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

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1518

ANNUAL REPORT
2020


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Corporate Information

DIRECTORS

Executive Directors:

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

Non-executive Directors:

Mr. GUO Qizhi
Mr. WANG Siye
Dr. CHENG Chi-Kong, Adrian *JP*
Mr. YANG Yuelin
Mr. FENG Xiaoliang
(resigned with effect from January 1, 2021)
Mr. XIE Qiang
(appointed with effect from January 1, 2021)

Independent Non-executive Directors:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. WU Guanxiong *(Chairman)*
Dr. MA Jing
Mr. YANG Yuelin

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. XU Han
Mr. JIA Xiaofeng

COMPANY SECRETARY

Mr. JIA Xiaofeng
Ms. SO Lai Shan
(resigned with effect from August 31, 2020)

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

56 Nanlishi Road
Xicheng District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F, Tower 5
The Gateway, Harbour City
Tsim Sha Tsui, Kowloon
Hong Kong

REGISTERED OFFICE

c/o Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

Corporate Information (Continued)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

HONG KONG SHARE REGISTRAR

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor
22/F, Prince's Building
Central, Hong Kong

LEGAL ADVISERS

Sullivan & Cromwell (Hong Kong) LLP
20th Floor, Alexandra House
18 Chater Road, Central
Hong Kong

Zhong Lun Law Firm LLP
4th Floor, Jardine House,
1 Connaught Place, Hong Kong

PRINCIPAL BANKER

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

STOCK CODE

01518

COMPANY WEBSITE

www.ncich.com.cn

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for 2020.

In 2020, the outbreak of COVID-19 represented both a challenge and an opportunity for the Group. As the impact of the pandemic became less pronounced and the Group actively expanded its business, our business volume and overall income staged a notable rebound in the second half of 2020. In particular, the overall income for the second half of the year grew by 36.64% over the first half of the year, and the number of outpatient visits and inpatient visits reached 193,039 and 7,581 respectively in 2020, representing an increase of 70.01% and 22.77% respectively in the second half of the year over the first half of the year.

Over the year, the functional departments led by the National Health Commission introduced a number of policies to strongly promote internet medical services. In November 2020, the National Medical Insurance Administration issued the "Guiding Opinions on Active Promotion of Medical Insurance Payment for "Internet+" Medical Service" (《關於積極推進「互聯網+」醫療服務醫保支付工作的指導意見》) which aims to vigorously support the innovation of "internet +" medical service models and further clarify the standards and guidelines for the inclusion of internet medical services in medical insurance payments.

To accommodate new market changes, the Group leveraged the core advantages of offline medical institutions on the building of service model according to the new development strategies and fully considered the needs of patients, medical workers, and medical institutions to progressively open up the closed-loop service chain, achieve integrated management services and improve medical treatment efficiency and operational capabilities through the new cooperation model of offline-oriented services complemented by online services and "online + offline" deep integration.

The Group has been committed to the research and development of medical service technology. Chengdu New Century and Beijing New Century Children's Hospital Co., Ltd. obtained the internet hospital license and internet medical treatment qualification in July and December 2020 respectively. The Group will speed up the application of internet medical treatment and internet hospital licenses for subordinate medical institutions. With the advantages of our in-house medical team, online and offline integrated membership system and medical service technology research and development, the Group will accelerate review and optimization of the business processes of our various existing types of medical institutions, further upgrade our membership service system, optimize our organizational structure and personnel management, and strengthen the layout of internet hospitals.

Last but not least, on behalf of the Board of the Company, I wish to take this opportunity to express our gratitude towards the long-term support and trust of the Shareholders. Looking forward, we will seize the opportunities arising from government policies to further grow our business and complete the transformation from conventional healthcare services to the "offline + internet" integrated healthcare service mode, making contributions to the implementation of the national strategy of Healthy China and creating sustainable value return for the Shareholders.

Jason ZHOU
Chairman

Beijing, March 31, 2021

Management Discussion and Analysis

BUSINESS OVERVIEW AND OUTLOOK

Business Overview for 2020

In 2020, the outbreak of the COVID-19 pandemic (the "**COVID-19 Outbreak**") had a significant impact on the short-term economic activities. Such macro environment, accompanied by more stringent prevention and control measures under the pandemic, significantly affected the Group's business in 2020 which experienced a decrease in revenue for the first time. Under the huge challenges brought by the COVID-19 Outbreak, the Group was fully committed to pandemic prevention and control, actively fulfilling the social responsibilities of medical institutions. The Group also actively explored a service model with integrated online and offline services and increased investment into research and development of medical service technologies. Chengdu New Century and Beijing New Century Children's Hospital Co., Ltd. under the Group obtained internet hospital licenses and internet consultation qualification in July and December 2020 respectively. With the relief of the pandemic and the Group's active business development efforts, the overall revenue of the Group significantly rebounded in the second half of 2020, with the revenue from medical services and the revenue from pediatric healthcare services increased by 36.9% and 50.4%, respectively, as compared with the first half of 2020.

Due to the impact of the COVID-19 Outbreak, in 2020, the Group witnessed an overall decrease of business revenue. The Group recorded a revenue of RMB512.8 million, representing a 29.7% YoY decrease, and the revenue from medical services amounted to RMB495.8 million, representing a 27.7% YoY decrease. In particular, revenue from pediatric services and obstetric and gynecologic services recorded a 33.3% YoY decrease to RMB368.0 million and a 4.7% YoY decrease to RMB127.8 million respectively.

The net loss of the Group for the year ended December 31, 2020 amounted to RMB377.5 million, which was mainly due to the impact of asset impairment of RMB264.3 million and decrease in profit caused by decline in revenue. After eliminating the effects of impairment losses on non-current assets, exchange gains and losses and RSA Scheme, in 2020, the Group recorded an adjusted net loss of RMB104.6 million and an adjusted EBITDA of RMB55.2 million. In addition, the pandemic has a more eminent impact on newly established clinics which are still under incubation, prolonging the ramp-up period and affected the Group's profit. As such, after eliminating the effects of the New Institutions, the adjusted EBITDA was RMB108.9 million.

Industry Outlook and the Group's Strategies

The consumption upgrade of emerging customers and the increased awareness of health management, together with the shortage of medical resources, result in a consistently strong demand for high-quality medical services including pediatric healthcare services. By 2022, the pediatric healthcare market is expected to reach RMB224 billion in terms of total revenue, with private medical institutions accounting for 6.1%. In particular, the pediatric healthcare market in Beijing is expected to reach RMB21.5 billion, with the proportion of private medical institutions increasing to 14.0%.

Over recent years, residents' awareness of health management is increasing. Meanwhile, the aging population also drives the continuous growth of demand for quality medical resources. To better meet the medical needs of people, Chinese central and local governments continue to deepen and advance the "Internet + Healthcare" model, launch various policies, guidelines and standards for online healthcare services, and incorporate telemedicine into the social insurance system, thereby encouraging and supporting the development of online healthcare sector. For example, the government makes it clear that health technology is a strategic area of development for China. It was also featured heavily in both the 13th Five-Year Plan (2016-2020) and the Healthy China 2030 strategy. In April 2018, the Chinese State Council also issued new guidelines to promote internet-based healthcare service, encouraging medical institutions to leverage internet technologies to improve the efficiency of medical services.

Leveraging on its nearly 20 years of experience in healthcare services, the Group intends to grasp the industry opportunities by implementing the following measures:

- Accelerating the application of internet consultation and internet hospital licenses for Group's medical institutions so as to fully promote the connection and integration of brick-and-mortar medical institutions and online services.

- Promoting digital healthcare services supported by an integrated online and offline membership system by upgrading the Group's membership system as well as utilizing a combination of internet-based and offline healthcare services.

- Optimizing business structure, organization structure and talent management in accordance with the Group's development strategy.

FINANCIAL REVIEW

Segment Revenue

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

	Year ended December 31,			
	2020		2019	
	(in thousands of RMB, except percentages)			
Medical services	495,769	96.7%	685,967	94.0%
Hospital consulting services	8,531	1.7%	34,269	4.7%
Others[(1)]	8,485	1.6%	9,133	1.3%
Total	512,785	100.0%	729,369	100.0%

(1) Include revenue from marketing services, cafeteria and gift shop sales at our medical institutions and online healthcare services after intersegment elimination.

Medical Services

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

	Year ended December 31,	
	2020	2019
	(in thousands of RMB, except percentages)	
Revenue	495,769	685,967
Cost of revenue	363,605	445,161
Gross profit	132,164	240,806
Gross profit margin	26.7%	35.1%

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

	Year ended December 31,			
	2020		2019	
	(in thousands of RMB, except percentages)			
Pediatric services	368,015	71.8%	551,863	75.7%
Obstetric and gynecologic services	127,754	24.9%	134,104	18.3%
Total	495,769	96.7%	685,967	94.0%

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

	Year ended December 31,	
	2020	2019
The Group		
Inpatient services		
Inpatient visits	7,581	11,234
Average inpatient spending per visit (RMB)	26,864	26,544
Outpatient services		
Outpatient visits	193,039	285,106
Average outpatient spending per visit (RMB)	1,281	1,161
Revenue from medical services attributable to inpatients *(RMB'000)*	203,656	298,196
Revenue from medical services attributable to outpatients *(RMB'000)*	247,322	330,885
Revenue recognized for membership card sales *(RMB'000)*	44,791	56,886
Pediatric Services		
Inpatient services		
Inpatient visits	4,677	8,183
Average inpatient spending per visit (RMB)	25,916	25,743
Outpatient services		
Outpatient visits	150,207	234,545
Average outpatient spending per visit (RMB)	1,345	1,212
Revenue from medical services attributable to inpatients *(RMB'000)*	121,207	210,654
Revenue from medical services attributable to outpatients *(RMB'000)*	202,017	284,323
Revenue recognized for membership card sales *(RMB'000)*	44,791	56,886
Obstetric and gynecologic services		
Inpatient services		
Inpatient visits	2,904	3,051
Average inpatient spending per visit (RMB)	28,391	28,693
Outpatient services		
Outpatient visits	42,832	50,561
Average outpatient spending per visit (RMB)	1,058	921
Revenue from medical services attributable to inpatients *(RMB'000)*	82,449	87,542
Revenue from medical services attributable to outpatients *(RMB'000)*	45,305	46,562

Revenue from provision of our medical services amounted to RMB495.8 million in 2020, representing a 27.7% YoY decrease and accounting for 96.7% of the Group's total revenue. This decrease was primarily due to (i) a 25.3% and 31.7% YoY decrease in revenue from medical services attributable to the outpatients and inpatients respectively; and (ii) a 21.3% YoY decrease in revenue recognized for membership card sales caused by the COVID-19 pandemic.

In 2020, there were 4,677 pediatric services inpatient visits, representing a YoY decrease of 42.8%. There were also 150,207 pediatric services outpatient visits, representing a YoY decrease of 36.0%. For obstetric and gynecologic services, there were 2,904 inpatient visits, representing a YoY decrease of 4.8%, and 42,832 outpatient visits, representing a YoY decrease of 15.3%. The decrease was greatly influenced by the COVID-19 pandemic.

The cost of revenue of our medical services consists primarily of employee benefits expenses, cost of inventories and consumables, consultation fees, outsourced examination and inspection fees and utilities, maintenance fees and office expenses. The cost of revenue of our medical services in 2020 reached RMB363.6 million, representing a YoY decrease of 18.3%. This decrease was primarily a result of (i) decrease in personnel wages due to adjustment of personnel structure, optimization of human resources costs such as employee's working hours arrangement, and government relief on social contribution in response to the COVID-19 Outbreak; and (ii) decreased costs of medicines, consumables and specialist service due to decreased medical business.

Hospital Consulting Services

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

	Year ended December 31,	
	2020	2019
	(in thousands of RMB, except percentages)	
Revenue	8,531	34,269
Cost of revenue	5,065	13,824
Gross profit	3,466	20,445
Gross profit margin	40.6%	59.7%

The gross profit and the gross profit margin of our hospital consulting services for the year ended December 31, 2020 were RMB3.5 million and 40.6% respectively.

Gross Profit and Gross Profit Margin

Our gross profit in 2020 amounted to RMB135.8 million, representing a YoY decrease of 48.0%. This was mainly due to the decrease of our business as a result of the COVID-19 Outbreak. Our gross profit margin decreased from 35.8% in 2019 to 26.5% in 2020.

Selling Expenses

Our selling expenses in 2020 amounted to RMB44.1 million, which basically remained the same compared with the figures in 2019.

Administrative Expenses

Our administrative expenses in 2020 amounted to RMB123.3 million, representing a decrease from RMB146.5 million in 2019. Such decrease was mainly a result of (i) a decrease in employee wages due to the optimized employee structure and working time schedule in response to the COVID-19 Outbreak, as well as the reduction and exemption of expenses of government social insurance; and (ii) the decrease of depreciation expenses due to the decrease of rental area of some clinics.

Research and Development Expenses

The expenses for research and development of the Group were RMB14.5 million, compared with RMB3.8 million in the same period last year. These expenses were related to the development of the online platform technologies in 2020, which was a part of the continuous investment by the Group in technologies and facilities related to online medical services.

Impairment Loss of Non-current Assets

During the reporting period, the Group recorded a significant impairment loss of RMB264.3 million in non-current assets, including a goodwill impairment loss of RMB220.1 million of Chengdu New Century, a goodwill impairment loss of RMB14.4 million and an intangible assets impairment loss of RMB17.0 million of New Century Healthcare Technology (Beijing) Co., Ltd., a long-term equity investment impairment loss of RMB10.3 million of Chiron Healthcare Holdings Limited and an impairment loss of RMB2.5 million on intangible assets of BNC Chaowai Clinic.

In terms of Chengdu New Century and Chiron Healthcare Holdings Limited, such loss was mainly due to the impact of the COVID-19 Outbreak and the uncertainty of the macroeconomic environment, which both have undermined the confidence of consumers in the short and medium term, and may lead to more intense competition and affect future business performance. As to New Century Healthcare Technology (Beijing) Co., Ltd., in response to the impact of the COVID-19 Outbreak, we need to continue structural adjustment and plan to invest in developing new online platform technologies. The Group evaluated the impairment and recorded the impairment loss according to the result of the evaluation.

