.

- Trade receivables and other receivables
- Amounts due from related parties
- Deposit for long-term lease

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(i) Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the invoice date.

The expected loss rates are based on historical credit losses experienced which are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate and other factors in PRC and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for trade receivables:

As at December 31, 2018		Aging Up to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Medical examination	Trade receivables carrying amount	173,617	41,272	22,225	2,457	1,983	
	Expected loss rate	2.7%	9.9%	30.5%	80.7%	100%	
	Provision for impairment of trade receivables	(4,686)	(4,086)	(6,779)	(1,982)	(1,983)	**(19,516)**
General hospital — social insurance	Trade receivables carrying amount	43,778	—	—	—	—	
	Expected loss rate	2.1%	—	—	—	—	
	Provision for impairment of trade receivables	(909)	—	—	—	—	**(909)**
General hospital & Specialty hospital — non-social insurance	Trade receivables carrying amount	3,883	18	33	3	149	
	Expected loss rate	2.1%	5.5%	100%	100%	100%	
	Provision for impairment of trade receivables	(80)	(1)	(33)	(3)	(149)	**(266)**
Total provision for impairment of trade receivables							**(20,691)**

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

As at January 1, 2018		Aging Up to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Medical examination	Trade receivables carrying amount	143,678	20,890	5,792	2,130	599	
	Expected loss rate	2.8%	10.6%	41.7%	77.5%	100%	
	Provision for impairment of trade receivables	(4,023)	(2,214)	(2,415)	(1,651)	(599)	**(10,902)**
General hospital — social insurance	Trade receivables carrying amount	29,646	—	—	—	—	
	Expected loss rate	1.9%	—	—	—	—	
	Provision for impairment of trade receivables	(557)	—	—	—	—	**(557)**
General hospital & Specialty hospital — non-social insurance	Trade receivables carrying amount	3,589	—	411	158	418	
	Expected loss rate	1.6%	—	100%	100%	100%	
	Provision for impairment of trade receivables	(57)	—	(411)	(158)	(418)	**(1,044)**
Total provision for impairment of trade receivables							**(12,503)**

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

The loss allowance for trade receivables as at 31 December 2017 reconcile to the opening loss allowance on 1 January 2018 as follows:

	RMB'000
Closing loss allowance as at 31 December 2017	
— calculated under HKAS 39	11,849
Amounts restated through opening accumulated losses	654
Opening loss allowance as at 1 January 2018	
— calculated under HKFRS 9	12,503

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Year ended 31 December,	
	2018	2017
	RMB'000	RMB'000
31 December — calculated under HKAS 39	**11,849**	8,884
Amounts restated through opening accumulated loss	**654**	—
Opening loss allowance as at 1 January 2018 calculated under HKFRS 9	**12,503**	8,884
Increase in trade receivable loss allowance recognized in profit or loss during the year	**8,859**	4,018
Receivables written off during the year as uncollectible	**(671)**	(1,053)
At 31 December	**20,691**	11,849

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years for medical examination business and 1 year for hospital business since invoice date.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other financial assets at amortized cost

Other financial assets at amortized cost include amounts due from related parties, deposits for long term leases and other receivables.

The identified impairment loss of other financial assets at amortized cost were immaterial. See note 2.10 for the previous accounting policy on impairment of other financial assets.

Previous accounting policy for impairment of receivables and other financial assets

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognized in a separate provision for impairment.

Receivables for which an impairment provision was recognized were written off against the provision when there was no expectation of recovering additional cash.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Net impairment losses on financial assets recognized in profit or loss

During the year, the following gains/(losses) were recognized in profit or loss in relation to impaired financial assets:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Impairment losses		
— movement in loss allowance for trade receivables	**8,859**	4,221
— movement in loss allowance for other receivables	**117**	749
Reversal of previous impairment losses	**—**	(203)
Net impairment losses on financial assets	**8,976**	4,767

Of the above impairment losses, RMB8,859,000 (2017 : RMB4,221,000) relate to receivables arising from contracts with customers.

(iv) Financial assets at fair value through profit or loss

The entity is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (RMB3,000,000; 2017 : Nil).

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at December 31, 2018					
Borrowings, including interest	**633,575**	**18,757**	**91,867**	**39,231**	**783,430**
Other long-term liabilities	**3,796**	**4,890**	**38,062**	**56,578**	**103,326**
Amounts due to related parties	**3,530**	**—**	**—**	**—**	**3,530**
Other financial liabilities	**—**	**—**	**163,682**	**—**	**163,682**
Trade and other payables	**463,383**	**—**	**—**	**—**	**463,383**
	1,104,284	**23,647**	**293,611**	**95,809**	**1,517,351**
As at December 31, 2017					
Borrowings, including interest	593,888	4,649	12,482	—	611,019
Other long-term liabilities	2,093	2,075	27,873	45,332	77,373
Amounts due to related parties	898	—	—	—	898
Trade and other payables	238,729	—	—	—	238,729
	835,608	6,724	40,355	45,332	928,019

The interest on borrowings is calculated based on borrowings held as at December 31, 2017 and 2018, respectively. Floating-rate interests are estimated using the current interest rate as at December 31, 2017 and 2018, respectively. Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

3 Financial risk management (continued)

3.2 Capital management

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

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

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

The gearing ratios at December 31, 2018 and 2017 are as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Total borrowings (Note 22)	**738,237**	594,667
Less: Cash and cash equivalents (Note 16)	**(495,407)**	(596,544)
Net liability/(cash)	**242,830**	(1,877)
Total equity	**707,062**	930,054
Total capital	**949,892**	928,177
Gearing ratio (%)	**25.56%**	-0.2%

The increase in gearing ratio during 2018 is resulted from the use of cash and cash equivalents and increase of borrowings to finance the opening and operation of the new medical examination centers and obstetrics and specialty hospitals.

4 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

— Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

— Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31 December 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss	—	—	3,000	3,000

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available 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.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(c) Financial instruments in level 3

As at 31 December 2018, the fair value of financial assets at fair value through profit or loss is approximately equal to their carrying amount.

5 Critical accounting estimates and judgements

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

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

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

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

(b) Current and deferred income tax

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

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

5 Critical accounting estimates and judgements (continued)

(c) Impairment of trade receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The expected loss rate was determined and disclosed in Note 3.1(b).

(d) Provision for medical dispute

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

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

(e) Impairment of property and equipment

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

No impairment charge is provided in current year.

6 Segment information

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

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

The amounts provided to management with respect to total assets and total liabilities are measured consistent with that of the financial statements. These assets are allocated based on the operations of segment. Certain assets and liabilities related to some companies with corporate function are not allocated into segments. Elimination of revenue are mainly inter-segment service charges, including RMB554,000 related to medical examination business, RMB15,261,000 related to general hospital business, and RMB2,647,000 related to unallocated corporate function.

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

(i) General hospital

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

(ii) Medical examination centers

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

(iii) Specialty hospital

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

6 Segment information (continued)

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

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

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

	General Hospital RMB'000	Medical Examination Centers RMB'000	Specialty Hospital RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at December 31, 2018						
Segment assets	817,296	1,785,080	450,644	788,570	(1,478,914)	2,362,676
Segment liabilities	359,363	1,500,726	363,141	65,050	(632,666)	1,655,614
Other information						
Addition to property and equipment, land use rights and intangible assets (Note 7, 8, 9)	75,668	179,368	133,538	6,588	—	395,162
Depreciation and amortization (Note 7, 8, 9)	14,310	88,912	23,831	—	—	127,053

6 Segment information (continued)

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

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

6 Segment information (continued)

(iv) Assets and liabilities related to contracts with customers

The Group has recognized the following liabilities related to contracts with customers:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Contract liabilities — advances from customers	**114,904**	74,647
Contract liabilities — sales of medical examination cards	**112,467**	68,711
Total contract liabilities	**227,371**	143,358

(a) Significant changes in contract liabilities

Contract liabilities for general customers and sales of medical examination cards have increased by RMB84,013,000 following the expansion of medical examination centers.

7 Property and equipment

	Buildings RMB'000	Medical equipment RMB'000	General equipment RMB'000	Leasehold improvements RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
At January 1, 2017							
Cost	214,235	276,302	46,318	211,964	5,914	8,506	763,239
Accumulated depreciation	(47,969)	(164,797)	(27,436)	(124,750)	(5,064)	–	(370,016)
Net book amount	166,266	111,505	18,882	87,214	850	8,506	393,223
Year ended December 31, 2017							
Opening net book amount	166,266	111,505	18,882	87,214	850	8,506	393,223
Additions	39,675	17,791	15,359	–	2,335	391,885	467,045
Acquisition of a subsidiary	–	–	27	–	–	–	27
Transfer	–	46,412	–	178,892	–	(225,304)	–
Disposals (Note 36(b))	–	(309)	(139)	–	–	(405)	(853)
Depreciation (Note 31)	(5,442)	(29,847)	(9,639)	(35,688)	(493)	–	(81,109)
Closing net book amount	200,499	145,552	24,490	230,418	2,692	174,682	778,333
At December 31, 2017							
Cost	253,910	328,763	56,329	390,856	7,930	174,682	1,212,470
Accumulated depreciation	(53,411)	(183,211)	(31,839)	(160,438)	(5,238)	–	(434,137)
Net book amount	200,499	145,552	24,490	230,418	2,692	174,682	778,333
Year ended December 31, 2018							
Opening net book amount	200,499	145,552	24,490	230,418	2,692	174,682	778,333
Additions	966	72,405	21,730	–	3,261	295,780	394,142
Acquisition of a subsidiary (Note 40)	–	246	430	–	–	–	676
Transfer	–	68,705	–	211,031	–	(281,436)	(1,700)
Disposals (Note 36(b))	–	(272)	(157)	–	–	–	(429)
Depreciation (Note 31)	(6,212)	(44,328)	(9,619)	(61,472)	(479)	–	(122,110)
Closing net book amount	195,253	242,308	36,874	379,977	5,474	189,026	1,048,912
At December 31, 2018							
Cost	254,876	466,023	77,868	597,907	11,191	189,026	1,596,891
Accumulated depreciation	(59,623)	(223,715)	(40,994)	(217,930)	(5,717)	–	(547,979)
Net book amount	195,253	242,308	36,874	379,977	5,474	189,026	1,048,912

7 Property and equipment (continued)

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**100,513**	71,023
Administrative expenses	**21,597**	10,086
	122,110	81,109

(b) As at December 31, 2018, buildings with a total carrying amount of RMB77,897,000 (2017: RMB80,944,000) were pledged for the Group's borrowings (Note 22).

(c) Leased assets

Medical equipment includes leased asset with net book value of RMB23,218,000 (2017: Nil) where the Group is a lessee under a finance lease (refer to Note 22 for further details).

8 Land use rights

	As at December 31, 2018 RMB'000	2017 RMB'000
Cost	**4,698**	4,698
Accumulated amortization	**(1,400)**	(1,300)
Net book amount	**3,298**	3,398

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Opening net book value	**3,398**	3,498
Amortization charges (Note 31)	**(100)**	(100)
Closing net book value	**3,298**	3,398

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

9 Intangible assets

	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
At January 1, 2017			
Cost	11,285	—	11,285
Accumulated amortization	(2,897)	—	(2,897)
Net book amount	8,388	—	8,388
Year ended December 31, 2017			
Opening net book amount	8,388	—	8,388
Additions	12,726	—	12,726
Amortization (Note 31)	(3,586)	—	(3,586)
Closing net book amount	17,528	—	17,528
At December 31, 2017			
Cost	24,011	—	24,011
Accumulated amortization	(6,483)	—	(6,483)
Net book amount	17,528	—	17,528
Year ended December 31, 2018			
Opening net book amount	17,528	—	17,528
Transfer from construction in progress	1,700	—	1,700
Additions	1,020	—	1,020
Acquisition of a subsidiary (Note 40)	—	7,447	7,447
Amortization (Note 31)	(4,843)	—	(4,843)
Impairment (a)	—	(7,447)	(7,447)
Closing net book amount	15,405	—	15,405
At December 31, 2018			
Cost	26,731	7,447	34,178
Accumulated amortization	(11,326)	—	(11,326)
Impairment	—	(7,447)	(7,447)
Net book amount	15,405	—	15,405

(a) The goodwill was attributable to Shanghai Cherry Pediatric Clinic Co., Ltd. ("**Ruiyi Cherry**")'s pediatric business (Note 40). The impairment charges of RMB 7,447,000 arose following a Group's post acquisition decision to change Ruiyi Cherry's business from pediatric business to medical examination business due to new business opportunity. The Group reassessed the original attributes that goodwill related to, and recognized the full amount of impairment on goodwill. The impairment charges has been included in Administrative expenses.

10 Investments accounted for using equity method

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Opening balance	**5,166**	3,959
Investment in Neijiang Rich Ruichuan Clinic Co., Ltd. (內江瑞慈瑞川門診部有限公司) ("**Neijiang Ruichuan**")	**1,863**	1,000
Share of results	**(103)**	207
Ending balance	**6,926**	5,166

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

Company name	Country/date of incorporation	Paid-in capital	Equity interests held As at December 31, 2018	2017	Principal activities	Nature of relationship
Shanghai Rich Meidi Management Consulting Co., Ltd. (上海瑞慈美邸管理諮詢有限公司) ("**Shanghai Meidi**") (a)	October 29, 2013, Shanghai, the PRC	RMB15,000,000	**60%**	60%	Investment holding	Joint Venture
Neijiang Ruichuan (b)	March 29, 2017, Sichuan, the PRC	RMB14,313,000	**20%**	20%	Examination service	Associate

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

On August 19, 2014, Nantong Rich Meidi Elderly Care Center Co., Ltd. (南通瑞慈美邸護理院有限公司) ("**Nantong Meidi**") was incorporated by Shanghai Meidi as its wholly-owned subsidiary, which is principally engaged in providing high-end elderly care services.

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

(b) On March 29, 2017, the Group, Zhonghengji Investment Group Co., Ltd (中恒基投資集團有限公司) and Neijiang Yulinglong Property Co., Ltd (內江市玉玲瓏置業有限公司), both third parties, established Neijiang Ruichuan with a total paid-in capital of RMB14,313,000. The Group injected total RMB2,863,000 in proportion to its respective equity interests in 2017 and 2018.

As at 31 December 2018, there are no material commitments and contingent liabilities in respect of associate and joint venture.

11 Deposits for long-term leases

The Group paid deposits for operating leases of certain medical examination centers, which are due over 1 year from balance sheet date and are recoverable at the end of the lease term.

12 Deferred income tax

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	**18,017**	12,372
— to be recovered after more than 12 months	**124,863**	69,616
	142,880	81,988

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At beginning of the year, as originally presented	**81,988**	47,077
Adoption of HKFRS 9	**163**	—
Restated opening balance at beginning of the year	**82,151**	47,077
Credited to the consolidated statement of profit or loss	**60,729**	34,911
At ending of the year	**142,880**	81,988

12 Deferred income tax (continued)

Movement in deferred income tax assets for both years ended December 31, 2018 and 2017, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets	Tax losses carried forward RMB'000	Assets impairment RMB'000	Accruals and deferred income RMB'000	Share option scheme RMB'000	Other long-term liabilities RMB'000	Total RMB'000
At January 1, 2017	29,060	3,790	4,167	760	9,300	47,077
Credited/(charged) to the consolidated statement of profit or loss	25,682	(1,409)	728	2,976	6,934	34,911
At December 31, 2017	54,742	2,381	4,895	3,736	16,234	81,988
Adoption of HKFRS 9	—	163	—	—	—	163
Restated at January 1, 2018	**54,742**	**2,544**	**4,895**	**3,736**	**16,234**	**82,151**
Credited/(charged) to the consolidated statement of profit or loss	**51,492**	**1,831**	**(546)**	**6,367**	**1,585**	**60,729**
At December 31, 2018	**106,234**	**4,375**	**4,349**	**10,103**	**17,819**	**142,880**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of RMB26,716,000(2017: RMB 27,189,000) in respect of tax losses amounting to RMB106,862,000 (2017: RMB 108,755,000) as at 31 December 2018. All these tax losses will expire within five years.

13 Inventories

	As at December 31, 2018 RMB'000	2017 RMB'000
Pharmaceuticals	**18,541**	12,490
Medical and other consumables	**12,776**	11,488
	31,317	23,978
Less: Write-down to net realizable value	**—**	—
	31,317	23,978

The cost of inventories recognized as expense and included in "cost of sales" amounted to RMB205,864,000 for the year ended December 31, 2018 (2017: RMB171,302,000).

14 Trade receivables

	As at December 31, 2018 RMB'000	2017 RMB'000
Trade receivables	**289,418**	207,311
Less: loss allowance	**(20,691)**	(11,849)
	268,727	195,462

As at December 31, 2018 and 2017, the fair value of trade receivables of the Group approximated their carrying amounts, due to the short term nature.

14 Trade receivables (continued)

The aging analysis of trade receivables are as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Trade receivables		
— Up to 6 months	**221,278**	176,913
— 6 months to 1 year	**41,290**	20,890
— 1 to 2 years	**22,258**	6,203
— 2 to 3 years	**2,460**	2,288
— Over 3 years	**2,132**	1,017
	289,418	207,311

Movements of loss allowance of trade receivables are as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At beginning of the year, as originally presented	**11,849**	8,884
Adoption of HKFRS 9	**654**	—
Restated opening balance at beginning of the year	**12,503**	8,884
Increase in loss allowance	**8,859**	4,018
Receivables written off as uncollectible	**(671)**	(1,053)
At the end of the year	**20,691**	11,849

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

15 Other receivables

	As at December 31, 2018 RMB'000	2017 RMB'000
Deposits	**14,657**	10,200
Receivables from non-controlling interests	**1,310**	10,200
Staff advance	**4,340**	3,744
Interest receivable	**3,998**	2,054
Others	**2,624**	427
	26,929	26,625
Less: loss allowance of other receivables	**(117)**	—
	26,812	26,625

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

	As at December 31, 2018 RMB'000	2017 RMB'000
RMB	**26,812**	24,571
USD	**—**	2,054
	26,812	26,625

As at December 31, 2018 and 2017, the carrying amounts of other receivables of the Group approximated their fair value, due to the short term nature.