Other Gains/(Losses) – Net

Our other net gains in 2020 amounted to RMB4.0 million, as compared to other net losses of RMB5.0 million in 2019. Our other net gains in 2020 were a net result of (i) gains of RMB2.2 million from change in leases and retirement of fixed assets; (ii) an increase of RMB1.1 million in the fair value of our wealth management products; and (iii) gains of RMB0.7 million from acquisition of BNC Wenyu Clinic.

Management Discussion and Analysis (Continued)

Finance Income and Expenses

Our finance income in 2020 decreased from RMB4.4 million in 2019 to RMB3.3 million, which was mainly a result of (i) a decrease of foreign exchange gains of RMB2.3 million, and (ii) an increase in deposit interest income of RMB1.2 million. Our finance expenses in 2020 increased from RMB18.8 million in 2019 to RMB23.3 million, which was mainly a result of (i) an increase of foreign exchange losses of RMB7.5 million, and (ii) a decrease in interest expenses and finance charges paid/payable for lease liabilities of RMB3.0 million.

Income Tax Expense

Our income tax expense in 2020 amounted to RMB48.8 million, representing a YoY increase of 11.9%. This was mainly because certain accumulated tax losses (related to deferred tax assets) were due or due to expire but could not be used as expected.

Our effective tax rates were -14.8% and 90.7% in 2020 and 2019, respectively.

Loss for the year ended December 31, 2020

Our loss attributable to the owners of the Company for the year ended December 31, 2020 amounted to RMB371.4 million, as compared to a net loss attributable to the owners of the Company of RMB26.6 million for the year ended December 31, 2019.

FINANCIAL POSITION

Inventories

Our inventories increased by 24.8% from RMB15.7 million as of December 31, 2019 to RMB19.6 million as of December 31, 2020 primarily due to the increase of requisite medical inventories as a result of the growth of the vaccine business of the Group's medical institutions.

Trade Receivables

Our trade receivables decreased by 7.1% from RMB30.8 million as of December 31, 2019 to RMB28.6 million as of December 31, 2020 primarily driven by a reduction of revenue due to the COVID-19 Outbreak.

Trade Payables

Our trade payables decreased by 3.0% from RMB26.4 million as of December 31, 2019 to RMB25.6 million as of December 31, 2020 primarily due to a decrease of the purchasing quantity of consumables and drugs as a result of the decrease of our business volume affected by the COVID-19 Outbreak.

LIQUIDITY AND CAPITAL RESOURCES

Net Cash Used in Operating Activities

In 2020, we had net cash used in operating activities of RMB4.2 million, primarily attributable to the loss before income tax of RMB328.7 million, adjusted by (i) depreciation of property, plant and equipment of RMB34.6 million; (ii) finance costs/income-net of RMB20.0 million; (iii) depreciation of right-of-use assets of RMB43.9 million; (iv) amortisation expenses of RMB16.3 million; (v) impairment of RMB264.3 million on intangible assets/long-term equity investments; and (vi) other miscellaneous items amounting to RMB3.7 million. These adjustments were partially offset by (i) the change in working capital of RMB28.0 million; (ii) payment of corporate income tax of RMB22.8 million; (iii) interest paid of RMB9.7 million; and (iv) interest received of RMB2.2 million.

Net Cash Generated from Investing Activities

In 2020, we had net cash generated from investing activities of RMB47.8 million, primarily attributable to (i) net cash of RMB62.3 million generated from investing in financial assets and the corresponding interest income; (ii) net cash of RMB14.4 million used in purchasing and disposal of property, plant and equipment and intangible assets; (iii) loans of RMB3.4 million to related parties; and (iv) proceeds from acquisition of RMB3.3 million.

Net Cash Used in Financing Activities

In 2020, we had net cash used in financing activities amounted to RMB86.5 million, primarily attributable to (i) payment of dividend of RMB43.4 million paid to shareholders; (ii) principal elements of lease payments of RMB40.3 million; and (iii) share repurchase of RMB2.8 million for equity incentives.

Significant Investments, Acquisitions and Disposals

Save as disclosed in this report, we did not have any significant investments, material acquisitions or material disposals in the year ended December 31, 2020.

On February 20, 2020, the Group, through its subsidiary, BNC Women's and Children's Hospital, purchased 100% equity interests of Beijing Phoenix UMP Wenyu Clinic Outpatient Service Co. Ltd. with zero consideration. Upon the acquisition, the entity's name was changed into Beijing New Century Wenyu Clinic Outpatient Service Co., Ltd.. The fair value of net identifiable assets acquired was RMB0.7 million and the gain on bargain purchase was RMB0.7 million.

Capital Expenditures

Our capital expenditures primarily include expenditures on (i) property, plant and equipment, comprising buildings and construction, leasehold improvements, medical equipment, furniture and office equipment and motor vehicles; and (ii) intangible assets such as computer software relating to our operations. The amount of our capital expenditures in 2020 was RMB11.2 million (2019: RMB22.2 million), which was mainly attributable to the upgrade of existing medical institutions.

INDEBTEDNESS

Borrowings

As of December 31, 2020, we did not have any borrowings (2019: nil).

Exposure to Fluctuations in Exchange Rates

We mainly operate in the PRC with most of the transactions settled in RMB. Foreign exchange rate risk arises when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. On December 31, 2020, our assets and liabilities were primarily denominated in RMB, except for certain cash and cash equivalent denominated in USD or HKD and dividend payable denominated in HKD. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will closely monitor such risk on an ongoing basis.

Contingent Liabilities

As of December 31, 2020, we did not have any contingent liabilities or guarantees that would have a material impact on our financial position or results of operations.

Pledge of Assets

As of December 31, 2020, none of our assets had been pledged.

Contractual Obligations

As of December 31, 2020, we did not have any contractual obligations that would have a material effect on our financial position or results of operations.

Financial Instruments

Our major financial instruments include financial asset at fair value through profit or loss, trade receivables, other receivables excluding prepayments, amounts due from related parties, cash and cash equivalents, borrowings, trade payables, other payables excluding non-financial liabilities, and amounts due to related parties. Our management manages such exposure to ensure appropriate measures are implemented in a timely and effective manner.

Gearing Ratio

As of December 31, 2020, our gearing ratio, calculated as total borrowings divided by total equity, was 0% as compared to 0% as of December 31, 2019.

USE OF IPO PROCEEDS

The net proceeds received by the Company from the global offering amounted to HK$857.2 million after deducting underwriting commissions and all related expenses, which have been and will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated December 30, 2016 and the announcements of the Company dated December 6, 2017 and March 25, 2019 regarding the change in use of proceeds.

The expected timeline of the intended use of the unutilized proceeds, subject to the then management assessment and market landscape, is set out as below:

Item	Net proceed as of March 25, 2020 *(HK$ million)*	Utilized between March 25, 2020 to March 31, 2021 *(HK$ million)*	Unutilized as of March 31, 2021 *(HK$ million)*	Expected timeline of the intended use of the unutilized proceeds, subject to the then management assessment and market landscape
Setting up, renovation and acquisition of new hospitals and clinics and the required working capital for such new hospitals and clinics	247.0	61.0	186.0	The remaining amount is expected to be fully utilized by the end of 2023.
Investment in surgery center and medical service technologies (including online diagnosis)	77.8	28.1	49.7	The remaining amount is expected to be fully utilized by the end of 2023.
Total	324.8	89.1	235.7	

EMPLOYEE AND REMUNERATION POLICY

On December 31, 2020, the Group had 1,352 employees (December 31, 2019: 1,420 employees). Total staff remuneration expenses including Directors' remuneration in 2020 amounted to RMB263.8 million (FY2019: RMB310.6 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other staff benefits include social insurances and housing provident contributions made by the Group, performance-based compensation and discretionary bonus.

The Group has adopted the RSA Scheme and the Employee Share Scheme to attract, retain and monitor our key employees. 9,000,000 restricted shares have been granted to 2 Directors and 265 employees of the Group up to the date of this report. Details of the grant of restricted shares and the adoption of the Employee Share Scheme are set out in the announcements of the Company dated July 25, 2017 and August 31, 2020 respectively.

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

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended December 31, 2020 (2019: nil).

Directors and Senior Managements

DIRECTORS

Executive Directors

Mr. Jason ZHOU, aged 56, is the founder of our Group, a Controlling Shareholder and has been an executive Director, the Chief Executive Officer and the Chairman of our Group since August 2015. He is also the chairman of the Nomination Committee. Since Mr. Zhou founded our Group in 2002, he has been leading our Group for over 18 years to serve in the private healthcare industry. Mr. Zhou has been the driving force behind our development, growth and expansion and is primarily responsible for the overall management of our Group and directing the strategic development and business plans of our Group. Mr. Zhou is currently a director of several of our principal operating subsidiaries.

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

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

Ms. XIN Hong (辛紅), aged 51, has been an executive Director since February 2016. In April 2016, she was also appointed as Senior Vice President and Chief Operating Officer of the Group. She is primarily responsible for overseeing the management and operation of the Group's hospitals and overall business, including assisting in obtaining relevant regulatory approvals, as well as being involved in the design and construction of the Group's hospitals, the Group's decision making process and organizational structure, and the management of day to day operations.

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

Ms. Xin has more than 18 years of experience in hospital operations management and took up a number of positions in our Group throughout her current tenure. Ms. Xin has represented the Group in international medical exchanges and its participation in international and regional health organizations.

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

Directors and Senior Managements (Continued)

In June 2015, Ms. Xin was elected as a member of the Standing Committee of the Private Hospital Management Branch of the Chinese Hospital Association. Ms. Xin obtained a college degree in English from Beijing Institute of Aeronautics, Beijing (presently known as Beihang University) in July 1990.

Mr. XU Han (徐瀚), aged 49, joined our Group in October 2005 and has been an executive Director since February 2016. In April 2016, he was appointed as Senior Vice President of the Group. Mr. Xu serves as the Group's Chief Financial Officer, with overall responsibility for the financial management of each member of the Group and the Group's investment and financing activities, as well as overseeing the Group's internal controls and information technology.

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

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

Non-executive Directors

Mr. GUO Qizhi (郭其志), aged 48, has been a non-executive Director since January 2018. He is also a member of the Audit Committee. He is primarily responsible for providing strategic advice and guidance on the business development and expansion of our Group.

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

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

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

Mr. WANG Siye (王思業), aged 39, has been a non-executive Director since February 2016. He is primarily responsible for providing strategic advice and guidance on the business development and expansion of our Group. Mr. Wang has over 10 years of experience in corporate finance and investments. From June 2013 to August 2016, Mr. Wang served as an executive director of Boyu Capital, an investment firm focused on investing in Greater China. Prior to joining Boyu Capital, Mr. Wang served as an investment manager at CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金) from August 2010 to June 2012 and, prior to that, as an associate at the Investment Banking Department of China International Capital Corporation Co., Ltd. (中國國際金融有限公司) from February 2007 to July 2010.

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

Dr. CHENG Chi-Kong, Adrian ***JP*** (鄭志剛), aged 41, has been a non-executive Director since June 1, 2018. He is primarily responsible for providing strategic advice and guidance on the business development and expansion of our Group. Dr. Cheng is an executive vice-chairman, executive director and chief executive officer of New World Development Company Limited (Stock Code: 17), an executive director of Chow Tai Fook Jewellery Group Limited (Stock Code: 1929), an executive director of New World Department Store China Limited (Stock Code: 825), an executive director of NWS Holdings Limited (Stock Code: 659), and a non-executive director of Giordano International Limited (Stock Code: 709), all of which are listed public companies in Hong Kong. He is an executive director of New World China Land Limited (Stock Code: 917), which was a listed public company in Hong Kong until its delisting on August 4, 2016. He was an executive director of International Entertainment Corporation (Stock Code: 1009) and a non-executive director of i-CABLE Communications Limited (Stock Code: 1097), which are public listed companies in Hong Kong, until his resignation with effect from June 10, 2017 and July 2, 2019 respectively. He was also a non-executive vice-chairman of Modern Media Holdings Limited (Stock Code: 72), which is a public listed company in Hong Kong, until his resignation with effect from August 26, 2017.

Dr. Cheng is the chairman of New World Group Charity Foundation Limited, a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference, chairman of the China Young Leaders Foundation, and the honorary chairman of K11 Art Foundation.

Dr. Cheng holds a Bachelor of Arts degree (cum laude) from Harvard University and was conferred the Honorary Doctorate of Humanities by the Savannah College of Art and Design. He worked at UBS AG from September 2003 to April 2006, and has substantial experience in corporate finance.

Mr. YANG Yuelin (楊躍林), aged 57, has been a non-executive Director since June 1, 2018. He is also a member of the Remuneration Committee. He is primarily responsible for providing strategic advice and guidance on the business development and expansion of our Group. Mr. Yang has been a tax senior manager at Ernst & Young (China) Corporate Consulting Co., Ltd. Beijing Branch since June 2008. Mr. Yang joined the tax department of Ernst & Young Hua Ming LLP in 1993.

Mr. Yang graduated from the Beijing College of Finance and Commerce with a diploma in finance and accounting in June 1988.

Mr. XIE Qiang (解強), aged 42, is currently the General Manager of CDB Capital FoF Management Co., Ltd. Mr. Xie worked at Beijing Guantao Law Firm as a legal assistant from July 2003 to July 2006, served as a Project Assistant at the Legal Affairs Department Contract Supervision Office of Beijing 29th Olympic Games Organizing Committee from July 2006 to January 2008, and a Supervisor at the Legal Affairs Department Contract Supervision Office of Beijing 29th Olympic Games Organizing Committee from January 2008 to November 2008. He served successively as an Officer of Market and Investment Division of China Development Bank Shenzhen Branch from November 2008 to December 2009, Senior Manager of Funds Division II of China Development Bank Capital Corporation Ltd. from January 2010 to September 2013, the Departmental Secretary at the Secretariat Division I of the General Office of China Development Bank from September 2013 to May 2018, and the Vice President of China Development Bank International Holdings Limited from May 2018 to December 2019.

Mr. Xie is currently serving as a non-independent director of Guangzhou Kingmed Diagnostics Group Co Ltd, a company listed on the Shanghai Stock Exchange. He has been serving in this role since November 2020.