Movements of loss allowance of other receivables are as follows:

	Year ended December 31, 2018 RMB'000	2017 RMB'000
At beginning of the year	**—**	—
Increase in loss allowance of receivable	**117**	749
Receivables written off as uncollectible	**—**	(749)
At the end of the year	**117**	—

16 Cash and bank balance

(a) Cash and cash equivalents

	As at December 31, 2018 RMB'000	2017 RMB'000
Cash at bank and on hand		
— Denominated in RMB	**311,918**	388,831
— Denominated in USD	**164,534**	188,237
— Denominated in HKD	**1,214**	19,476
— Denominated in EUR	**17,107**	—
— Denominated in JPY	**634**	—
	495,407	596,544

(b) Restricted Cash

As at December 31, 2018, fixed deposits of USD34,059,970 (December 31, 2017: USD33,000,000) were pledged at bank for borrowings of RMB200,000,000 (Note 22).

17 Prepayments

	As at December 31, 2018 RMB'000	2017 RMB'000
Non-current:		
Prepayment for equipment	**17,961**	60,574
Prepayment for lease contract (a)	**1,080**	2,160
	19,041	62,734
Current:		
Prepayment for lease	**19,838**	10,023
Prepayment for consumables	**10,413**	9,424
Others	**2,472**	7,778
	32,723	27,225
Total prepayments	**51,764**	89,959

(a) The balance represents the prepayment for lease contract relating to Guangzhou Rich Guojin Clinic Co., Ltd. acquired by the Group on the acquisition date in 2014. The costs incurred to acquire such prepayments are amortized over the estimated useful lives of 62 months. Amortization amounting to RMB1,080,000 for the year ended December 31, 2018 (2017: RMB1,080,000) have been charged to cost of sales in the consolidated statements of profit or loss.

18 Share capital

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital RMB'000
As at January 1, 2018 and December 31, 2018	1,592,079,000	1,066

19 Share-based payments

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

As at December 31, 2018, 47,710,500 outstanding options were not exercisable as they have not yet been vested. These options with an exercise price of HKD1.60 per share upon vesting will be expired on September 19, 2026.

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

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

During the year ended December 31, 2018, 4,200,000 options were cancelled due to one employee's resignation. As at December 31, 2018, 75,317,500 outstanding options were not exercisable as they have not yet been vested. These options with an exercise price of HKD2.42 per share upon vesting will be expired on November 24, 2027.

The fair value of the options granted determined using Black-Scholes model for option value was HKD82,096,075, which was subject to a number of assumptions and with regard to the limitation of the model. The options have been divided into four tranches according to different vesting periods.

All available stock prices since Listing were considered to calculate volatility which is one of significant input to the valuation model. See Note 32 for the total expense recognized in the consolidated statement of profit or loss for share options granted to the selected directors and employees.

20 Reserves

	Share premium RMB'000	Merger and capital reserves RMB'000	Statutory reserves and other reserves RMB'000 (a)	Share option scheme RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
At January 1, 2017	717,007	46,554	169,055	3,144	10,475	946,235
Loss for the year	–	–	–	–	(62,166)	(62,166)
Appropriation to statutory reserves (b)	–	–	11,335	–	(11,335)	–
Share option scheme (Note 19)	–	–	–	11,935	–	11,935
Change in ownership interest in subsidiaries without loss of control	–	5,177	–	–	–	5,177
At December 31, 2017	717,007	51,731	180,390	15,079	(63,026)	901,181
At December 31, 2017, as originally presented	717,007	51,731	180,390	15,079	(63,026)	901,181
Change in accounting policy	–	–	–	–	(491)	(491)
Restated balance						
At January 1, 2018	**717,007**	**51,731**	**180,390**	**15,079**	**(63,517)**	**900,690**
Loss for the year	**–**	**–**	**–**	**–**	**(53,836)**	**(53,836)**
Appropriation to statutory reserves (b)	**–**	**–**	**3,390**	**–**	**(3,390)**	**–**
Share option scheme (Note 19)	**–**	**–**	**–**	**24,799**	**–**	**24,799**
Change in ownership interest in subsidiaries without loss of control (Note 39)	**–**	**(125,725)**	**–**	**–**	**–**	**(125,725)**
Other transaction with non-controlling interests	**–**	**(52,493)**	**–**	**–**	**–**	**(52,493)**
At December 31, 2018	**717,007**	**(126,487)**	**183,780**	**39,878**	**(120,743)**	**693,435**

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

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

21 Non-controlling interests

	Non-controlling interests RMB'000
As at December 31, 2017	27,807
Loss for the year	(82,441)
Capital contributions by non-controlling interests of subsidiaries (a)	15,690
Other transactions with non-controlling interests	52,493
Changes in ownership interests in subsidiaries without change of control (Note 39)	(1,778)
Acquisition of a subsidiary (b) (Note 40)	(229)
Share option scheme (Note 19)	1,019
As at December 31, 2018	12,561

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

	Year ended December 31, 2018 RMB'000
Wuxi Rich Women and Children's Hospital Co., Ltd. ("**Wuxi Hospital**")	**11,600**
Shenyang Rich Health-care Management Co., Ltd ("**Shenyang Management**")	**3,200**
Sichuan Medical Technology Co., Ltd.	**890**
	15,690

(b) As described in Note 40, the Group acquired 71% equity interests in Shanghai Cherry Pediatric Clinic Co., Ltd. ("**Ruiyi Cherry**") from Shanghai Rii Web Technology Co., Ltd., ("**Rii Web**") during the year. The fair value of net liabilities attributable to non-controlling interests at acquisition date was RMB229,000.

21 Non-controlling interests (continued)

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

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

Summarised balance sheet	Shanghai Shuixian Obstetrics & Gynecology Hospital Co., Ltd. ("Rici Shuixian")		Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. ("Changzhou Hospital")	
	31 Dec 2018 RMB'000	31 Dec 2017 RMB'000	**31 Dec 2018 RMB'000**	31 Dec 2017 RMB'000
Current assets	**43,118**	43,503	**16,285**	4,607
Current liabilities	**(18,015)**	(22,708)	**(100,996)**	(107,086)
Net current assets/(liabilities)	**25,103**	20,795	**(84,711)**	(102,479)
Non-current assets	**102,535**	81,439	**166,942**	140,513
Non-current liabilities	**(17,015)**	(13,029)	**(121,859)**	(11,872)
Net non-current assets	**85,520**	68,410	**45,083**	128,641
Net assets/(liabilities)	**110,623**	89,205	**(39,628)**	26,162
Accumulated non-controlling interests	**13,049**	4,476	**(19,418)**	12,757

Summarised statement of comprehensive income	Rici Shuixian		Changzhou Hospital	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Revenue	**462**	—	**3,716**	—
Loss for the year	**(30,581)**	(16,778)	**(65,790)**	(22,778)
Other comprehensive income	**—**	—	**—**	—
Total comprehensive loss	**(30,581)**	(16,778)	**(65,790)**	(22,778)
Loss allocated to non-controlling interests	**(12,232)**	(6,717)	**(32,237)**	(11,224)

21 Non-controlling interests (continued)

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

Summarised cash flows	Rici Shuixian 2018 RMB'000	Rici Shuixian 2017 RMB'000	Changzhou Hospital 2018 RMB'000	Changzhou Hospital 2017 RMB'000
Cash flows from operating activities	**(59,781)**	(25,696)	**(62,791)**	(27,883)
Cash flows from investing activities	**(25,938)**	(42,572)	**(17,318)**	(116,609)
Cash flows from financing activities	**55,763**	20,000	**89,271**	137,900
Net (decrease)/increase in cash and cash equivalents	**(29,956)**	(48,268)	**9,162**	(6,592)

22 Borrowings

	As at December 31, 2018 RMB'000	As at December 31, 2017 RMB'000
Non-current:		
Bank borrowings — secured and/or guaranteed (i)	**123,307**	19,667
Finance leases (iii)	**16,380**	—
Less: current portion of non-current borrowings	**(11,460)**	(4,000)
	128,227	15,667
Current:		
Bank borrowings — secured and/or guaranteed (ii)	**598,550**	575,000
Add: current portion of non-current borrowings	**11,460**	4,000
	610,010	579,000
Total borrowings	**738,237**	594,667

22 Borrowings (continued)

The Group's borrowing were repayable as follows:

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
December 31, 2018					
Bank borrowings	602,550	4,000	82,187	33,120	721,857
Finance leases	7,460	7,800	1,120	—	16,380
	610,010	11,800	83,307	33,120	738,237
December 31, 2017					
Bank borrowings	579,000	4,000	11,667	—	594,667

(i) As at December 31, 2018, non-current borrowings include:

(a) RMB15,667,000 borrowings secured by buildings with net book value of RMB38,242,000 (Note 7);

(b) RMB107,640,000 borrowings secured by revenue collection rights of Changzhou Rich Hospital, and guaranteed by related parties, Dr. Fang Yixin and Dr. Mei Hong.