Mr. Xie obtained a bachelor's degree in economic law from Tongji University in July 2000 and a master's degree in law from the University of Pittsburgh in July 2003. Mr. Xie has extensive experience in general corporate management, international banking, finance and investment management.

Independent Non-executive Directors

Mr. WU Guanxiong (吳冠雄), aged 49, was appointed as an independent non-executive Director in December 2016. He is also the chairman of the Remuneration Committee and a member of the Nomination Committee. He is primarily responsible for overseeing and providing independent judgment and analysis to the Board. Mr. Wu has substantial experience in capital markets and securities matters. He is a partner at Tian Yuan Law Firm (天元律師事務所). Prior to joining Tian Yuan Law Firm in March 1999, he served as a legal advisor at China North Industries Corporation (中國北方工業公司) from August 1994 to September 1997.

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

Mr. SUN Hongbin (孫洪斌), aged 45, was appointed as an independent non-executive Director in December 2016. He is also the chairman of the Audit Committee. Mr. Sun has been an independent non-executive director of CStone Pharmaceuticals (Stock Code: 2616), which is a public listed company in Hong Kong since February 14, 2019. Mr. Sun has more than 23 years of experience in the financial industry. Mr. Sun has been the director and chief financial officer of MicroPort Scientific Corporation (微創醫療科學有限公司) since September 2010. He has also been the chairman of Shanghai MicroPort Medbot (Group) Co., Ltd. (上海微創醫療機器人(集團)股份有限公司), a non wholly-owned subsidiary of MicroPort Scientific Corporation since 2020. Mr. Sun also served as a supervisor of MicroPort Shanghai until July 2010. Mr. Sun was the general manager of Otsuka (China) Investment Co., Ltd. (大塚(中國)投資有限公司) from January 2006 to August 2010. From January 2004 to January 2006, he served as a financial director of Otsuka (China) Investment Co., Ltd. (大塚(中國)投資有限公司). From August 1998 to January 2004, Mr. Sun was an assistant manager of the Shanghai office of KPMG.

Mr. Sun is a member of the Chinese Institute of Certified Public Accountants and is also a Chartered Financial Analyst. Mr. Sun received his bachelor's degree in accounting from Shanghai Jiao Tong University in the PRC in 1998.

Mr. JIANG Yanfu (姜彥福), aged 77, was appointed as an independent non-executive Director in December 2016. He is also a member of each of the Audit Committee and the Nomination Committee. He is primarily responsible for overseeing and providing independent judgment and analysis to the Board. Mr. Jiang has approximately 18 years of experience in corporate governance and compliance of listed companies. He served as an independent non-executive director of Jiangxi Bestoo Energy Co., Ltd. (江西百通能源股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 835359), and Synthesis Electronic Technology Co., Ltd. (神思電子技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300479), and resigned in September 2018 and August 2017, respectively.

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

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

Directors and Senior Managements (Continued)

Dr. MA Jing (馬晶), aged 60, was appointed as an independent non-executive Director in December 2016. She is also a member of the Remuneration Committee. She is primarily responsible for overseeing and providing independent judgment and analysis to the Board. Dr. Ma has over 30 years of experience in medical and public health studies. She has been an associate professor at Harvard School of Public Health since 2012 and an associate professor of medicine at Harvard Medical School since 2005. Prior to that, she had held various teaching and research positions at Harvard Medical School, Brigham and Women's Hospital in Boston, Massachusetts, the U.S. and the University of Minnesota. She is also a member of the American Association for Cancer Research.

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

SENIOR MANAGEMENT

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

Ms. ZHOU Hong (周紅), aged 62, a chief physician, is the Vice President and the Chief Medical Officer of our Group with overall responsibility for the medical department of the Group's hospitals, including overseeing the overall management of our healthcare services and our professional team and the professional training, and assisting with the development of the Group's business, annual plans and strategic business plans. She is also involved in cultivating relationships between our Group and the medical community as well as the marketing and public relations activities of our Group. Ms. Zhou joined our Group in March 2005, initially as a medical director of BNC Children's Hospital.

Prior to joining our Group, Ms. Zhou had been involved in the field of child surgery clinical work for 26 years. Between September 1983 and September 2001, Ms. Zhou served at BCH, holding a number of roles including director of the surgery department. Ms. Zhou has also taught at the Capital University of Medical Sciences in Beijing as an associate professor from September 2000 to November 2003, and as a professor from November 2003 to February 2014.

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

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

Mr. JIA Xiaofeng (賈曉鋒), aged 42, has been the assistant to the Chief Executive Officer and the Chairman of our Group. He is primarily responsible for the Group's corporate governance and overall company secretarial matters.

Mr. Jia first joined BNC Children's Hospital in March 2009 as an investment manager before working at PricewaterhouseCoopers from April 2010 to November 2011, as a general manager in the investment division of Jiahua Likang, our connected person, from March 2014 to March 2016 and as the Investment Director of our Group from April 2016 to February 2020.

Mr. Jia has approximately 13 years of experience in corporate finance and investments and approximately 19 years of experience in the healthcare and medical industry. Prior to initially joining our Group in March 2009, Mr. Jia also worked at The China Care Group Hospital Management and Consulting Co., Ltd. (華美康醫院管理諮詢有限公司) as a partner in its consultancy division from January 2007 to March 2009, where he was primarily responsible for analyzing the group's business and financial operations, as well as facilitating and managing investments and development projects in new and existing markets.

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

Ms. TENG Lan (滕嵐), aged 45, has been the director of Human Resources for BNC Children's Hospital since April 2016. Ms. Teng's primary responsibilities include managing the Group's human resources and affairs, overseeing the recruitment, and assisting with the training of medical services personnel, auditing staff budgets and strategic planning for senior personnel. Ms. Teng joined our Group in February 2006 as the director of Human Resources of BNC Children's Hospital and since then has assumed various managerial positions, including clinic manager and the director of operations.

Ms. Teng has over 24 years of experience in human resources management, including more than 19 years in the medical industry. Prior to joining our Group, Ms. Teng had served as the manager of government relations at Hua Mei Kang Medical Consultancy Management (Beijing) Limited (華美康醫療諮詢管理(北京)有限公司) between March 2005 and January 2006, an assistant general manager at Shenzhen Shenyuan Trading Enterprise Co. Limited (深圳深遠貿易有限公司) between June 2004 and December 2004, a human resources manager at Beijing United Family Hospital (北京和睦家醫院) from November 2000 to June 2004, a human resources director at Kerry Hotel Beijing (北京嘉里中心大酒店) from February 1999 to November 2000, and a human resources assistant at Beijing ATV Jinlang Hotel (北京亞視金朗大酒店) from July 1997 to February 1999.

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

Ms. Zhang Jingxin (張菁欣), aged 35, has been the Vice President and Director of Strategic Investment of our Group since February 2020. She is primarily responsible for the investment and financing, acquisitions, business expansion and investor relations of our Group. She joined our Group in May 2017 and was the Vice President and Director of Capital Markets of our Group until February 2020.

Ms. Zhang has approximately 14 years of experience in corporate finance and global capital markets. Ms. Zhang served in the investment banking division of Bank of America Merrill Lynch from June 2007 to April 2017. From March 2010 to April 2017, Ms. Zhang worked as associate and vice president in the investment banking division at Bank of America Merrill Lynch in the Asia Pacific region and was responsible for corporate finance and mergers and acquisitions of PRC corporations.

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

Directors' Report

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2020.

PRINCIPAL ACTIVITIES

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

A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/paid up capital, is set out in note 9 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in "Chairman's Statement" on pages 4 to 5 of this annual report and in "Management Discussion and Analysis – Business Overview and Outlook" on pages 6 to 7 of this annual report. The environmental performance of the Group are set out in "Environmental, Social and Governance Report" on pages 59 to 65 in this annual report. The financial risk management objectives and policies of the Group are set out in note 3 to the consolidated financial statements. Significant events that have an effect on the Group subsequent to the end of the financial year ended December 31, 2020 are set out in note 36 to the consolidated financial statements. Besides, the potential risks and uncertainties faced by the Group, key relationships between the Group and its employees, customers and suppliers, the environmental policies of the Group and compliance with the relevant laws and regulations which have a significant impact are set out below.

Key Risks and Uncertainties

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

Reputation risk

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

Customer risk

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

Talent risk

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

Key Relationship

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

Staff

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

Customers

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

Suppliers

We firmly believe that our suppliers are equally important in providing high-quality medical services. When selecting suppliers, we consider, among other things, their product offerings, pricing, reputation, service or product quality and delivery schedule. We generally require our suppliers to maintain requisite licenses and permits to operate their business, such as business licenses and GMP certificates and/or GSP certificates. We conduct regular review of our suppliers and will remove any suppliers who do not meet our supply standards or requirements from our list of approved suppliers. We usually have more than one supplier for each kind of our supply need to ensure we maintain sufficient inventory levels and bargaining power to deal with price fluctuations. We do not rely on any single supplier for any of our major pharmaceuticals, medical consumables or medical devices. We had stable business relationships with our suppliers in 2020.

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

Environmental Policies

We are subject to various PRC laws, rules and regulations with regard to environmental matters, including hospital sanitation, disease control, disposal of medical waste, and discharge of wastewater, pollutants and radioactive substances. We have established systems and procedures in place concerning environmental protection, such as requiring all our hospitals to engage qualified service providers to dispose of medical waste and radioactive substances. In 2020, our businesses were in compliance with all the relevant laws and regulations with regard to environmental protection in all material aspects.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China while the Company is a holding company incorporated in the Cayman Islands with its shares listed on the Main Board of the Stock Exchange. Our establishments and operations accordingly shall comply with relevant laws and regulations in Mainland China, the Cayman Islands and Hong Kong. In 2020, our businesses were in compliance with all the relevant laws and regulations in Mainland China, the Cayman Islands and Hong Kong in all material aspects.

RESULTS AND DIVIDEND

The results of the Group for the year ended December 31, 2020 are set out in the section headed "Consolidated Statement of Comprehensive Income" of this annual report.

The Board did not recommend the payment of a final dividend for the year ended December 31, 2020 (2019: nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended December 31, 2020 are set out in note 18 to the consolidated financial statements in this annual report.

RESERVES

Details of the movements in the reserves of the Group for the year ended December 31, 2020 are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report.

As of December 31, 2020, the Company had a share premium balance of RMB2,606.5 million, which shall be available for distribution to the Shareholders.

PROPERTY, PLANT AND EQUIPMENT

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

FINANCIAL SUMMARY

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

BORROWINGS

As of December 31, 2020, the Group did not have any borrowings (2019: nil).

PLEDGE OF ASSETS

As of December 31, 2020, no assets of the Group were pledged.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2020, our five largest individual patients contributed to less than 5% of our total revenue. During the year ended December 31, 2020, our largest customer was a corporate customer and a connected person of us from which we derived hospital consulting service fee revenue, which in aggregate contributed to 1.66% of our revenue in 2020.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 55.0% (2019: 33.9%) of the total purchases for the year ended December 31, 2020 and purchases from the largest supplier accounted for approximately 32.9% (2019: 11.9%) of our total purchases.

Save for Mr. Zhou's equity interest (together with his spouse) in Jiahua Likang, our largest corporate customer, to the best knowledge of the Directors, none of the Directors or any of their close associates (as defined in the Listing Rules) or Shareholders that owned more than 5% of the issued Shares had any direct or indirect interest in the five largest customers or the five largest suppliers of the Group during the year ended December 31, 2020.

DIRECTORS

The Directors as of the Latest Practicable Date are as follows:

Executive Directors

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

Non-executive Directors

Mr. GUO Qizhi
Mr. WANG Siye
Dr. CHENG Chi-Kong, Adrian *JP*
Mr. YANG Yuelin
Mr. FENG Xiaoliang *(resigned with effect from January 1, 2021)*
Mr. XIE Qiang *(appointed with effect from January 1, 2021)*

Independent Non-executive Directors

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

THE BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

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

SERVICE CONTRACTS OF THE DIRECTORS

Each of the Directors has entered into a service contract with the Company for a term of three years commencing from the date of service contract and automatically renewed for three years from the expiry date and shall be terminable by either party giving not less than three months' notice in writing to the other.

Pursuant to article 108(a) of the Articles of Association, Mr. XU Han, Mr. GUO Qizhi, Mr. WANG Siye and Dr. CHENG Chi-Kong, Adrian shall retire by rotation, and being eligible, have offered themselves for re-election as the Directors at the forthcoming AGM.

Pursuant to article 112 of the Articles of Association, Mr. XIE Qiang shall hold office until the AGM, and being eligible, has offered himself for re-election as the Director at the AGM.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information on Directors for the year ended December 31, 2020 and up to the Latest Practicable Date are as follows:

- Dr. CHENG Chi-Kong, Adrian has been re-designated as executive vice-chairman and chief executive officer of New World Development Company Limited (Stock Code: 17), a company listed on the Main Board of the Stock Exchange, from May 2020.

- Mr. FENG Xiaoliang has resigned as a non-executive Director with effect from January 1, 2021 by reason of his desire to focus on his other work commitments.

- Mr. XIE Qiang has been appointed as a non-executive Director with effect from January 1, 2021.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules regarding changes in Directors' biographical details from the publication of the Company's 2020 interim report up to the Latest Practicable Date.

REMUNERATION OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in notes 40 and 27 to the consolidated financial statements in this annual report.

The annual remuneration of the members of the senior management (excluding Directors) by band for the year ended December 31, 2020 is as follow:

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

REMUNERATION POLICY

As of December 31, 2020, the Group had 1,352 employees (December 31, 2019: 1,420 employees). Total staff remuneration expenses including Directors' remuneration in 2020 amounted to RMB263.8 million (2019: RMB310.6 million). Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. On top of salary payments, other staff benefits include social insurance and housing provident contributions made by the Group, performance-based compensation and discretionary bonus.

The Group has adopted the RSA Scheme and the Employee Share Scheme to attract, retain and monitor our key employees. 9,000,000 restricted shares have been granted to 2 Directors and 265 employees of the Group up to the Latest Practicable Date. Details of the grant of restricted shares and the adoption of the Employee Share Scheme are set out in the announcement of the Company dated July 25, 2017 and August 31, 2020 respectively.

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

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

NON-COMPETITION UNDERTAKINGS

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

Each of them has confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this annual report during the year ended December 31, 2020. No new business opportunity was informed by them as of December 31, 2020.

The independent non-executive Directors have reviewed the implementation of the deed of non-competition and are of the view that the non-competition undertakings have been complied with by our Controlling Shareholders, Jiahua Likang and Jiahua Kangming for the year ended December 31, 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of December 31, 2020, the following Director had interests in the following businesses which were considered to compete or were likely to compete, either directly or indirectly, with the businesses of the Group:

	Businesses which were considered to compete or likely to compete with the business of the Group		
Name of Director	Name of entity	Description of business	Nature of interest of the Director in the entity
Dr. CHENG Chi-Kong, Adrian *JP*	New World Development Company Limited and all its subsidiaries and associated enterprises	Property development and investments in the areas of property, infrastructure, hotel operation, department store operation, commercial aircraft leasing, apparel, technology and medical (including rehabilitation, healthcare, nursing and elderly care)	Director
	Chow Tai Fook Enterprises Limited and all its subsidiaries and associated enterprises	Property investments and development, hotel operation, commercial aircraft leasing, aircraft sale and purchase and medical investments	Director

Save as disclosed above and in the section headed "Relationship with Our Controlling Shareholders" of the Prospectus, as of December 31, 2020, none of the Directors nor their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

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

As of December 31, 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Interests/short positions in the Shares

Name of Director or Chief Executive	Nature of interest	Number of Shares[1]	Approximate percentage of interest in the Company
Mr. Zhou[2]	Interests in a controlled corporation; interest held jointly with another person	217,556,394	44.40%
Ms. XIN Hong[3]	Beneficial owner	180,000	0.04%
Mr. XU Han[4]	Beneficial owner	180,000	0.04%

Notes:

1. All interests stated are long positions.

2. The entire issued share capital of each of JoeCare and Century Star is directly held by Mr. Zhou. Accordingly, Mr. Zhou is deemed to be interested in the 150,817,051 Shares held by JoeCare and the 8,999,162 Shares held by Century Star. Pursuant to the Voting Agreement, Ms. Liang irrevocably agreed to follow Mr. Zhou's voting directions when exercising the voting rights attached to the Shares beneficially owned by her during the term of such agreement. Hence, Mr. Zhou is deemed to be interested in all the Shares held by Ms. Liang in aggregate by virtue of the SFO.

3. 450,000 restricted Shares were granted to Ms. XIN Hong under the RSA Scheme, 180,000 of which have vested in her subject to certain conditions and 270,000 of which have lapsed. Hence, Ms. XIN Hong is interested in 180,000 restricted Shares vested in her under the RSA Scheme.

4. 450,000 restricted Shares were granted to Mr. XU Han under the RSA Scheme, 180,000 of which have vested in him subject to certain conditions and 270,000 of which have lapsed. Hence, Mr. XU Han is interested in 180,000 restricted Shares vested in him under the RSA Scheme.

Save as disclosed above, as of the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of December 31, 2020, so far as was known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in the Company
JoeCare[1]	Beneficial owner	150,817,051	30.78%
Victor Gains[2]	Beneficial owner	57,740,181	11.8%
Ms. Liang[2]	Interests in a controlled corporation	57,740,181	11.8%
CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司)[3]	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Taiding Investment Company Limited (天津泰鼎投資有限公司)[3]	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司)[3]	Interests in a controlled corporation	31,728,156	6.5%
Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司)[3]	Interests in a controlled corporation	31,728,156	6.5%
Mr. WU Shangzhi[3]	Interests in a controlled corporation	31,728,156	6.5%
Mr. JIAO Shuge[3]	Interests in a controlled corporation	31,728,156	6.5%
Anyi Hekang (Tianjin) Investment Partnership L.P. (安怡和康(天津)投資合夥企業(有限合夥))[4]	Beneficial owner	31,562,713	6.4%

Name of Shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in the Company
Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司)(4)	Interests in a controlled corporation	31,562,713	6.4%
Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司)(4)	Interests in a controlled corporation	31,562,713	6.4%
XIA Meiying(4)	Interests in a controlled corporation	31,562,713	6.4%
HUANG Ailian(4)	Interests in a controlled corporation	31,562,713	6.4%
China Life Reinsurance Company Ltd.(5)	Beneficial owner	31,609,000	6.5%
China Reinsurance (Group) Corporation(5)	Interests in a controlled corporation	31,609,000	6.5%
Central Huijin Investment Ltd.(5)	Interests in a controlled corporation	31,609,000	6.5%

Notes:

1. The entire issued share capital of JoeCare is directly held by Mr. Jason ZHOU. Accordingly, such 150,817,051 Shares held by JoeCare have been included and reflected in the number of shares interested by Mr. Jason ZHOU above.

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

3. Shanghai Fuyi Investment Partnership L.P. (Limited Partnership) is a limited liability partnership organized and existing under the laws of the PRC. The general partner of Shanghai Fuyi Investment Partnership L.P. (Limited Partnership) is CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司), which is owned directly as to 57.2% by CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司). Shanghai Fuji Investment Partnership L.P. (Limited Partnership) is a limited liability partnership organized and existing under the laws of the PRC. The general partner of Shanghai Fuji Investment Partnership L.P. (Limited Partnership) is CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司), which is owned directly as to 85.4% by Tianjin Taiding Investment Company Limited (天津泰鼎投資有限公司). Tianjin Taiding Investment Company Limited is owned directly as to 55.0% by Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司) (whose entire issued share capital is held by Mr. WU Shangzhi) and as to 45.0% by Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司) (whose entire issued share capital is held by Mr. JIAO Shuge). Accordingly, each of CDH Equity Investment Management (Tianjin) Co., Ltd., Tianjin Taiding Investment Company Limited, Tianjin Haoyong Investment Management Co., Ltd., Tianjin Weiyuan Investment Management Co., Ltd., Mr. WU Shangzhi and Mr. JIAO Shuge is deemed to be interested in such number of Shares held by Shanghai Fuyi Investment Partnership L.P. (Limited Partnership) and Shanghai Fuji Investment Partnership L.P. (Limited Partnership).

4. Anyi Hekang (Tianjin) Investment Partnership L.P. (安怡和康(天津)投資合夥企業(有限合夥)) is a limited liability partnership organized and existing under the laws of the PRC. The general partner of Anyi Hekang (Tianjin) Investment Partnership L.P. is Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司) whose sole shareholder is Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司) which is owned as to 50% by Xia Meiying and 50% by Huang Ailian. Accordingly, each of Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司), Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司), XIA Meiying and HUANG Ailian is deemed to be interested in such number of Shares held by Anyi Hekang (Tianjin) Investment Partnership L.P..

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

Save as disclosed above, as of December 31, 2020, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which shall be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

RSA SCHEME AND EMPLOYEE SHARE SCHEME

(a) RSA Scheme

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

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

Name of grantees of restricted Shares	Position held with the Group	Number of Shares represented by the restricted Shares as of January 1, 2020	Date of grant	Exercise price *HKD*	Vested between January 1, 2020 and December 31, 2020	Lapsed between January 1, 2020 and December 31, 2020	Number of Shares represented by the restricted Shares as of December 31, 2020
Directors							
XIN Hong	Executive Director	270,000	July 25, 2017	3.825	–	270,000	–
XU Han	Executive Director	270,000	July 25, 2017	3.825	–	270,000	–
Sub-total		540,000			–	540,000	–
265 other employees of the Group		3,912,000	July 25, 2017	3.825	19,500	3,892,500	–
Sub-total		3,912,000			19,500	3,892,500	–

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

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

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

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

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

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

(b) Employee Share Scheme

On August 28, 2020, the Board adopted the Employee Share Scheme in order to recognize the contributions by the selected participants, to provide them with incentives to achieve performance goals, and to attract suitable personnel for further development of the Group. The Employee Share Scheme shall be valid and effective for a period of ten years commencing on its adoption date, under the administration of the administration committee and the trustee.

No Shares shall be purchased pursuant to the Employee Share Scheme if as a result of such purchase, the number of Shares administered under the Employee Share Scheme reaches 5% or more of the issued share capital of the Company at the date of the Board's approval of the Employee Share Scheme, or such other limit as determined by the administration committee in its sole and absolute discretion provided always that it is in compliance with the Listing Rules. The maximum number of award shares which may be granted to a selected participant at any one time or in aggregate may not exceed 1% of the issued share capital of the Company at the same date.

In determining the selected participants, the number of award shares to be granted, the vesting conditions, the exercise price (if any) to be paid by the selected participants for each award share, the manner of payment of the exercise price and the other terms and conditions of the grants of award shares, the administration committee shall take into consideration any matter which it considers relevant. Any award share granted to a selected participant pursuant to the rules governing the Employee Share Scheme (the "**Employee Share Scheme Rules**") shall vest in such selected participant in accordance with the vesting conditions as set out in the grant letter.

As of December 31, 2020, for the purpose of the Employee Share Scheme, 1,921,500 shares have been purchased from the market at a total consideration of RMB2.8 million by the trustee appointed by the Company for the administration of the Employee Share Scheme to hold on trust for the benefit of the selected participants pursuant to the Employee Share Scheme Rules and the provisions of the trust deed in relation to the Employee Share Scheme.

As at the date of this annual report, no Shares were granted under the Employee Share Scheme. For further details of the Employee Share Scheme, please refer to the Company's announcement dated 31 August 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "RSA Scheme and Employee Share Scheme" above, at no time during the year ended December 31, 2020, there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by the Directors; or was the Company, or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report and the Prospectus, no transaction, arrangement or contract of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or at the end of 2020.

RELATED PARTY TRANSACTIONS

Related party transactions during the year ended December 31, 2020 are disclosed in note 36 to the consolidated financial statements in this annual report.

Save as disclosed in the section headed "Continuing Connected Transactions" below and item (d) of note 36 ("**Note 36**") to the consolidated financial statements in this annual report, the Directors consider that the other related party transactions disclosed in the Note 36 do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. The Directors confirm that the two categories of transactions under "examination and laboratory test services received from Beijing Children's Hospital, Capital Medical University" and "purchase of goods from Beijing Children's Hospital, Capital Medical University" set forth in item (d) of the Note 36 are fully exempt under Rule 14A.76(1) of the Listing Rules. The Directors further confirm that the continuing connected transactions carried out by the Group as disclosed in the section headed "Continuing Connected Transactions" below and item (d) of the Note 36 have complied with the requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

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

1. Framework Property Management and Cleaning Services Agreement

Reference is made to (i) the section headed "Connected Transactions" in the Prospectus which provides that Muhe Jiaye entered into the Property Management and Cleaning Services Agreements with each of BNC Children's Hospital and BNC Women's and Children's Hospital on August 22, 2016 for a period with effect from August 22, 2016 to August 21, 2019; and (ii) the announcements of the Company dated May 3, 2018, December 3, 2018 and December 6, 2018 in relation to the various property management services transactions between Muhe Jiaye and various members of the Group.

On April 12, 2019, Jiahua Yihe and Muhe Jiaye agreed the terms of the Framework Property Management and Cleaning Services Agreement for a term from April 12, 2019 to December 31, 2021 in relation to the provision of property management, facilities and equipment maintenance and cleaning services by Muhe Jiaye to Jiahua Yihe Hospitals. Details of the transaction have been disclosed in the circular of the Company dated May 15, 2019.

The aggregate annual caps for the property management and cleaning services for the year ended December 31, 2020 under the Framework Property Management and Cleaning Services Agreement was RMB30.0 million and the actual aggregate amount paid for the year ended December 31, 2020 was RMB8.4 million.

Muhe Jiaye is a company in which Ms. Zhao holds a 35.0% equity interest and thus is a connected person of the Group by virtue of it being an associate of Mr. Zhou pursuant to Rule 14A.12(1)(c) of the Listing Rules.

2. Framework Management Consulting Services Agreement

Reference is made to (i) the section headed "Connected Transactions" in the Prospectus which provides that Jiahua Likang entered into a management consulting services agreement with Jiahua Yihe on June 1, 2016 for a period with effect from December 1, 2015 to November 30, 2018; and (ii) the announcement of the Company dated December 6, 2018 which provides that Jiahua Likang entered into a management consulting services agreement with Jiahua Yihe on December 6, 2018 for a period with effect from December 6, 2018 to June 30, 2019.

On April 12, 2019, Jiahua Yihe and Jiahua Likang entered into the Framework Management Consulting Services Agreement, pursuant to which Jiahua Yihe will provide hospital consulting services to Jiahua Likang for the Likang Hospitals for a period from July 1, 2019 to December 31, 2021. Details of the transaction have been disclosed in the circular of the Company dated May 15, 2019.

For the year ended December 31, 2020, the annual cap of the maximum aggregate annual amount payable to Jiahua Yihe under the Framework Management Consulting Services Agreement is RMB43.0 million and the actual aggregate amount paid for the year ended December 31, 2020 was RMB8.0 million.

Jiahua Likang is a company in which Mr. Zhou holds (together with Ms. Zhao) a 41.3% equity interest and thus is a connected person of the Group by virtue of it being an associate of Mr. Zhou pursuant to Rule 14A.12(1)(c) of the Listing Rules. Accordingly, the transactions contemplated thereunder constituted a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

Jiahua Yihe has been providing hospital consulting services to Jiahua Likang for the Likang Hospitals since December 2015 and the relationship was formalized by the 2016 Management Consulting Services Agreement.

3. Chengdu New Century Hospital Premises Lease Agreement

Pursuant to a lease agreement (the "**Chengdu New Century Hospital Premises Lease Agreement**") entered into between Chengdu New Century and Chengdu Women's and Children's Central Hospital dated August 25, 2010, Chengdu New Century agreed to lease the hospital premises of Chengdu Women's and Children's Central Hospital for a period of 20 years from November 1, 2010 to October 31, 2030 at an annual rent as follows:

Period	Annual Rent
November 1, 2010 to October 31, 2011	Nil
November 1, 2011 to October 31, 2014	RMB4,500,000
November 1, 2014 to October 31, 2015	RMB5,000,000
November 1, 2015 to October 31, 2016	RMB6,500,000
November 1, 2016 to October 31, 2019	RMB8,500,000
November 1, 2019 to October 31, 2020	RMB10,000,000
November 1, 2020 to October 31, 2025	RMB10,500,000
November 1, 2025 to October 31, 2030	RMB11,025,000

For the year ended December 31, 2020, the annual cap of the maximum aggregate annual amount payable to Chengdu Women's and Children's Central Hospital is RMB10.5 million and the actual aggregate amount is RMB8.5 million.