(ii) As at December 31, 2018, short term borrowings include:

(a) RMB95,000,000 borrowings secured by buildings with net book value of RMB39,655,000 (Note 7);

(b) RMB200,000,000 borrowings secured by USD34,059,970 fixed deposit (Note 16(b));

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

22 Borrowings (continued)

(iii) The Group leases various equipment with carrying amount of RMB23,218,000 (2017:Nil) under finance leases expiring within three years. Under the terms of the leases, the Group has the option to acquire the leased assets at a nominal amount on expiry of the leases.

	As at December 31, 2018 RMB'000	2017 RMB'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**8,259**	—
Later than one year but not later than five years	**10,009**	—
Minimum lease payments	**18,268**	—
Future finance charges	**(1,888)**	—
Recognized as a liability	**16,380**	—
The present value of finance lease liabilities is as follows:		
Within one year	**7,460**	
Later than one year but not later than five years	**8,920**	—
Minimum lease payments	**16,380**	—

Lease liabilities are effectively secured as the rights to the leased assets recognized in the financial statements revert to the lessor in the event of default.

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

The weighted average effective interest rates for bank borrowings as at December 31, 2018 and 2017 were as follows:

	As at December 31, 2018	2017
Bank borrowings	**5.08%**	4.47%

22 Borrowings (continued)

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

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Total RMB'000
Bank borrowings:				
As at December 31, 2017	594,667	—	—	594,667
As at December 31, 2018	674,007	47,850	—	721,857

23 Other financial liabilities

	As at December 31, 2018 RMB'000	2017 RMB'000
Redemption liability to non-controlling interests		
— Principal	**100,000**	—
— Interest	**3,649**	—
	103,649	—

On August 31, 2018, the Group signed an investment agreement ("**Investment Agreement**") with Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership) ("**Everbright (Haimen)**"), pursuant to which Everbright (Haimen) would contribute RMB100,000,000 in cash to Nantong Rich Hospital, a wholly owned subsidiary of the Group. Everbright (Haimen) was also granted a put option which will expire on December 31, 2023. Upon completion of such investment, Everbright (Haimen) would have 4.41% equity interest of Nantong Rich Hospital.

The option enables Everbright (Haimen) to request the Group to repurchase all of the Everbright (Haimen)'s equity interest in Nantong Rich Hospital if Nantong Rich Hospital fails to achieve a net profit of no less than RMB100,000,000 for the year ending December 31, 2022 or occurrence of any material adverse event as specified in the Investment Agreement, including but not limited to those would have material adverse effect to the ownership, assets and operations of Nantong Rich Hospital. The repurchase price is at aggregation of the amount equivalent to the capital contribution made by Everbright (Haimen) in the Nantong Rich Hospital and accumulated annual returns calculated on an annual compound investment return rate of 12% less the cumulative dividend paid to Everbright (Haimen) up to repurchase.

23 Other financial liabilities (continued)

The execution of option right is secured by 22.06% equity interest of Nantong Rich Hospital held by the Group. Dr. Fang Yixin and Dr. Mei Hong undertook to jointly and severally responsible for the repurchase.

The above arrangement represents an obligation for the Group to purchase its own equity instruments for cash or another financial asset, that is recognized as a financial liability at present value of the redemption amount.

24 Other long-term liabilities

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Accrued rental expenses	**103,326**	77,373
Less: Current portion	**(3,796)**	(2,093)
	99,530	75,280

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

25 Contract liabilities

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Advances from customers	**114,904**	—
Sales of medical examination cards (a)	**112,467**	—
	227,371	—

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

26 Trade and other payables

	As at December 31, 2018 RMB'000	2017 RMB'000
Trade payables due to third parties	**136,522**	102,825
Staff salaries and welfare payables	**97,393**	62,939
Payables for purchase of property and equipment	**121,597**	91,925
Consideration payable to non-controlling interests for equity transfer (a)	**33,103**	—
Loan from non-controlling interests of subsidiaries (b)	**17,185**	10,500
Accrued taxes other than income tax	**3,977**	831
Accrued professional service fees	**2,570**	4,612
Deposits payable	**2,246**	2,724
Accrued advertising expense	**2,004**	5,366
Interest payables	**1,306**	849
Advances from customers	**—**	74,647
Notes payable	**—**	1,205
Others	**45,480**	18,723
	463,383	377,146

(a) According to agreement signed between the Group and non-controlling interest, Mr. Wang Dejun, the Group agreed to acquire equity interest of certain subsidiaries held by Mr. Wang Dejun at a total fixed price of RMB68,000,000. By the end of 2018, the Group has prepaid RMB34,897,000, and the remaining RMB33,103,000 shall be payable in one year after the completion of the transaction.

(b) Balance represents loan from the non-controlling interests of subsidiaries, which is unsecured. As at December 31, 2018, RMB17,185,000 bore interest rate at 8%. As at December 31, 2017, RMB6,000,000 bore the interest rate at 8% and RMB4,500,000 bore the interest rate at 12%. All the balances as at December 31, 2017 were repaid in 2018.

The carrying amounts of the Group's trade and other payables are denominated in RMB.

26 Trade and other payables (continued)

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

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
— Up to 3 months	**110,271**	81,169
— 3 to 6 months	**9,486**	5,083
— 6 months to 1 year	**6,384**	8,592
— 1 to 2 years	**2,801**	1,056
— 2 to 3 years	**756**	2,769
— Over 3 years	**6,824**	4,156
	136,522	102,825

The normal credit term of the Group is 30 days to 90 days. As at December 31, 2018 and 2017, fair value of all trade and other payables of the Group approximated to their carrying amounts due to their short maturities.

27 Deferred income

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Sales of medical examination cards (a)	**—**	68,711
Government grants (b)	**5,605**	5,634
	5,605	74,345

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

(b) Government grants:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At beginning of the year	**5,634**	5,844
Transfer to statement of profit or loss	**(29)**	(210)
At the end of the year	**5,605**	5,634

28 Revenue

Revenue of the Group consists of the following:

	Year ended December 31, 2018 RMB'000	2017 RMB'000
General Hospital		
Outpatient pharmaceutical income	**41,814**	38,704
Outpatient service income	**51,813**	43,510
Inpatient pharmaceutical income	**157,250**	130,130
Inpatient service income	**123,785**	103,922
Medical Examination		
Examination service	**988,078**	760,365
Management service fee and others	**482**	3,518
Specialty Hospitals		
Outpatient pharmaceutical income	**512**	—
Outpatient service income	**2,677**	—
Inpatient pharmaceutical income	**30**	—
Inpatient service income	**7,495**	—
	1,373,936	1,080,149

29 Other income

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Government grants (a)	**11,647**	9,841
Rental income	**771**	771
Others	**2,148**	1,172
	14,566	11,784

(a) The government grants mainly represent (1) allowance from Nantong Economic and Technological Development Zone Management Committee of RMB5 million during the year ended 31 December 2018 (2017: RMB5 million), as an encouragement for companies to expand and develop private hospital and healthcare institutes in Nantong. Pursuant to the approval by Nantong Economic and Technological Development Zone Management Committee, the Company was entitled to such government grants of RMB4 million each year for 3 years from 2012 to 2014 and RMB5 million each year for 5 years from 2015 to 2019; (2) allowance from Jiangsu Provincial Commission of Health and Family Planning of RMB1 million during the year ended 31 December 2018 (2017: RMB1 million), as the establishment of key specialty and medical laboratories, training of medical personnel and purchase of medical equipment; (3) subsidy from Nantong Economic and Technological Development Zone Management Committee of RMB2.5 million during the year ended 31 December 2018 (2017: Nil), as the special grant for key disciplinary fields, and (4) the other government grants totally RMB3.1 million for the year ended 31 December 2018 (2017: RMB3.8 million) from local government.

30 Other losses

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Losses on disposal of property and equipment	**339**	782
Others	**2,090**	1,686
	2,429	2,468

31 Expenses by nature

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Employee benefits expense	**653,623**	484,792
Operating lease rental expenses	**228,456**	170,471
Depreciation and amortization	**127,053**	84,795
Pharmaceutical costs	**107,174**	98,216
Medical consumables costs	**98,690**	73,086
Outsourced testing expenses	**72,535**	56,145
Utility expenses	**51,672**	39,041
Advertising expenses	**46,314**	29,697
Office expenses	**37,756**	25,674
Professional service charge	**24,392**	11,406
Entertainment expenses	**17,857**	18,787
Travel expenses	**13,008**	8,900
Net impairment loss on financial assets	**8,976**	4,767
Maintenance expenses	**7,841**	6,469
Impairment of goodwill	**7,447**	—
Donation	**5,000**	—
Auditor's remuneration		
— Audit services	**2,643**	4,335
— Non-audit services	**529**	1,114
Labor union dues	**2,692**	2,040
Washing charge	**1,929**	1,817
Medical risk insurance	**1,035**	1,150
Security costs	**930**	869
Stamp duty and other taxes	**2,667**	3,115
Working meal	**253**	13
Deferred income amortization	**29**	210
Other expenses	**30,139**	20,228
	1,550,640	1,147,137

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

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Salaries, wages and bonuses	**524,535**	403,070
Pension	**37,814**	32,639
Share option expenses (Note 19)	**25,818**	12,255
Other welfare benefit expenses	**65,456**	36,828
	653,623	484,792

(a) Directors' and chief executive's emoluments

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

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

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

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

Name of director	Fees RMB'000	Salaries and other allowances RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Other social welfares RMB'000	Share option scheme RMB'000	Total RMB'000
Year ended December 31, 2018:							
Dr. Fang (iii)	–	300	–	69	14	3,449	3,832
Dr. Mei (iii)	–	532	–	–	40	3,449	4,021
Mr. Lu (i)	–	602	–	77	16	2,224	2,919
Dr. Wang Yong (ii)	180	–	–	–	–	–	180
Dr. Wang Weiping (ii)	422	–	–	–	–	–	422
Ms. Wong Sze Wing (ii)	180	–	–	–	–	–	180
Mr. Jiang Peixing (iv)	150	–	–	–	–	–	150
Mr. Yao Qiyong (iv)	–	–	–	–	–	–	–
Ms. Jiao Yan (ii)	–	–	–	–	–	–	–
	932	1,434	–	146	70	9,122	11,704

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

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

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

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

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

(b) Five highest paid individuals

During the year ended December 31, 2018, the five individuals whose emoluments were the highest in the Group include three (2017: three) directors for the year ended December 31, 2018 whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2017: two) individuals are as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**933**	778
Pension	**157**	145
Share option scheme	**3,462**	3,891
	4,552	4,814

The emoluments fell within the following bands:

	Year ended December 31,	
	2018	2017
Emoluments bands (in HKD)		
1,000,000 and below	**–**	1
1,000,001 to 2,000,000	**1**	–
2,000,000 to 5,000,000	**1**	1

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

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

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

Except the matter disclosed in Note 41, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

33 Finance costs — net

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Interest on borrowings	**(38,351)**	(25,246)
Interest on other financial liabilities	**(3,649)**	—
Exchange losses — net	**—**	(33,629)
	(42,000)	(58,875)
Exchange gains — net	**18,683**	—
Interest income	**12,240**	6,372
Others	**—**	1,054
	30,923	7,426
Finance costs — net	**(11,077)**	(51,449)

34 Income tax credit

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Current income tax		
— Current year	**20,890**	29,865
— Adjustments for current tax of prior periods	**369**	(1,188)
Deferred income tax (Note 12)	**(60,729)**	(34,911)
Income tax credit	**(39,470)**	(6,234)

34 Income tax credit (continued)

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Loss before tax	**(175,747)**	(108,914)
Tax calculated at the applicable income tax rate (25%)	**(43,937)**	(27,229)
Tax effect of:		
Tax loss expired	**127**	551
Income not subject to tax	**(7,828)**	—
Expenses not deductible for tax purpose	**5,006**	3,228
Recognition/utilization of prior year tax losses and temporary differences not recognized as deferred tax assets	**(10,211)**	(298)
Temporary differences not recognized as deferred tax assets	**6,353**	568
Tax losses not recognized as deferred tax assets	**10,651**	18,134
Adjustments for current tax of prior years	**369**	(1,188)
Income tax credit	**(39,470)**	(6,234)

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

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

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

The CIT Law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings generated beginning January 1, 2008 and undistributed earnings generated prior to January 1, 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The directors of the Company had confirmed that retained earnings of the Group's PRC subsidiaries as at December 31, 2018 will not be distributed in the foreseeable future.

35 Losses per share

(a) Basic

Basic losses per share is calculated by dividing the net loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during 2018 and 2017, respectively.

	Year ended December 31,	
	2018	2017
Net loss attributable to owners of the Company (RMB'000)	**(53,836)**	(62,166)
Weighted average number of ordinary shares in issue	**1,592,079,000**	1,592,079,000
Basic losses per share (RMB)	**(0.03)**	(0.04)

(b) Diluted

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

	Year ended December 31,	
	2018	2017
Net loss attributable to owners of the Company (RMB'000)	**(53,836)**	(62,166)
Weighted average number of ordinary shares for diluted losses per share, adjusted for share options	**1,516,358,295**	1,647,719,771
Diluted losses per share (RMB)	**(0.04)**	(0.04)

36 Notes to the consolidated statement of cash flows

(a) Net cash generated from operations:

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Loss for the year before income tax	**(175,747)**	(108,914)
Adjustments for:		
— Depreciation of property and equipment (Note 7)	**122,110**	81,109
— Amortization of land use rights (Note 8)	**100**	100
— Amortization of intangible assets (Note 9)	**4,843**	3,586
— Amortization of prepayment for lease contract (Note 17)	**1,080**	1,080
— Losses on disposal of property and equipment (Note 30)	**339**	782
— Impairment of goodwill	**7,447**	—
— Provision for impairment of receivables (Note 14 and Note 15)	**8,976**	4,767
— Share of results (Note 10)	**103**	(207)
— Interest income (Note 33)	**(12,240)**	(6,372)
— Interest expense (Note 33)	**42,000**	25,246
— Foreign exchange (gains)/losses (Note 33)	**(18,683)**	33,629
— Share option scheme (Note 19)	**25,818**	12,255
Changes in working capital:		
— Increase in inventories	**(7,261)**	(4,847)
— Increase in trade receivables, other receivables and prepayments	**(95,440)**	(86,134)
Decrease/(increase) in amounts due from related parties	**477**	(627)
— Increase in deferred income (Note 27)	**(29)**	33,044
— Increase in trade and other payables	**89,237**	78,275
— Increase in contract liabilities	**84,013**	—
— Increase in amounts due to related parties	**2,632**	898
— Increase in deposits for long-term leases	**(6,208)**	(8,155)
— Increase in other long-term liabilities	**25,953**	29,307
Cash generated from operations	**99,520**	88,822

(b) Proceeds from disposal of property and equipment:

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Net book amount of property and equipment (Note 7)	**429**	853
Losses on disposal of property and equipment	**(339)**	(782)
Proceeds from disposal of property and equipment	**90**	71

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

(c) Net (debt)/cash reconciliation

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

Net Cash	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	**495,407**	596,544
Borrowings — repayable within one year (including overdraft)	**(610,010)**	(579,000)
Borrowings — repayable after one year	**(128,227)**	(15,667)
Other financial liabilities	**(100,000)**	—
Net (debt)/cash	**(342,830)**	1,877
Cash and liquid investments	**495,407**	596,544
Gross debt — fixed interest rates	**(83,850)**	(80,000)
Gross debt — variable interest rates	**(654,387)**	(514,667)
Other financial liabilities — fixed interest rate	**(100,000)**	—
Net (debt)/cash	**(342,830)**	1,877

	Other assets	Liabilities from financing activities			
	Cash	Borrowing due within 1 year	Borrowing due after 1 year	Other financial liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash as at 31 December 2016	881,028	(309,932)	(4,633)	—	566,463
Cash flows	(250,855)	(269,068)	(11,034)	—	(530,957)
Foreign exchange adjustments	(33,629)	—	—	—	(33,629)
Net cash as at 31 December 2017	596,544	(579,000)	(15,667)	—	1,877
Net cash as at 31 December 2017	596,544	(579,000)	(15,667)	—	1,877
Cash flows	(119,820)	(31,010)	(112,560)	(100,000)	(363,390)
Foreign exchange adjustments	18,683	—	—	—	18,683
Net debt as at 31 December 2018	495,407	(610,010)	(128,227)	(100,000)	(342,830)

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

(d) Non-cash investing and financing activities

	2018 RMB'000	2017 RMB'000
Acquisition of plant and equipment by means of finance leases	**23,218**	–

37 Contingencies

Up to December 31, 2018, the Group had fourteen ongoing medical disputes arising from the operation of Nantong Rich Hospital which have not been settled. The Group has assessed the individual cases and taken into account of the expenses incurred and recorded, the Group believes the financial exposure in relation to our ongoing medical disputes shall not be material and thus no additional provision was made in this respect.