Since the acquisition of 85.0% equity interest of Chengdu New Century by the Group on August 10, 2018, Chengdu Women's and Children's Central Hospital is a connected person of the Group by virtue of it being a substantial shareholder of Chengdu New Century, a subsidiary of the Company. Accordingly, the transactions contemplated thereunder constituted a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

The Directors considered that by entering into the Chengdu New Century Hospital Premises Lease Agreement, Chengdu New Century would be able to secure a long term lease of hospital premises for its operations on normal commercial terms or better which is very important to the business development of the Group.

Details of the transaction have been disclosed in the announcement of the Company dated March 25, 2019.

Fully-Exempt Continuing Connected Transaction – VIE Acquisition Agreement and VIE Contracts

Pursuant to the VIE acquisition agreement (the "**VIE Acquisition Agreement**") dated September 26, 2017, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming had conditionally agreed to enter into a series of VIE contracts (the "**VIE Contracts**") with, among others, Jiahua Yihe on or before November 3, 2017 and to cause Jiahua Yihe to perpetually and factually enjoy all the economic rights and benefits and other similar rights attaching or accruing to (i) the 100% equity interest in Jiahua Kangming held by Ms. Zhao and Ms. ZHOU Jie, and (ii) the 30% equity interest in each of BNC Women's and Children's Hospital and BNC Harmony Clinic held by Jiahua Kangming (the "**Economic Benefits**") from the date of completion, for a cash consideration of RMB30 million. Details of the transactions have been disclosed in the announcement and circular of the Company dated September 26, 2017 and November 3, 2017 respectively.

Ms. Zhao is the spouse of Mr. Zhou, the controlling Shareholder of the Company. Ms. ZHOU Jie is Mr. Zhou's sister. Jiahua Kangming is held as to 99% by Ms. Zhao and as to 1% by Ms. ZHOU Jie. Therefore, each of Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming is a connected person of the Company by virtue of her/it being an associate of Mr. Zhou pursuant to the Listing Rules. Accordingly, the transactions contemplated under the VIE Contracts constituted continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. The aggregate transaction amount under the VIE Contracts for the year ended December 31, 2020 is RMB0 and the Company does not expect to record any transaction amount under VIE Contracts for the years ending December 31, 2021 and 2022. As all applicable percentage ratios are less than 0.1%, the transactions contemplated under the VIE Contracts for the three years ending December 31, 2022 are fully exempt from shareholders' approval, annual review and all disclosure requirements.

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

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

MANAGEMENT CONTRACTS

The Company did not enter into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group during the year ended December 31, 2020.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, neither contract of significance made between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, nor contract of significance made for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries was entered into during the year ended December 31, 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, the Company had no future plans for material investments or capital assets during the year ended December 31, 2020.

DIRECTORS' PERMITTED INDEMNITY PROVISION

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "RSA Scheme and Employee Share Scheme" above, no equity-linked agreements were entered into by the Company, or existed during the year ended December 31, 2020.

CHARITABLE DONATIONS

During the year ended December 31, 2020, the Company did not make any charitable donations.

SUBSEQUENT EVENTS

Save as disclosed in this annual report, there is no subsequent event after the reporting period up to the Latest Practicable Date which has a material impact on the consolidated financial statements of the Group.

PRE-EMPTIVE RIGHTS

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

DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended December 31, 2020 (2019: nil).

AGM AND CLOSURES OF REGISTER OF MEMBERS

The AGM of the Company will be held on Friday, May 21, 2021. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, May 17, 2021 to Friday, May 21, 2021, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, non-registered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, May 14, 2021.

CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 47 to 58 of this annual report.

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

As of December 31, 2020, for the purpose of the Employee Share Scheme, 1,921,500 shares have been purchased from the market by the trustee appointed by the Company for the administration of the Employee Share Scheme to hold on trust for the benefit of the selected participants pursuant to the rules governing the Employee Share Scheme and the provisions of the trust deed in relation to the Employee Share Scheme.

Save as disclosed in this report, during the year ended December 31, 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best of the Directors' knowledge, information and belief, the Company has always maintained sufficient public float as required under the Listing Rules during year ended December 31, 2020 and up to the Latest Practicable Date prior to the issue of this annual report.

AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended December 31, 2020. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board
Jason ZHOU
Chairman, Chief Executive Officer and Executive Director

Beijing, March 31, 2021

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

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

During the year ended December 31, 2020, the Company has applied the principles as set out in the CG Code which are applicable to the Company.

In the opinion of the Directors, during the year ended December 31, 2020, the Company has complied with all applicable code provisions as set out in the CG Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, details of which are set out in the "Chairman and Chief Executive Officer" of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the year ended December 31, 2020. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company's securities, without noticing any violation of the guidelines.

BOARD OF DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

Mr. GUO Qizhi *(Member of the Audit Committee)*
Mr. WANG Siye
Dr. CHENG Chi-Kong, Adrian *JP*
Mr. YANG Yuelin *(Member of the Remuneration Committee)*
Mr. XIE Qiang

Independent Non-executive Directors:

Mr. WU Guanxiong *(Chairman of the Remuneration Committee and member of the Nomination Committee)*
Mr. SUN Hongbin *(Chairman of the Audit Committee)*
Mr. JIANG Yanfu *(Member of the Audit Committee and member of the Nomination Committee)*
Dr. MA Jing *(Member of the Remuneration Committee)*

The biographical information of the Directors are set out in the section headed “Directors and Senior Managements” on pages 17 to 22 of this annual report. The relationships between the members of the Board are also disclosed under the same section.

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

During the year ended December 31, 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

NON-EXECUTIVE DIRECTORS AND DIRECTORS' RE-ELECTION

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

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

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

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

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

For the year ended December 31, 2020, the Company organized a training session on corporate governance and connected transactions conducted by lawyers for Directors and all Directors have attended the training session. The Directors and senior management have also reviewed the performance of the Company and the sales strategy of the industry and have also discussed the market condition of the industry.

BOARD COMMITTEES

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

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

Audit Committee

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

In 2020, the Audit Committee held 3 meetings to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of work and discuss the annual audit plan with auditors.

In 2020, the Audit Committee had 3 meetings with the external auditors of the Company.

Remuneration Committee

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

In 2020, the Remuneration Committee held 1 meeting to review and make recommendations to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Directors and senior management and other related matters.

Nomination Committee

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

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

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

In 2020, the Nomination Committee held 1 meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider and recommend to the Board on the appointment of Mr. XIE Qiang as a non-executive Director.

Director Nomination Policy

The Company has adopted a director nomination policy (the "**Director Nomination Policy**"), pursuant to which in evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Company and/or the Board in terms of qualifications, skills, experience, independence, gender and race diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for the nomination of the Directors and succession planning.

As regards selection and appointment of a new Director:

- The Nomination Committee and/or the Board should, upon receipt of a proposal on the appointment of a new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- If the process yields more than one desirable candidate, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and the reference check of each candidate (where applicable).
- The Nomination Committee should then recommend that the Board appoint the most appropriate candidate for directorship, as applicable.
- For any person that is nominated by a shareholder for election as a director at a general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendations to shareholders with respect to the proposed election of directors at a general meeting.

As regards re-election of Directors at general meeting:

- The Nomination Committee and/or the Board should review the overall contribution and service to the Company of each Director and his/her level of participation and performance on the Board.

- The Nomination Committee and/or the Board should also review and determine whether the Director continues to meet the criteria as set out above.

- The Nomination Committee and/or the Board should then make recommendations to shareholders in respect of the proposed re-election or replacement of the Directors at a general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at a general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or the explanatory statement that accompanies the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

Board Diversity Policy

The Company believes that the Board diversity will have a substantial benefit in improving its performance. Therefore, the Company has adopted the Board Diversity Policy to ensure that the diversity of Board members be considered from a number of perspectives. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. A summary of the Board Diversity Policy is set out below:

The Board continuously seeks to enhance its effectiveness and to maintain the highest standards of corporate governance and recognizes diversity at the Board level as an essential element in helping the Company to attract, retain and motivate employees from widest possible pool of available talent so as to better understand and meet customer needs and maintain competitive advantages and sustainable development.

In designing the Board's composition, the Board diversity is considered from a number of perspectives, including but not limited to gender, age, ethnicity, nationality, language skills, cultural and educational background, regional and industry experience and reputation, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board strives to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies in order for the Board to be effective.

Corporate Governance Functions

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and AGM of the Company held during the year ended December 31, 2020 is set out in the table below:

	Attendance/Number of Meetings				
Name of Directors	Board	Nomination Committee	Remuneration Committee	Audit Committee	AGM
Executive Directors					
Mr. Jason ZHOU	4/4	1/1	N/A	N/A	1/1
Ms. XIN Hong	4/4	N/A	N/A	N/A	1/1
Mr. XU Han	4/4	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. GUO Qizhi	4/4	N/A	N/A	3/3	1/1
Mr. WANG Siye	4/4	N/A	N/A	N/A	1/1
Dr. CHENG Chi-Kong, Adrian *JP*	4/4	N/A	N/A	N/A	1/1
Mr. YANG Yuelin	4/4	N/A	1/1	N/A	1/1
Mr. FENG Xiaoliang *(resigned with effect from January 1, 2021)*	4/4	N/A	N/A	N/A	1/1
Mr. XIE Qiang *(appointed with effect from January 1, 2021)*	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. WU Guanxiong	4/4	1/1	1/1	N/A	1/1
Mr. SUN Hongbin	4/4	N/A	N/A	3/3	1/1
Mr. JIANG Yanfu	4/4	1/1	N/A	3/3	1/1
Dr. MA Jing	4/4	N/A	1/1	N/A	1/1

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 66 to 72 of this annual report.

AUDITOR'S REMUNERATION

An analysis of the remuneration that should be paid to the external auditor of the Company, PricewaterhouseCoopers, for the audit of the year ended December 31, 2020 and non-audit services is set out below:

Service Category	Fees Paid/Payable *RMB'000*
Audit Service of Annual Report	3,200

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining an effective risk management and internal control systems to safeguard the Company's assets and the interests of Shareholders. The Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company on March 25, 2020, including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting function.

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

COMPANY SECRETARY

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

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company engaged Ms. SO Lai Shan, an assistant manager of TMF Hong Kong Limited (a global corporate services provider), as another joint company secretary to assist Mr. JIA Xiaofeng in discharging his duties as company secretary of the Company. Ms. SO Lai Shan's primary contact person at the Company was Mr. JIA Xiaofeng. Ms. SO Lai Shan tendered her resignation as one of the joint company secretaries of the Company with effect from August 31, 2020. She has confirmed that she has no disagreement with the Board and there are no other matters in relation to her resignation that need to be brought to the attention of the Shareholders or the Stock Exchange. Following Ms. SO Lai Shan's resignation, Mr. JIA Xiaofeng remains as the sole company secretary of the Company.

In compliance with Rule 3.29 of the Listing Rules, Mr. JIA Xiaofeng and Ms. SO Lai Shan have undertaken no less than 15 hours of relevant professional training during the year ended December 31, 2020.

Dividend Policy

The Company has adopted a dividend policy (the "**Dividend Policy**"). According to the Dividend Policy, in considering the declaration and payment of dividends, the Board shall take into account the following factors of the Group:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of the Shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of the Cayman Islands and the Articles of Association. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

Pursuant to article 64 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

Contact Details

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

Address:	Unit 1-4, 21st Floor, West Tower, Genesis Beijing, 8 Xinyuan South Road Chaoyang District, Beijing, PRC For the attention of the Company Secretary
Fax:	(86) (10) 8524 9988
Email:	xiaofeng.jia@ncich.com.cn

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

During the year ended December 31, 2020, the Company did not make any changes to its Memorandum and Articles of Association. An up-to-date version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the HKEx.

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

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

ENVIRONMENTAL PROTECTION

Emissions

Types of Emissions and Greenhouse Gas Emissions

Carbon footprint generated from the headquarter office, hospitals and clinics is disclosed in this report. Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas (GHG) expressed in terms of equivalent amount of carbon dioxide (CO_2-eq) emission.

For the year ended December 31, 2020, the total GHG emission emitted by the Group's operation was 4,654 tonnes of carbon dioxide equivalent. The major source of GHG emission was from the consumption of electricity.

Mitigation of Emissions

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

Hazardous Waste and Non-hazardous Waste

As regards discharges into water and land, and generation of hazardous and non-hazardous waste, the Group strictly implemented the Regulations on the Management of Medical Waste (《醫療廢物管理條例》), the Implementation Measures of the Management of Medical Waste (《醫療衛生機構醫療廢物管理辦法》), the Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》) and other relevant laws and regulations. For the year ended December 31, 2020, there were 95 tonnes of hazardous waste (medical waste). The following measures in respect of medical waste management and sewage treatment are implemented by the Group:

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

2. Sterilizing medical waste on the spot before disposal;

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

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

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

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

For non-hazardous waste, the Group's operations mainly generate packaging waste and administration related paper waste. For the year ended December 31, 2020, there were 6.73 tonnes of paper waste and 4.15 tonnes of packaging and advertising materials waste.

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

Use of Resources

Energy

For the year ended December 31, 2020, the Group consumed electricity of approximately 5,970,122 kWh in total (2019: 6,410,168 kWh).

Water

For the year ended December 31, 2020, the total amount of water consumed by the Group was approximately 53,651 cubic meters (2019: 63,214 cubic meters). The Group did not have problems in seeking appropriate water resources. The existing supply of water resources could satisfy the Group's needs in the aspects of volume, quality of water and the guarantee of water supply facilities. In 2020, the Group made every effort to maintain the same level of water usage as in the past and carried out measures of reduction in general water consumption in hospital and clinic premises.

Energy Use and Water Efficiency initiatives

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

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

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

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

3. Maintaining reasonable room temperature;

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

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

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

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

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

Total Packaging Material Used for Finished Products

For the year ended December 31, 2020, there were 4.15 tonnes packaging and advertising material and 20.71 tonnes paper used respectively.