38 Commitments

(a) Capital commitments

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

	As at December 31,	
	2018 RMB'000	2017 RMB'000
Authorized and contracted for:		
Equity investment	**208,350**	607,350
Leasehold improvements	**66,064**	95,448
	274,414	702,798

(b) Operating lease commitments

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

	As at December 31,	
	2018 RMB'000	2017 RMB'000
Minimum lease payments under operation leases		
Within 1 year	**234,713**	203,599
1 to 5 years	**866,601**	740,037
Over 5 years	**1,169,382**	990,387
	2,270,696	1,934,023

39 Changes in ownership interests in subsidiaries without change of control

Subsidiaries	Consideration to non-controlling interests	Carrying amount of non-controlling interests acquired	Loss on acquisition recognised within equity
Beijing Rich Ruitai Clinic Co., Ltd. ("**Beijing Ruitai**") (a)	(4,000)	(2,231)	(6,231)
Nanjing Rich Ruixing Clinic Co., Ltd. ("**Nanjing Ruixing**") (a)	(23,000)	2,134	(20,866)
Shanghai Rich Ruijin Clinic Co., Ltd. ("**Shanghai Ruijin**") (a)	(16,000)	2,106	(13,894)
Shanghai Rich Ruixin Clinic Co., Ltd. ("**Shanghai Ruixin**") (a)	(10,000)	1,480	(8,520)
Chengdu High-tech Rich Ruigao Clinic Co., Ltd. ("**Chengdu Ruigao**") (b)	–	(10)	(10)
Chengdu Wenjiang Rich Ruiwen Clinic Co., Ltd. ("**Chengdu Ruiwen**") (c)	–	(1,764)	(1,764)
Beijing Ruitai (d)	(14,500)	(4,170)	(18,670)
Nanjing Ruixing (d)	(15,500)	3,711	(11,789)
Shanghai Ruijin (d)	(21,500)	3,341	(18,159)
Shanghai Ruixin (d)	(16,500)	2,339	(14,161)
Others	(6,503)	(5,158)	(11,661)
	(127,503)	1,778	(125,725)

(a) In October 2018, the Group acquired 10% equity interests in Beijing Ruitai, Nanjing Ruixing, Shanghai Ruijin and Shanghai Ruixin from Guizhou Saigesaisi Investment Co., Ltd. at the total consideration of RMB53,000,000. The Group recognized a decrease in non-controlling interests of RMB3,489,000 and a decrease in equity attributable to owners of the Company of RMB49,511,000.

(b) In November 2018, the Group acquired 45% equity interests in Chengdu Ruigao for zero consideration. The Group recognized an increase in non-controlling interests of RMB10,000 and a decrease in equity attributable to owners of the Company of RMB10,000.

(c) In November 2018, the Group acquired 5% equity interests in Chengdu Ruiwen from Chengdu Kangruiheng Commerce and Trade Co., Ltd for zero consideration. After the aforementioned equity transfer, the Group resolved to inject capital of RMB12,500,000 to Chendu Ruiwen. Upon such transaction, the equity interests of the Group and Chengdu Kangruiheng in Chengdu Ruiwen will change to 88.6% and 11.4%, respectively. The Group recognized an increase in non-controlling interests of RMB1,764,000 and a decrease in equity attributable to owners of the Company of RMB1,764,000.

(d) In November 2018, the Group signed an agreement to acquire 20% equity interests in Beijing Ruitai, 15% equity interests in Nanjing Ruixing, Shanghai Ruijin and Shanghai Ruixin at the total consideration of RMB68,000,000. The Group recognized a decrease in non-controlling interests of RMB5,221,000 and a decrease in equity attributable to owners of the Company of RMB62,779,000.

40 Business combination

On March 19, 2018 ("**acquisition date**") the Group acquired 71% equity interests in Ruiyi Cherry from Rii Web at a total consideration of RMB6,887,000. The purchase price allocation was completed in 2018.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration	
— Cash paid	6,887

The assets and liabilities recognised as a result of the acquisition at acquisition date are as follows:

	Fair value RMB'000
Cash	101
Trade and other receivables, prepayments	87
Inventories	78
Property and equipment	676
Trade and other payables	(1,731)
Net identifiable liabilities acquired	(789)
Less: non-controlling interests	229
Add: goodwill	7,447
	6,887

The goodwill was attributable to pediatric business-related resources and synergy after acquisition. It will not be deductible for tax purposes.

The post-acquisition revenues and net results of the acquired pediatric business prior to the date when the Group decided to change the business (Note 9), are not significant to the consolidated financial statements.

41 Related party transactions

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

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended December 31, 2018 and 2017 and balances arising from related party transactions as at December 31, 2018 and 2017.

(a) Name and relationship with related parties

Name of related party	Relationship with the Group
Dr. Fang (方宜新)	Controlling shareholder
Dr. Mei (梅紅)	Controlling shareholder
Mr. Fang Haoze (方浩澤)	Close family member of Dr. Fang and Dr. Mei
Shanghai Rich Healthcare Management Company Limited (上海瑞慈健康體檢管理股份有限公司) ("**Shanghai Rich Medical Exam**")	Controlled by Dr. Fang
Nantong Rich Real Estate Development Co., Ltd. (南通瑞慈房地產開發有限公司) ("**Nantong Rich Real Estate**")	Controlled by Dr. Fang
Nantong Meidi (南通瑞慈美邸護理院有限公司)	Subsidiary of the joint venture

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

(i) Temporary funding provided to related parties

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Nantong Meidi	–	1,000

41 Related party transactions (continued)

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

(ii) Temporary funding received from related parties

During the year of 2017, Shanghai Rich Medical Exam assisted the Group in setting up Hangzhou Rich Medical Clinic Co., Ltd ("**Hangzhou Rich**") including, inter alia, completion of registration procedures with local authorities. In relation to these procedures, Shanghai Rich Medical Exam had provided temporary fund of RMB4,000,000 that was fully repaid by the Group upon the completion of the procedures and transfer of legal title of Hangzhou Rich to the Group. No such temporary fundings received or repaid during the year ended December 31, 2018.

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Shanghai Rich Medical Exam	**–**	1,960

During the year of 2017, Shanghai Rich Medical Exam assisted the Group in setting up Xuzhou Ruixu including, inter alia, completion of registration procedures with local authorities. In relation to these procedures, Shanghai Rich Medical Exam had paid pre-operating expenses amounted to RMB300,000 on behalf of Xuzhou Ruixu upon the completion of the procedures and transfer of legal title of Xuzhou Ruixu to the Group, which was fully repaid by the Group. Shanghai Rich Medical Exam has also paid pre-operating expenses on behalf of Hangzhou Rich amounted to RMB1,660,000 which was fully repaid by the Group. No such expense are paid on behalf during the year ended December 31, 2018.

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Nantong Meidi	**336**	308
Nantong Rich Real Estate	**58**	92
Shanghai Rich Medical Exam	**–**	627
	394	1,027

41 Related party transactions (continued)

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

(v) Purchase of goods and services

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Mr. Fang Haoze	300	50
Shanghai Rich Medical Exam	–	848
	300	898

(vi) Guarantee provided by related parties for borrowings of the Group

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Dr. Fang and Dr. Mei	107,640	–

(vii) Guarantee provided by related parties for financial liabilities of the Group

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Dr. Fang and Dr. Mei	103,649	–

(viii) Services provided to related parties

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Nantong Meidi	990	709

41 Related party transactions (continued)

(c) Key management compensation

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Share option scheme	**9,113**	7,305
Salaries and other short-term employee benefits	**2,776**	2,312
Pension	**277**	255
	12,166	9,872

(d) Balances with related parties

Amounts due from related parties

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Nantong Meidi	**1,000**	1,000
Mr. Fang Haoze	**150**	—
Shanghai Rich Medical Exam	**—**	627
	1,150	1,627
Less: loss allowance of amounts due from related parties	**—**	—
	1,150	1,627

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

The Group applied expected credit loss model to assess the loss allowance on amounts due from related parties. No loss allowance was recognized in 2018.

41 Related party transactions (continued)

(d) Balances with related parties (continued)

Amounts due to related parties

	As at December 31, 2018 RMB'000	2017 RMB'000
Dr. Mei	**3,300**	—
Shanghai Rich Medical Exam	**180**	848
Mr. Fang Haoze	**50**	50
	3,530	898

The amounts due to related parties are mainly amount received on behalf of related parties and temporary funding received from related parties.

42 Subsidiaries

Particulars of the subsidiaries of the Group as at December 31, 2018 and 2017 are set out below:

(a) Directly holding subsidiaries

Subsidiaries incorporated in the BVI

Company name	Date of incorporation	Registered capital	Effective interests held by the Group December 31, 2018	2017	Principal activities
Rici Healthcare Holdings Limited	July 11, 2014	USD1	**100%**	100%	Investment holding
Regent Healthcare Holdings Limited	June 6, 2014	USD1	**100%**	100%	Investment holding

42 Subsidiaries (continued)

(b) Indirectly holding subsidiaries

Subsidiaries incorporated in Hong Kong

Company name	Date of incorporation	Registered capital	Effective interests held by the Group December 31, 2018	2017	Principal activities
Hong Kong Rici Healthcare Holdings Limited	July 14, 2014	HKD1	100%	100%	Investment holding
Cathay Grace Healthcare Holdings Limited	June 17, 2014	HKD1	100%	100%	Investment holding

Subsidiaries established in the PRC

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group December 31, 2018	2017	Principal activities
Nantong Rich Hospital Co., Ltd. (南通瑞慈醫院有限公司)	August 14, 2000	65,000	100%	100%	General hospital service
Shanghai Rich Clinic Co., Ltd. (上海瑞慈門診部有限公司)	February 14, 2007	5,000	100%	100%	Examination service
Nanjing Rich Clinic Co., Ltd. (南京瑞慈門診部有限責任公司)	December 1, 2008	5,000	100%	100%	Examination service
Shanghai Rich Ruining Clinic Co., Ltd. (上海瑞慈瑞寧門診部有限公司)	February 12, 2009	5,000	100%	100%	Examination service
Shanghai Rich Ruibo Clinic Co., Ltd. (上海瑞慈瑞鉑門診部有限公司)	April 10, 2009	5,000	100%	100%	Examination service
Suzhou Rich Clinic Co., Ltd. (蘇州瑞慈門診部有限公司)	August 22, 2009	5,000	100%	100%	Examination service
Nantong Rich Clinic Co., Ltd. (南通瑞慈門診部有限公司)	March 17, 2010	5,000	100%	100%	Examination service
Shenzhen Rich Medical Examination Management Co., Ltd. (深圳瑞慈健康體檢管理有限公司)	September 17, 2010	2,000	100%	100%	Investment holding
Nantong Rich Binjiang Clinic Co., Ltd. (南通瑞慈濱江門診部有限公司)	October 21, 2010	5,000	100%	100%	Examination service
Shanghai Rich Ruitai Clinic Co., Ltd. (上海瑞慈瑞泰門診部有限公司)	January 17, 2011	5,000	100%	100%	Examination service

42 Subsidiaries (continued)

(b) Indirectly holding subsidiaries (continued)

Subsidiaries established in the PRC (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group December 31, 2018	2017	Principal activities
Shanghai Rich Ruijie Clinic Co., Ltd. (上海瑞慈瑞傑門診部有限公司)	July 12, 2012	5,000	**100%**	100%	Examination service
Shanghai Rich Ruizhao Clinic Co., Ltd. (上海瑞慈瑞兆門診部有限公司)	March 19, 2013	5,000	**100%**	100%	Examination service
Chengdu Jinjiang Rich Clinic Co., Ltd. (成都錦江瑞慈門診部有限公司)	November 6, 2013	5,000	**100%**	100%	Examination service
Shanghai Rich Ruize Clinic Co., Ltd. (上海瑞慈瑞澤門診部有限公司)	November 25, 2013	5,000	**100%**	100%	Examination service
Shenzhen Rich Clinic Co., Ltd. (深圳瑞慈門診部有限責任公司)	February 28, 2014	10,000	**100%**	100%	Examination service
Guangzhou Rich Guojin Clinic Co., Ltd. (廣州瑞慈國金門診部有限公司)	February 28, 2014	15,000	**90%**	90%	Examination service
Jiangsu Rich Medical Management Co., Ltd. (江蘇瑞慈醫療管理有限公司)	July 14, 2014	300,000	**100%**	100%	Investment holding
Nantong Rich Medical Management Group Co., Ltd. (南通瑞慈醫療管理集團有限公司)	July 14, 2014	450,000	**100%**	100%	Investment holding
Shanghai Rich Medical Investment Group Co., Ltd. (上海瑞慈醫療投資集團有限公司)	August 25, 2014	450,000	**100%**	100%	Investment holding
Guangzhou Rich Investment Co., Ltd. (廣州瑞慈投資有限公司)	September 1, 2014	20,000	**100%**	100%	Investment holding
Changzhou Rich Clinic Co., Ltd. (常州瑞慈醫療門診部有限公司)	September 16, 2014	5,000	**100%**	100%	Examination service
Wuhan Rich Medical Investment Management Co., Ltd. (武漢瑞慈醫療投資管理有限公司)	November 10, 2014	10,000	**100%**	100%	Investment holding
Nantong Haoze Medical Management Co., Ltd. (南通浩澤醫療管理有限公司)	November 13, 2014	1,000	**100%**	100%	Investment holding
Nanjing Rich Ruixing Clinic Co., Ltd. (南京瑞慈瑞星門診部有限公司)	December 5, 2014	5,000	**95%**	70%	Examination service
Wuhan Rich Clinic Co., Ltd. (武漢瑞慈門診部有限公司)	January 29, 2015	5,000	**100%**	100%	Examination service
Guangzhou Rich Zhongxin Clinic Co., Ltd. (廣州瑞慈中信門診部有限公司)	January 27, 2015	15,000	**51%**	51%	Examination service

42 Subsidiaries (continued)

(b) Indirectly holding subsidiaries (continued)

Subsidiaries established in the PRC (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group December 31, 2018	2017	Principal activities
Hefei Haoze Health Management Co., Ltd. (合肥浩澤健康管理有限公司)	February 16, 2015	5,000	**100%**	70%	Investment holding
Shanghai Rich Ruixin Clinic Co., Ltd. (上海瑞慈瑞鑫門診部有限公司)	March 19, 2015	5,000	**95%**	70%	Examination service
Shanghai Fanjin Investment Management Co., Ltd. (上海返錦投資管理有限公司)	April 1, 2015	100,000	**100%**	100%	Investment holding
Beijing Rich Ruitai Clinic Co., Ltd. (北京瑞慈瑞泰綜合門診部有限公司)	May 20, 2015	10,000	**100%**	70%	Examination service
Shanghai Rich Ruijin Clinic Co., Ltd. (上海瑞慈瑞錦門診部有限公司)	May 28, 2015	5,000	**95%**	70%	Examination service
Hefei Shushan Rich Clinic Co., Ltd. (合肥蜀山瑞慈健康體檢門診部有限公司)	June 29, 2015	18,000	**100%**	70%	Examination service
Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. (常州瑞慈婦產醫院有限公司)	July 12, 2016	50,000	**51%**	51%	Specialty hospital service
Suzhou Rich Ruihe Clinic Co., Ltd. (蘇州瑞慈瑞禾門診部有限公司)	August 25, 2016	5,000	**51%**	51%	Examination service
Sichuan Rich Medical Clinic of science and technology Co., Ltd (四川瑞慈醫療科技有限公司)	August 31,2016	6,000	**55%**	55%	Investment holding
Yangzhou Rich Ruiyang Integrated Chinese and Western Medicines Clinic Co., Ltd. (揚州瑞慈瑞揚中西醫結合門診部有限公司)	October 9, 2016	5,000	**51%**	51%	Examination service
Shanghai Shuixian Obstetrics & Gynecology Hospital Co., Ltd. (上海瑞慈水仙婦兒醫院有限公司)	October 17, 2016	50,000	**60%**	60%	Specialty hospital service
Hangzhou Rich Medical Clinic Co., Ltd. (杭州瑞慈醫療門診部有限公司)	December 1, 2016	5,000	**51%**	51%	Examination service
Nanjing Rich Ruixiang Clinic Co., Ltd. (南京瑞慈瑞祥門診部有限公司)	December 7, 2016	5,000	**51%**	51%	Examination service
Chengdu High-tech Rich Ruigao Clinic Co., Ltd. (成都高新瑞慈瑞高門診部有限公司)	December 14, 2016	5,000	**100%**	55%	Examination service

42 Subsidiaries (continued)

(b) Indirectly holding subsidiaries (continued)