The Environment and Natural Resources

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

SOCIAL RESPONSIBILITY

Employment

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

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

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

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

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

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

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

Health and Safety

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

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

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

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

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

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

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

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

7. Providing easy and safe accesses in workplaces;

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

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

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

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

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

13. Supervising the implementation of safety measures.

Development and Training

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

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

Labor Standards

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

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

OPERATING PRACTICES

Supply Chain Management

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

Product Responsibility and Security

The Group strictly implemented laws and regulations on (i) the administration and classification of, (ii) the supervision over pharmaceuticals and medical equipment in, and (iii) medical personnel of, healthcare institutions. In 2020, the Group did not experience any material medical disputes that caused a material adverse effect on its business, results of operations or financial condition.

From time to time, the Group published medical advertisements on websites to promote our business and increase our brand awareness. Medical advertisements shall be reviewed by relevant healthcare authorities and a "medical advertisement review certificate" is required before they may be released by a medical institution. In 2020, the Group obtained medical advertisement review certificates for all the medical advertisements published.

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

Anti-corruption

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

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

1. Formulating anti-corruption policies;

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

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

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

In 2020, the Company did not receive any report on crimes such as bribery, extortion, fraud and money laundering in the Group. There were no legal cases regarding corruption, job-related crimes, bribery, extortion, fraud and money laundering brought up by the Company or its employees.

Community Investment

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

During the year ended December 31, 2020, the Company did not make any charitable donations.

Independent Auditor's Report

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

OPINION

What we have audited

The consolidated financial statements of New Century Healthcare Holding Co. Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 73 to 183, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

Key audit matter identified in our audit is related to impairment assessment of goodwill:

Independent Auditor's Report (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
Refer to notes 2.9.1, 4(a) and 8 to the consolidated financial statements. The total historical cost of the Group's goodwill of approximately RMB392.3 million included the goodwill arising from the acquisitions of: • Beijing New Century Women's and Children's Hospital Co., Ltd. on 30 November 2015, amounting to RMB97.7 million; • Beijing New Century Ao-dong Clinic Outpatient Service Co., Ltd. on 16 January 2018, amounting to RMB15.5 million; • Beijing New Century Yide Consultancy Co., Ltd. on 9 February 2018, amounting to RMB11.0 million; • Chengdu New Century Women's and Children's Hospital Co., Ltd. on 2 August 2018, amounting to RMB253.7 million; and • New Century Healthcare Technology (Beijing) Co., Ltd. (formerly Jiarun Yunzhong Health Technology Co., Ltd.) on 23 August 2019, amounting to RMB14.4 million. Each goodwill was allocated to a cash-generating unit ("**CGU**") or a group of CGUs to which it related by considering the synergies gained from the acquisitions as described in note 8.	We obtained an understanding of the management's internal control and assessment process of impairment assessment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated and tested the key controls over the impairment assessment of goodwill. We evaluated the competence, capability and objectivity of the external valuation expert engaged by management. With the support of our internal valuation experts, we assessed the appropriateness of valuation model applied and parameters selected by management under the support of the external valuation expert. We assessed the significant estimates and judgements used in determining the recoverable amounts of each CGU or a group of CGUs as follows: • compound growth rate of revenue within forecast period by reference to management's research and analysis based on industry information and data; • compound growth rate of cost and operating expenses by reference to the historical financial performance of each CGU or a group of CGUs;

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill The Group performed impairment assessment at 31 December 2020 to assess whether goodwill suffered any impairment. The recoverable amount of each CGU or a group of CGUs was determined based on the higher of its respective fair value less costs of disposal or value-in-use. The determination of recoverable amount involved a variety of assumptions, such as compound growth rate of revenue within forecast period, compound growth rate of cost and operating expenses, long-term growth rate and discount rate. Changes in the conditions for these assumptions could significantly affect the recoverable amounts. As disclosed in note 8 to the consolidated financial statements, the management, with the support of an independent qualified professional valuer, determined the recoverable amounts of each CGU at 31 December 2020 based on which goodwill impairment losses totalled RMB234.5 million were recorded during the year ended 31 December 2020. We focused on auditing the impairment assessment of goodwill because the estimation of recoverable amounts is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to subjectivity of significant assumptions used and significant judgements involved in selecting parameters.	• long-term growth rate by reference to the long-term inflation rate of China; • discount rate by reference to the cost of equity of comparable companies. We also checked the mathematical accuracy of the calculations of methods and impairment losses performed by management and independent valuer on sample basis. We assessed the sensitivity analysis performed by management with potential impacts on the above key assumptions to further understand the extent to which adverse changes, either individually or in aggregate, would result in the goodwill being impaired. We also considered whether the judgements made in selecting the significant assumptions and data would give rise to indicators of possible management bias. We assessed the adequacy of the disclosures related to impairment assessment of goodwill in the context of the applicable financial reporting framework. Based on the above, we considered that management's judgements and assumptions applied in the impairment assessment of goodwill were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the chairman's statement, directors' report, management discussion and analysis (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 directors and senior managements, corporate governance report and environmental, social and governance report, which are expected to be made available to us after that date.

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

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

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

When we read the directors and senior managements, corporate governance report and environmental, social and governance 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 THE 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 is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

We communicate with 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, actions taken to eliminate threats or safeguards applied.

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 Tsun Ng.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2021

Consolidated Balance Sheet

	Notes	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	198,898	217,552
Right-of-use assets	7(a)	308,785	311,584
Intangible assets	8	424,330	692,901
Investments accounted for using the equity method	10	2,575	12,985
Deferred tax assets	25	499	2,244
Long-term deposits and prepayments	14	10,709	10,248
Total non-current assets		945,796	1,247,514
Current assets			
Inventories	12	19,584	15,687
Trade receivables	13	28,577	30,829
Other receivables, deposits and prepayments	14	16,874	13,970
Amounts due from related parties	15	161,003	158,421
Financial assets at fair value through profit or loss	16	–	61,122
Cash and cash equivalents	17	299,211	349,125
Total current assets		525,249	629,154
Total assets		1,471,045	1,876,668
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	335	335
Shares held for employee share scheme	19	(2,826)	–
Share premium	20	2,606,495	2,606,262
Reserves	20	(1,499,996)	(1,507,673)
(Accumulated losses)/retained earnings		(265,375)	111,881
Sub-total		838,633	1,210,805
Non-controlling interests		(26,781)	22,723
Total equity		811,852	1,233,528

Consolidated Balance Sheet (Continued)

	Notes	As at 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	7(a)	321,256	316,648
Deferred tax liabilities	25	55,790	32,030
Deferred income		2,641	–
Total non-current liabilities		379,687	348,678
Current liabilities			
Trade payables	23	25,618	26,353
Accruals, other payables and provisions	24	171,183	171,168
Lease liabilities	7(a)	39,839	39,753
Contract liabilities	5(g)	30,539	45,160
Current tax liabilities		8,113	7,536
Amounts due to related parties	15	4,214	4,492
Total current liabilities		279,506	294,462
Total liabilities		659,193	643,140
Total equity and liabilities		1,471,045	1,876,668

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

The financial statements on pages 73 to 183 were approved by the Board of Directors on 31 March 2021 and were signed on its behalf:

Jason ZHOU

XU Han

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	5(f)	512,785	729,369
Cost of revenue	26	(377,021)	(468,067)
Gross profit		135,764	261,302
Selling expenses	26	(44,068)	(44,201)
Administrative expenses	26	(123,269)	(146,520)
Research and development expenses	26	(14,467)	(3,831)
Net impairment losses on financial assets	3.1.2	(6,211)	(106)
Impairment losses on non-current assets	28	(264,271)	–
Other income		3,782	1,025
Other gains/(losses) – net	29	3,979	(5,044)
Operating (loss)/profit		(308,761)	62,625
Finance income	30	3,287	4,356
Finance costs	30	(23,327)	(18,849)
Share of net profit/(loss) of investments accounted for using the equity method	10	54	(67)
(Loss)/profit before income tax		(328,747)	48,065
Income tax expense	31	(48,787)	(43,572)
(Loss)/profit for the year		(377,534)	4,493
(Loss)/profit for the year is attributable to:			
Owners of the Company		(371,383)	(26,556)
Non-controlling interests		(6,151)	31,049
Other comprehensive income			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		406	–
Total comprehensive (loss)/income		(377,128)	4,493
Total comprehensive (loss)/income for the year is attributable to:			
Owners of the Company		(370,977)	(26,556)
Non-controlling interests		(6,151)	31,049
Loss per share for loss attributable to the ordinary equity holders of the Company (expressed in RMB per share)			
Basic and diluted loss per share	32	(0.77)	(0.05)

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

Consolidated Statement of Changes in Equity

		Attributable to owners of the Company							
		Share capital	Share held for employee share scheme	Share premium	Reserves	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019		335	–	2,600,209	(1,507,310)	144,274	1,237,508	33,836	1,271,344
Total comprehensive income									
– (Loss)/profit for the year		–	–	–	–	(26,556)	(26,556)	31,049	4,493
Transactions with owners									
– Dividends	22	–	–	–	–	–	–	(35,894)	(35,894)
– Business combination		–	–	–	–	–	–	(8,934)	(8,934)
– Transactions with non-controlling interests		–	–	–	(8,399)	–	(8,399)	2,666	(5,733)
– Appropriation to statutory surplus reserves		–	–	–	5,837	(5,837)	–	–	–
– Shares exercised under share award scheme		–	–	6,053	(3,580)	–	2,473	–	2,473
– Share-based payments	21	–	–	–	5,779	–	5,779	–	5,779
		–	–	6,053	(363)	(5,837)	(147)	(42,162)	(42,309)
Balance at 31 December 2019		335	–	2,606,262	(1,507,673)	111,881	1,210,805	22,723	1,233,528

Consolidated Statement of Changes in Equity (Continued)

	Notes	Share capital RMB'000	Share held for employee share scheme RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company							
Balance at 1 January 2020		335	–	2,606,262	(1,507,673)	111,881	1,210,805	22,723	1,233,528
Total comprehensive (loss)/income									
– Loss for the year		–	–	–	–	(371,383)	(371,383)	(6,151)	(377,534)
– Exchange differences		–	–	–	406	–	406	–	406
		–	–	–	406	(371,383)	(370,977)	(6,151)	(377,128)
Transactions with owners									
– Dividends	22	–	–	–	–	–	–	(43,353)	(43,353)
– Appropriation to statutory surplus reserves		–	–	–	5,873	(5,873)	–	–	–
– Shares exercised under share award scheme		–	–	233	(168)	–	65	–	65
– Share-based payments	21	–	–	–	1,566	–	1,566	–	1,566
– Shares held for employee share scheme	19	–	(2,826)	–	–	–	(2,826)	–	(2,826)
		–	(2,826)	233	7,271	(5,873)	(1,195)	(43,353)	(44,548)
Balance at 31 December 2020		335	(2,826)	2,606,495	(1,499,996)	(265,375)	838,633	(26,781)	811,852

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

Consolidated Statement of Cash Flows

		Year ended 31 December	
		2020	2019
	Notes	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Cash generated from operations	33(a)	26,055	178,113
Interest paid		(9,663)	(14,184)
Interest received		2,162	2,221
Income taxes paid		(22,776)	(39,363)
Net cash (outflow)/inflow from operating activities		(4,222)	126,787
Cash flows from investing activities			
Proceeds from acquisition of subsidiaries, net of cash acquired	34	3,342	415
Payments for property, plant and equipment		(11,389)	(17,854)
Payments for intangible assets		(3,120)	(4,752)
Proceeds from disposals of property, plant and equipment		134	3
Payments for financial assets		(294,200)	(523,900)
Proceeds from redemption of financial assets		355,100	513,000
Interest received on financial assets		1,354	2,388
Loans to related parties		(3,400)	(20,289)
Net cash inflow/(outflow) from investing activities		47,821	(50,989)

Consolidated Statement of Cash Flows (Continued)

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Repayment of borrowings from related parties		–	(73,003)
Dividends paid to the non-controlling interests	22	(43,353)	(35,894)
Dividends paid to the Company's shareholders		–	(3,170)
Principal elements of lease payments		(40,359)	(47,067)
Proceeds from shares exercised under share award scheme		65	2,473
Shares repurchase for employee share scheme		(2,826)	–
Transaction with non-controlling interests		–	(5,733)
Net cash outflow from financing activities		(86,473)	(162,394)
Net decrease in cash and cash equivalents		(42,874)	(86,596)
Cash and cash equivalents at the beginning of the year		349,125	433,327
Effects of exchange rate changes on cash and cash equivalents		(7,040)	2,394
Cash and cash equivalents at the end of the year		299,211	349,125

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

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

New Century Healthcare Holding Co. Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are principally engaged in provision of pediatrics and obstetrics and gynecology specialty services in the People's Republic of China (the "**PRC**"). The Group also provides hospital consulting services to a related party of the Group and online healthcare services.

The Company is a limited liability company incorporated in the Cayman Islands on 31 July 2015. The address of its registered office is c/o Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 Compliance with HKFRS and HKCO

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

2.1.2 Historical cost convention

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

- Financial assets at fair value through profit or loss (FVPL) – measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

2.1.3 New and amended standards and interpretations adopted by the Group

The Group has applied the following for the first time for their annual reporting period commencing January 1, 2020:

•	Amendments to HKAS 1 and HKAS 8	Definition of Material
•	Amendments to HKFRS 3	Definition of a Business
•	Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
•	Amendments to HKFRS 16	COVID-19-related Rent Concessions
•	Conceptual Framework for Financial Reporting	

The amendments listed above do not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the Amendment to HKFRS 16 set out above.

2.1.4 New and amended standards and interpretations not yet adopted

			Effective for annual periods beginning on or after
•	Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
•	Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
•	Amendments to HKFRS 3	Reference to the Conceptual Framework	January 1, 2022
•	Annual Improvements 2018-2020 cycle		January 1, 2022
•	HKFRS 17	Insurance Contracts	January 1, 2023
•	Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023

There are no new standards, amendments to existing standards or interpretations that are not yet effective and would be expected to have a material impact to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

The Group has early adopted Amendment to HKFRS 16 – COVID-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2021; and c. there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions (note 7). Rent concessions totaling RMB1,059,000 have been accounted for as negative variable lease payments and recognised in cost of revenue, selling expenses and administrative expenses, in the consolidated statement of comprehensive income for the half-year ended 30 June 2020, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

2.3 Principles of consolidation and equity accounting

2.3.1 Subsidiaries

Subsidiaries are 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.4).