Subsidiaries established in the PRC (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group December 31, 2018	2017	Principal activities
Chengdu Wenjiang Rich Ruiwen Clinic Co., Ltd. (成都溫江瑞慈瑞文門診部有限公司)	December 20, 2016	17,500	**88.6%**	55%	Examination service
Xuzhou Rich Ruixu Clinic Co., Ltd. (徐州瑞慈瑞徐體檢門診部有限公司)	December 20, 2016	5,000	**51%**	51%	Examination service
Wuxi Rich Ruixi Clinic Co., Ltd. (無錫瑞慈瑞錫門診部有限公司)	December 21, 2016	5,000	**51%**	51%	Examination service
Wuxi Rich Women and Children's Hospital Co., Ltd. (無錫瑞慈婦兒醫院有限公司)	December 28, 2016	50,000	**71%**	51%	Specialty hospital service
Nantong Rich Ruifeng Clinic Co., Ltd. (南通瑞慈瑞峰門診部有限公司)	January 10, 2017	5,000	**51%**	51%	Examination service
Changzhou Yuexin Maternal and Child Nursing Service Co. Ltd. (常州瑞慈悦馨母嬰護理服務有限公司)	April 26, 2017	5,000	**51%**	51%	Nursing service
Shenyang Rich Health-care Management Co., Ltd. (瀋陽瑞慈健康體檢管理有限公司)	May 9, 2017	10,000	**80%**	60%	Investment holding
Nanjing South New town Maternal and Child Hospital Co., Ltd. (南京南部新城瑞慈婦兒醫院有限公司)	May 10, 2017	1,000	**65%**	65%	Specialty hospital service
Huizhou Rich Healthcare Management Co., Ltd. (惠州瑞慈健康管理有限公司)	June 12, 2017	5,000	**51%**	51%	Investment holding
Shenyang Rich Ruishen General Clinic of Western District of Shenyang Co., Ltd. (瀋陽瑞慈瑞瀋鐵西綜合門診部有限公司)	June 20, 2017	5,000	**80%**	60%	Examination service
Foshan Rich Ruifo Clinic Co., Ltd. (佛山瑞慈瑞佛門診部有限公司)	June 20, 2017	5,000	**51%**	51%	Examination service
Changsha Rich Ruishang Healthcare Management Co., Ltd. (長沙瑞上健康管理有限公司)	June 22, 2017	20,000	**51%**	51%	Examination service
Zhenjiang Rich Ruirun Clinic Co., Ltd. (鎮江瑞慈瑞潤門診部有限公司)	July 5, 2017	5,000	**51%**	51%	Examination service
Shanghai Rich Ruilong Clinic Co., Ltd. (上海瑞慈瑞隆門診部有限公司)	July 20, 2017	5,000	**70%**	70%	Examination service

42 Subsidiaries (continued)

(b) Indirectly holding subsidiaries (continued)

Subsidiaries established in the PRC (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group December 31, 2018	2017	Principal activities
Huzhou Rich Ruihu Clinic Co., Ltd. (湖州瑞慈瑞湖門診部有限公司)	August 14, 2017	5,000	**51%**	51%	Examination service
Xiamen Rich Ruisi Clinic Co., Ltd. (廈門瑞慈瑞思門診部有限公司)	August 16, 2017	5,000	**51%**	51%	Examination service
Shanghai Rich Ruimin Clinic Co., Ltd. (上海瑞慈瑞閔門診部有限公司)	August 17, 2017	5,000	**51%**	51%	Examination service
Nantong Rich Hemo-dialysis Co., Ltd. (南通瑞慈血液透析有限公司)	September 8, 2017	5,000	**100%**	100%	Diagnosis service
Shanghai Gaojing Maternal and Child Hospital Co., Ltd. (上海瑞慈高境婦兒醫院有限公司)	September 21, 2017	100,000	**65%**	65%	Specialty hospital service
Shanghai Rich Yuexin Healthcare Management Co., Ltd. (上海瑞慈悅馨健康管理有限公司)	October 27, 2017	5,000	**60%**	60%	Health counselling
Yantai Rich Ruigao Clinic Co., Ltd. (煙臺瑞慈瑞高門診部有限公司)	November 3, 2017	5,000	**51%**	51%	Examination service
Qingdao Rich Ruicheng Healthcare Management Co., Ltd. (青島瑞慈瑞城健康管理有限公司)	November 9, 2017	5,000	**51%**	51%	Examination service
Nantong Rich Ruixing Clinic Co., Ltd. (南通瑞慈瑞興門診部有限公司)	November 15, 2017	20,000	**51%**	51%	Examination service
Changzhou Rich Financial Leasing Co., Ltd. (常州瑞慈融資租賃有限公司)	November 24, 2017	30,000 (USD'000)	**100%**	100%	Lease service
Wuhan Rich Ruiyue Clinic Co., Ltd. (武漢瑞慈瑞嶽綜合門診部有限公司)	December 11, 2017	20,000	**51%**	51%	Examination service
Shanghai Ruikui Healthcare Consulting Co., Ltd. (上海瑞魁健康諮詢有限公司)	February 6, 2018	100,000	**100%**	–	Health counselling
Shanghai Kuici Healthcare Consulting Co., Ltd. (上海葵慈健康諮詢有限公司)	February 8, 2018	550,000	**72.73%**	–	Health counselling
Hefei High-tech Rich Ruihe Clinic Co., Ltd. (合肥高新區瑞慈瑞和綜合門診部有限公司)	February 8, 2018	20,000	**70%**	–	Examination service
Shenzhen Rich Ruixiang Clinic Co., Ltd. (深圳瑞慈瑞香門診部)	February 9, 2018	5,000	**70%**	–	Examination service

For the year ended December 31, 2018

42 Subsidiaries (continued)

(b) Indirectly holding subsidiaries (continued)

Subsidiaries established in the PRC (continued)

Company name	Date of incorporation	Registered capital RMB'000	Effective interests held by the Group December 31, 2018	2017	Principal activities
Shanghai Rich Ruiqing Clinic Co., Ltd. (上海瑞慈瑞青門診部有限公司)	April 3, 2018	5,000	**100%**	–	Examination service
Shanghai Ruici Ruishan Clinic Co., Ltd. (上海瑞慈瑞山門診部有限公司)	June 15, 2018	20,000	**70%**	–	Examination service
Shanghai Hongdun Enterprise Management Co., Ltd. (上海虹敦企業管理有限公司)	June 19, 2018	10,000	**51%**	–	Investment holding
Nanjing Ruici Ruihang Clinic Co., Ltd. (南京瑞慈瑞航門診部有限公司)	July 5, 2018	30,000	**70%**	–	Examination service
Jinan Ruici Ruiji Health Management Co., Ltd. (濟南瑞慈瑞濟健康管理有限公司)	July 11, 2018	20,000	**70%**	–	Health counselling
Jinjiang Ruici Ruiquan Clinic Service Co., Ltd. (晉江瑞慈瑞泉門診部服務有限公司)	July 19, 2018	20,000	**70%**	–	Examination service
Nantong Ruici Ruiyun Clinic Co., Ltd. (南通瑞慈瑞運門診部有限公司)	July 20, 2018	20,000	**70%**	–	Examination service
Yancheng Ruici Health Management Co., Ltd. (鹽城瑞慈健康管理有限公司)	August 3, 2018	15,000	**70%**	–	Investment holding
Wuxi Yuexin Maternal and Child Nursing Service Co. Ltd. (無錫瑞慈悦馨母嬰護理服務有限公司)	September 27, 2018	5,000	**71%**	–	Nursing service
Huaian Ruici Ruimao Clinic Co., Ltd. (淮安瑞慈瑞茂門診部有限公司)	November 26, 2018	5,000	**70%**	–	Examination service
Shanghai Ruici Ruiqiao Clinic Co., Ltd. (上海瑞慈瑞蕎門診部有限公司)	December 11, 2018	20,000	**72%**	–	Examination service
Shanghai Cherry Pediatric Clinic Co., Ltd. (上海睿醫小櫻桃門診部有限公司) (a)	November 24, 2016	5,000	**100%**	–	Clinic Service

(a) The Group acquired remaining 29% equity interest of the subsidiary during the year ended 31 December 2018.

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

43 Balance sheet and reserve movement of the Company

Balance Sheet of the Company

	As at December 31, 2018 RMB'000	2017 RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**198,442**	172,978
	198,442	172,978
Current assets		
Cash and cash equivalents	**1,809**	154,606
Prepayments	**334**	160
Other receivables	**—**	32
Amounts due from related parties	**619,691**	474,518
	621,834	629,316
Total assets	**820,276**	802,294
Equity attributable to owners of the Company		
Share capital	**1,066**	1,066
Reserves (a)	**792,427**	774,858
	793,493	775,924
Total equity	**793,493**	775,924
LIABILITIES		
Current liabilities		
Trade and other payables	**406**	483
Amounts due to related parties	**26,377**	25,887
	26,783	26,370
Total liabilities	**26,783**	26,370
Total equity and liabilities	**820,276**	802,294

The balance sheet of the Company was approved by the Board of Directors on March 29, 2019 and was signed on its behalf by:

Fang Yixin	**Mei Hong**
Director	Director

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

Balance Sheet of the Company (continued)

(a) Reserve movement of the Company

	Contributed surplus[(i)] RMB'000	Share premium RMB'000	Share option scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2017	93,464	717,007	3,144	(28,026)	785,589
Loss for the year	–	–	–	(22,986)	(22,986)
Share option scheme (Note 19)	–	–	12,255	–	12,255
At December 31, 2017	93,464	717,007	15,399	(51,012)	774,858
At January 1, 2018	93,464	717,007	15,399	(51,012)	774,858
Loss for the year	–	–	–	(8,249)	(8,249)
Share option scheme (Note 19)	–	–	25,818	–	25,818
At December 31, 2018	93,464	717,007	41,217	(59,261)	792,427

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

44 Dividend

The Board does not propose a final dividend for the year ended December 31, 2018 (2017: Nil).

45 Authorization for issue of the financial statements

The consolidated financial statements were approved and authorized for issue by the board of directors of the Company on March 29, 2019.

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

股份代號 Stock Code: 1526

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