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Principles of consolidation and equity accounting (Continued)

2.3.2 Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting (see 2.3.3 below), after initially being recognised at cost.

2.3.3 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees 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 2.10.

2.3.4 Changes in ownership interests

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations

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

- Fair values of the assets transferred
- Liabilities incurred to the former owners of the acquired business
- Equity interests issued by the Group
- Fair value of any asset or liability resulting from a contingent consideration arrangement, and
- Fair value of any pre-existing equity interest in the subsidiary.

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Business combinations (Continued)

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

2.5 Separate financial statements

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

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

2.6 Segment reporting

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

2.7 Foreign currency translation

2.7.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). Since the majority of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Group's functional and presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation (Continued)

2.7.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (Continued)

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

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

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

2.9 Intangible assets

2.9.1 Goodwill

Goodwill is measured as described in note 2.4. 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.

Goodwill is allocated to each of the cash-generating unit ("**CGU**"), or groups of CGUs, that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each unit or group of units are identified at the lowest level at which the goodwill is monitored for internal management purposes, being the operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (Continued)

2.9.2 Medical licenses

Medical licenses acquired in a business combination are recognised at fair value at the acquisition date. These medical licenses have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

2.9.3 Software

Acquired computer software and mobile software are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage.

Costs associated with maintaining computer and mobile software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Development expenditures that do not meet these criteria are recognised as an expense as incurred.

Software are amortised using the straight-line method over their estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units, CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Financial assets

2.11.1 *Classification*

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**"), or through profit or loss); and

- Those to be measured at amortised 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.

2.11.2 *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on the 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

2.11.3 *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at 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 the consolidated statement of comprehensive income.

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

Debt Instruments

Subsequent measurement of debt instruments depend 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:

- Amortised 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 amortised 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 recognised directly in the consolidated statement of comprehensive income and presented in "other gains/(losses)-net", together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

- 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 recognised in the consolidated statement of comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in "other gains/(losses)-net". 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)-net" and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

2.11.3 *Measurement (Continued)*

Debt Instruments (Continued)

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated statement of comprehensive income and presented net within "other gains/(losses)-net" 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 recognised 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 recognised in "other gains/(losses)-net" in the statement of comprehensive income 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.

2.11.4 *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised 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 recognised from initial recognition of the receivables, see note 13 for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Offsetting financial instruments

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

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers, government's social insurance schemes, and commercial insurance companies for services rendered and goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are 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 and other 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 13 for further information about the Group's accounting for trade receivables and note 3.1.2 for the description of the Group's impairment policies.

2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Share capital

Ordinary shares are classified as equity.

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

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

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

2.17.1 The consideration paid by the Talent Wise Investments Limited (note 21) for purchasing the Company's shares for the RSA Scheme from the market, including any directly attributable incremental cost, is presented as "Shares held for restricted share award scheme" and the amount is deducted from total equity.

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

2.17.2 Where the Company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Group.

Shares held by the employee share scheme (note 19) are disclosed as treasury shares and deducted from contributed equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Trade and other payables

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

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

2.19 Current and deferred income tax

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

2.19.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates 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.

2.19.2 Deferred income tax

Deferred income tax is provided 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 recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax (Continued)

2.19.2 *Deferred income tax (Continued)*

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated statement of comprehensive income.

2.19.3 *Investment allowances and similar tax incentives*

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in technology development). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

2.20 Employee benefits

2.20.1 *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (Continued)

2.20.2 Pension obligations

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

No other defined benefit plan was operated by the Group.

2.21 Share-based payments

Under the RSA Scheme, equity-settled share-based payments to directors and employees are measured at the fair value of restricted shares at the grant date. Details regarding the determination of the fair value of the shares relating to the RSA Scheme is set out in note 21.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Provisions

Provisions are recognised 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 can be reliably estimated. Provisions are not recognised 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 recognised 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 management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is 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 recognised as interest expense.

2.23 Revenue recognition

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

Revenues are recognised when, or as, the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- Provides all of the benefits received and consumed simultaneously by the customer;
- Creates and enhances an asset that the customer controls as the Group performs; or
- Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (Continued)

The progress towards complete satisfaction of performance obligation, depending on the nature of the good and service to be transferred, is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- Direct measurements of the value of individual services transferred by the Group to the customer; or

- The Group's efforts or inputs to the satisfaction of the performance obligation.

The following is a description of the accounting policy for the principal revenue streams of the Group.

2.23.1 *Provision of medical services*

Revenue from providing medical services including pediatrics, obstetrics and gynecology services is recognised at the point when the related services are rendered. Transactions are settled by payment from commercial insurance, government's insurance scheme, or directly paid by bank cards or cash from customers.

The Group sells membership cards to customers which entitles them to purchase medical services at different discount rates depending on the type of membership cards. The Group initially recognised the total membership fees received from customers as "contract liabilities". After initial recognition, the Group recognises relevant membership fees as revenue at the time when provides services to the membership card holder during the membership period. The contract liabilities is recognised as revenue based on the portion of the enjoyed discount amount to the total expected discount amount during the whole membership period.

The Group provides hospital services in package which is accounted as multiple element transactions. The total consideration of the package will be allocated by using the fair value of the consideration of each element under the package. The Group also sells stored-value cards to customers which entitles them to offset the payment amount when they purchase pharmaceuticals or accept hospital services from the Group. Such consideration will be prepaid by customers and is recognised as refund liabilities when the customer has a right to refund the prepayment for the unused service package or unused value amount in the stored-value card within a given period. See note 24 for details. Therefore, the consideration is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue when the Group's obligations have been fulfilled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (Continued)

2.23.2 *Pharmaceutical sales*

Revenue from pharmaceutical sales are recognised when control of the inventory has transferred, being when the inventory are delivered to the customers, the customers has full discretion to use the inventory, and there is no unfulfilled obligation that could affect the customers' acceptance of the inventory.

2.23.3 *Revenue from hospital consulting service*

The hospital consulting service is the consulting services rendered to the subsidiaries of Beijing Jiahua Likang Health Investment Co., Ltd. ("**Jiahua Likang**"), a related party of the Group (note 36(d)(i)). The service includes the fixed service fees portion related with the brand authorisation to the subsidiaries of Jiahua Likang and variable service fees portion based on the time-based services rendered by the Group. Revenue from providing hospital consulting service is recognised in the accounting period in which the services are rendered. Revenue related with the fixed brand authorization fee is recognised over time in the contract effective period. Revenue from services provided as request by the subsidiaries of Jiahua Likang is recognised as the point when the actual service provided.

2.23.4 *Others*

The Group also operates canteens, sells gift and groceries shops in its own hospitals. Revenue is recognised when control of the goods has been transferred, being when the goods are delivered to the customers.

The Group through its subsidiary New Century Healthcare Technology (Beijing) Co., Ltd. ("**New Century Healthcare Technology**") (previously named as Jiarun Yunzhong Health Technology Co., Ltd.) provides hospital appointment, online consultation services and online products sales to customers. Revenue from hospital appointment services are recognised on a net basis for the commission earned by the Group. Revenue from online products sales are recognised on a net basis when the control of the goods transferred out to the customers and the commission earned by the Group. Revenue from online consultation services are recognised on a gross basis when the Group is regarded as the primary obligor, otherwise net basis when the Group is regarded as an agent.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Earnings per share

2.24.1 *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2.24.2 *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

- amounts expected to be payable by the Group under residual value guarantees

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (Continued)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

The scope of the lease decreases if the lease is modified to terminate the right of use of one or more underlying assets or to shorten the contractual lease term. For a modification that decreases the scope of the lease, the Group decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognises gain or loss relating to the partial or full termination in the consolidated statement of comprehensive income within "other gains/(losses) – net".

2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.27 Interest income

Interest income from financial assets at FVPL is included in the net "other gains/(losses) – net" in the consolidated statement of comprehensive income, see note 29 below.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 30 below. 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).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

3.1.1 Market risk

(i) Foreign exchange risk

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

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

As at 31 December 2020, the Group's assets and liabilities are primarily denominated in RMB, except for certain cash and cash equivalent denominated in USD or HKD (note 17) and dividend payable denominated in HKD (note 22).

The Group is primarily exposed to change in RMB/USD exchange rate. At 31 December 2020, if RMB had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax profit for the year would have been RMB3,952,000 (2019: RMB5,452,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated cash at banks and short term bank deposit.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.1 Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

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

3.1.2 Credit risk

Credit risk mainly arises from cash and cash equivalents, financial assets at FVPL, and other financial assets at amortised cost, as well as credit exposures to receivables from customers, government's insurance schemes, commercial insurance companies, and related parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

The credit risk of cash and cash equivalents and financial assets at FVPL is limited because the counterparties are mainly state-owned or public listed commercial banks which are high-credit-quality financial institutions located in the PRC.

(i) Impairment of financial assets

The Group has four types of financial assets that are subject to the expected credit loss model:

- Trade receivables from the provision of medical services, sales of pharmaceutical and related goods and amounts due from related parties (trade in nature),
- Other receivables and deposits,
- Amounts due from related parties (non-trade), and
- Financial assets at FVPL.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(i) Impairment of financial assets (Continued)

Trade receivables and amounts due from related parties (trade in nature)

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and amounts due from related parties (trade in nature).

To measure the expected credit losses, trade receivables and amounts due from related parties (trade in nature) have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of the debtors over a period of 24 months before 31 December 2020 or 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on customer base factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product (GDP), Consumer Price Index (CPI) and Producer Price Index (PPI) of China to be the most relevant factors, 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)

3.1.2 Credit risk (Continued)

On that basis, the loss allowance as at 31 December 2020 and 2019 was determined as follows for trade receivables and amounts due from related parties (trade in nature):

31 December 2020	Lifetime expected credit loss rate	Gross carrying amount *RMB'000*	Lifetime expected credit loss *RMB'000*	Net carrying Amount *RMB'000*
Provision on trade receivables from insurance companies and government's insurance scheme	1.20%	27,247	(326)	26,921
Provision on trade receivables from individual customers	7.28%	1,786	(130)	1,656
Provision on amounts due from related parties (trade in nature)	4.30%	141,712	(6,090)	135,622
		170,745	(6,546)	164,199

31 December 2019	Lifetime expected credit loss rate	Gross carrying amount *RMB'000*	Lifetime expected credit loss *RMB'000*	Net carrying Amount *RMB'000*
Provision on trade receivables from insurance companies and government's insurance scheme	0.95%	28,928	(275)	28,653
Provision on trade receivables from individual customers	4.29%	2,274	(98)	2,176
Provision on amounts due from related parties (trade in nature)	0.00%	138,132	–	138,132
		169,334	(373)	168,961

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

The loss allowances for trade receivables and amounts due from related parties (trade in nature) as at 31 December 2020 and 2019 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2020 *RMB'000*	2019 *RMB'000*
Opening loss allowance as at 1 January	**(373)**	(267)
Increase in trade receivables and amounts due from related parties (trade in nature) loss allowance recognised in profit or loss during the year	(6,211)	(106)
Receivables written off during the year as uncollectible	38	–
Closing loss allowance at 31 December	**(6,546)**	(373)

Trade receivables and amounts due from related parties (trade in nature) 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 180 days past due.

Impairment losses on trade receivables and amounts due from related parties (trade in nature) are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, deposits and amounts due from related parties (non-trade). The directors of the Company have assessed that other receivables, deposit and amounts due from related parties (non-trade) have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of the reporting period of the Group is adopted by management. The directors of the Company do not expect any losses from non-performance by the counterparties of other receivables, deposits and amounts due from related parties(non-trade). Thus no loss allowance provision for other receivables, deposits and amounts due from related parties (non-trade) was recognised.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

3.1.3 Liquidity risk

The Group aims to maintain sufficient cash to meet operating capital requirements. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
At 31 December 2020					
Trade payables	25,618	–	–	–	25,618
Accruals and other payables (excluding non-financial liabilities) *(note 24)*	145,704	–	–	–	145,704
Amounts due to related parties	4,214	–	–	–	4,214
Lease liabilities	51,603	49,747	128,871	177,779	408,000
	227,139	49,747	128,871	177,779	583,536
At 31 December 2019					
Trade payables	26,353	–	–	–	26,353
Accruals and other payables (excluding non-financial liabilities) *(note 24)*	126,940	–	–	–	126,940
Amounts due to related parties	4,492	–	–	–	4,492
Lease liabilities	48,591	42,817	114,547	209,357	415,312
	206,376	42,817	114,547	209,357	573,097

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

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

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

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

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2020 and 2019 was as follows:

	As at 31 December	
	2020	2019
The liability-to-asset ratio	44.81%	34.27%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

3.3.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at FVPL	–	–	–	–

	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at FVPL	–	–	61,122	61,122

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

3.3.1 Fair value hierarchy (Continued)

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

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

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

There were no transfers between Level 1 and Level 2 during the period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2020.

3.3.2 Valuation techniques used to determine fair values

The valuation techniques used to determine Level 3 financial assets at FVPL is a discounted cash flow approach, which discounts the expected cash inflows by reference the expected rate of return released by financial services providers related with the structured financial products purchased by the Group.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

3.3.3 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 2020 and 2019:

	Structured financial products with floating rates *RMB'000*
Opening balance 1 January 2019	50,000
Acquisitions	523,900
Disposals	(515,388)
Gains and losses recognised in other gains – net*	2,610
Closing balance 31 December 2019	61,122
Acquisitions	294,200
Disposals	(356,454)
Gains and losses recognised in other gains – net*	1,132
Closing balance 31 December 2020	–

* Includes unrealised gains or losses recognised in "other (losses)/gains – net" attributable to balances held at the end of the reporting period

– 2020	–
– 2019	222

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

3.3.4 Transfers between level 2 and level 3

There is no transfers between level 2 and level 3 during the year.

3.3.5 Valuation process, inputs and relationship to fair value

The finance department of the Group performs the valuation of level 3 financial instruments for financial reporting purposes. It manages the valuation exercise of the investments on a case by case basis. At least once a year, the finance department would use valuation techniques to determine the fair value of the Group's level 3 instruments and report to senior management and directors of the Group.

The valuation of the level 3 instruments mainly includes financial assets at FVPL (note 16). The following table summarises the quantitative information about the significant unobservable inputs used in the recurring level 3 fair value measurements.

Description	Fair value as at 31 December		Unobservable inputs	Range as at 31 December		Relationship of unobservable input to fair value
	2020 *RMB'000*	2019 *RMB'000*		2020	2019	
Financial assets at FVPL	–	61,122	Expected rate of return	–	2.75%-3.95%	The higher the expected rate of return, the higher the fair value

If the unobservable inputs, the expected rate of return, is 50 basis points higher/lower, the profit before income tax for the year ended 31 December 2020 would approximately increase/decrease by nil (2019: RMB306,000).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Estimated impairment of goodwill

The Group performed impairment assessment of goodwill at each balance sheet date to assess whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.9.1. The recoverable amounts of each CGU or a group of CGUs have been determined based on the higher of CGU's or a group of CGUs' fair value less costs of disposal or of value-in-use which require the use of estimates. The determination of recoverable amount also involves variety of assumptions, such as compound growth rate of revenue, compound growth rate of cost and operating expense, long-term growth rate and discount rate. The estimation of recoverable amounts is subject to high degree of estimation uncertainty. Changes in the conditions for these estimates and assumptions can significantly affect the assessed result of goodwill impairment test.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are described in note 8.

(b) Current and deferred income taxes

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

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

5 SEGMENT INFORMATION

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

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

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

The Group's reportable segments are as follows:

(a) Pediatrics

Revenue derived from specialized pediatric services is contributed by Beijing New Century Children's Hospital Co., Ltd. ("**BNC Children's Hospital**"), Beijing New Century Harmony Clinic Co., Ltd. ("**BNC Harmony Clinic**"), Beijing New Century Women's and Children's Hospital Co., Ltd. ("**BNC Women's and Children's Hospital**"), Beijing New Century Ao-dong Clinic Outpatient Service Co., Ltd. ("**BNC Ao-dong Clinic**"), Beijing New Century Yide Consultancy Co., Ltd.("**BNC Yide Consultancy**"), Beijing New Century Qingnian Road Pediatric Clinic Co., Ltd. ("**BNC Qingnian Road Clinic**") and Chengdu New Century Women's and Children's Hospital Co., Ltd. ("**Chengdu New Century**").

(b) Obstetrics and gynecology

Revenue derived from specialised obstetric and gynecologic services is mainly contributed by BNC Women's and Children's Hospital, BNC Ao-dong Clinic and Chengdu New Century.

(c) Hospital consulting services

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

5 SEGMENT INFORMATION (CONTINUED)

(d) Others

The Group operates canteens, sell gift and groceries shops in its own hospitals. The Group also provided hospital appointment, online consultation services and online products sales to customers. Management group these revenue in others since each of them do not exceed 10% of the total revenue of the Group.

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

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

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

5 SEGMENT INFORMATION (CONTINUED)

(e) Segment information

	Pediatrics *RMB'000*	Obstetrics and Gynecology *RMB'000*	Hospital consulting services *RMB'000*	Others *RMB'000*	Intersegment eliminations *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
For the year ended 31 December 2020							
Revenue	368,015	127,754	8,531	12,136	(3,651)	–	512,785
Cost of revenue	(259,426)	(104,396)	(5,065)	(8,351)	217	–	(377,021)
Segment results	(71,510)	(165,395)	(27,800)	(57,073)	(3,434)	–	(325,212)
Unallocated income						11,340	11,340
Unallocated cost						(14,875)	(14,875)
Loss before income tax	(71,510)	(165,395)	(27,800)	(57,073)	(3,434)	(3,535)	(328,747)
Income tax expense						(48,787)	(48,787)
Loss for the year							(377,534)
As at 31 December 2020							
Assets							
Segment assets	482,033	313,299	159,651	7,679	–	–	962,662
Goodwill	123,826	34,014	–	–	–	–	157,840
Unallocated assets						350,543	350,543
Total assets	605,859	347,313	159,651	7,679	–	350,543	1,471,045
Total liabilities	303,868	227,131	12,979	9,877	–	105,338	659,193

5 SEGMENT INFORMATION (CONTINUED)

(e) Segment information (Continued)

	Pediatrics	Obstetrics and Gynecology	Hospital consulting services	Others	Intersegment eliminations	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2019							
Revenue	551,863	134,104	34,269	9,133	–	–	729,369
Cost of revenue	(323,022)	(122,139)	(13,824)	(9,082)	–	–	(468,067)
Segment results	121,420	(32,491)	3,764	(7,630)	–	–	85,063
Unallocated income						5,381	5,381
Unallocated cost						(42,379)	(42,379)
Profit before income tax	121,420	(32,491)	3,764	(7,630)	–	(36,998)	48,065
Income tax expense						(43,572)	(43,572)
Profit for the year							4,493
As at 31 December 2019							
Assets							
Segment assets	491,239	333,358	162,391	23,100	–	–	1,010,088
Goodwill	200,393	177,546	–	14,387	–	–	392,326
Unallocated assets						474,254	474,254
Total assets	691,632	510,904	162,391	37,487	–	474,254	1,876,668
Total liabilities	315,260	229,023	5,452	5,852	–	87,553	643,140

5 SEGMENT INFORMATION (CONTINUED)

(f) Disaggregation of revenue from contracts with customers

The Group derives revenue from providing service and transfer of goods over time and at a point in time in the following segments.

For the year ended 31 December 2020	Pediatrics	Obstetrics and Gynecology	Hospital consulting services	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers					
At a point in time*	368,015	127,754	4,691	8,485	508,945
Over time	–	–	3,840	–	3,840
	368,015	127,754	8,531	8,485	512,785

For the year ended 31 December 2019	Pediatrics	Obstetrics and Gynecology	Hospital consulting services	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers					
At a point in time*	551,863	134,104	30,429	9,133	725,529
Over time	–	–	3,840	–	3,840
	551,863	134,104	34,269	9,133	729,369

* Majority medial services of the Group are provided in a very short period, therefore, the related revenue is categorized as revenue at a point in time. The revenue from others includes intersegment eliminations.

5 SEGMENT INFORMATION (CONTINUED)

(g) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers.

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Contract liabilities	30,539	45,160
Revenue recognised that was included in the contract liability balance at the beginning of the year	37,387	33,626

Contract liabilities mainly arise from the membership cards purchased by customers while the underlying services are yet to be provided. Major contracts of the Group are short-term contracts and the performance obligation would be provided depends on customer's solely discretion. The Company expects approximate 80% of these remaining obligations under such contracts will be fulfilled within one year and 20% will be fulfilled after one year based on the estimation from management.

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements RMB'000	Medical equipment RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019						
Cost	213,146	98,165	7,145	30,452	2,159	351,067
Accumulated depreciation	(48,159)	(36,658)	(2,876)	(12,577)	–	(100,270)
Net book amount	164,987	61,507	4,269	17,875	2,159	250,797
Year ended 31 December 2019						
Opening net book amount	164,987	61,507	4,269	17,875	2,159	250,797
Additions	2,674	5,977	221	3,560	7,543	19,975
Acquisition of subsidiaries	–	–	–	197	–	197
Disposals	(13,554)	(109)	–	(23)	–	(13,686)
Transfer upon completion	9,702	–	–	–	(9,702)	–
Depreciation charges	(22,489)	(10,283)	(654)	(6,305)	–	(39,731)
Closing net book amount	141,320	57,092	3,836	15,304	–	217,552
At 31 December 2019						
Cost	211,968	102,876	7,366	33,899	–	356,109
Accumulated depreciation	(70,648)	(45,784)	(3,530)	(18,595)	–	(138,557)
Net book amount	141,320	57,092	3,836	15,304	–	217,552
Year ended 31 December 2020						
Opening net book amount	141,320	57,092	3,836	15,304	–	217,552
Additions	–	4,248	224	2,116	8,609	15,197
Acquisition of subsidiaries *(note 34)*	–	1,137	–	105	–	1,242
Disposals	–	(219)	(103)	(153)	–	(475)
Transfer upon completion	7,106	145	–	–	(7,251)	–
Depreciation charges	(18,862)	(11,095)	(650)	(4,011)	–	(34,618)
Closing net book amount	129,564	51,308	3,307	13,361	1,358	198,898
At 31 December 2020						
Cost	219,074	107,827	7,399	35,383	1,358	371,041
Accumulated depreciation	(89,510)	(56,519)	(4,092)	(22,022)	–	(172,143)
Net book amount	129,564	51,308	3,307	13,361	1,358	198,898

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Premises provided by Beijing Children's Hospital, Capital Medical University ("BCH")

The Group has established BNC Children's Hospital based on a public-private-partnership arrangement with BCH, a public hospital in Beijing, the PRC. Pursuant to the cooperation agreement in 2002, BCH has agreed to provide certain premises on its allocated land for the business operation of BNC Children's Hospital without extra payments to each other. The term of the cooperation with BCH lasts until 12 December 2022. Accordingly, the Group further carried out a massive construction and decoration project for BNC Children's Hospital. As at 31 December 2020, relevant buildings and leasehold improvements which were located at BCH's allocated land with an aggregate carrying amount of approximately RMB898,000 (as at 31 December 2019: RMB1,795,000). The directors of the Company are of the opinion that the Group is entitled to lawful and valid occupancy or use of these premises.

(b) Depreciation charges

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cost of revenue	25,673	27,411
Administration expenses	8,031	11,310
Selling expenses	914	1,010
Total	34,618	39,731

No property, plant and equipment was pledged as collateral under borrowing agreements at 31 December 2020 (2019: Nil).

During the year of 2020, the Group has no capitalized borrowing costs on qualifying assets (2019: Nil).

7 LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	Properties *RMB'000*	Equipment *RMB'000*	Total *RMB'000*
At 1 January 2019			
Cost	414,398	949	415,347
Year ended 31 December 2019			
Opening net book amount	414,398	949	415,347
Additions	45,582	–	45,582
Acquisition of subsidiaries	4,365	–	4,365
Disposal	(101,722)	–	(101,722)
Depreciation	(51,693)	(295)	(51,988)
Closing net book amount	310,930	654	311,584
At 31 December 2019			
Cost	344,426	949	345,375
Accumulated depreciation	(33,496)	(295)	(33,791)
Net book amount	310,930	654	311,584
Year ended 31 December 2020			
Opening net book amount	310,930	654	311,584
Additions	64,956	5,575	70,531
Acquisition of subsidiaries *(note 34)*	7,807	–	7,807
Disposal	(36,228)	–	(36,228)
Depreciation	(44,418)	(491)	(44,909)
Closing net book amount	303,047	5,738	308,785
At 31 December 2020			
Cost	360,945	6,524	367,469
Accumulated depreciation	(57,898)	(786)	(58,684)
Net book amount	303,047	5,738	308,785

7 LEASES (CONTINUED)

(a) Amounts recognised in the balance sheet (Continued)

Lease liabilities

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current	39,839	39,753
Non-current	321,256	316,648
	361,095	356,401

(b) Amounts recognised in the consolidated statement of comprehensive income

The statement of profit or loss shows the following amounts relating to leases:

	Notes	2020 *RMB'000*	2019 *RMB'000*
Depreciation charges of right-of-use assets			
Properties		44,418	51,693
Equipment		491	295
		44,909	51,988
Interest expense (included in finance costs)	30	15,787	18,847
Expense relating to short-term leases (included in cost of revenue, selling expenses and administrative expenses)		1,839	2,265
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)		582	82
		18,208	21,194

The total cash outflow for leases in 2020 was RMB52,443,000 (2019: RMB63,598,000).

7 LEASES (CONTINUED)

(c) The Group's leasing activities and how these are accounted for

The Group leases various properties and equipment. Rental contracts are typically made for fixed periods of 1 to 20 years, but may have extension options as described in (d) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held need to further negotiate with lessor. However, the Group will assess the impact on business and will prefer to extend if it's favorable.

8 INTANGIBLE ASSETS

	Medical licenses *RMB'000*	Goodwill *RMB'000*	Software *RMB'000*	Total *RMB'000*
At 1 January 2019				
Cost	311,684	377,939	5,525	695,148
Accumulated amortisation	(21,238)	–	(3,109)	(24,347)
Net book amount	290,446	377,939	2,416	670,801
Year ended 31 December 2019				
Opening net book amount	290,446	377,939	2,416	670,801
Additions	–	–	4,438	4,438
Acquisition of subsidiaries	–	14,387	19,295	33,682
Amortisation	(13,469)	–	(2,551)	(16,020)
Closing net book amount	276,977	392,326	23,598	692,901
At 31 December 2019				
Cost	311,684	392,326	29,258	733,268
Accumulated amortisation	(34,707)	–	(5,660)	(40,367)
Net book amount	276,977	392,326	23,598	692,901
Year ended 31 December 2020				
Opening net book amount	276,977	392,326	23,598	692,901
Additions	–	–	1,429	1,429
Acquisition of subsidiaries *(note 34)*	285	–	–	285
Amortisation	(13,318)	–	(3,002)	(16,320)
Impairment charge	(2,504)	(234,486)	(16,975)	(253,965)
Closing net book amount	261,440	157,840	5,050	424,330
At 31 December 2020				
Cost	311,969	392,326	30,687	734,982
Accumulated amortisation	(48,025)	–	(8,662)	(56,687)
Impairment charge	(2,504)	(234,486)	(16,975)	(253,965)
Net book amount	261,440	157,840	5,050	424,330

8 INTANGIBLE ASSETS

(a) Impairment tests for goodwill

Management reviews business performance of each CGU or a group of CGUs. Goodwill is monitored by the management at each CGU or a group of CGUs.

A summary of the goodwill allocation is presented below.

	Beginning of year RMB'000	Addition RMB'000	Impairment RMB'000	End of year RMB'000
Year ended 31 December 2020				
The group of CGUs of Pediatric in Beijing area (i)	111,698	–	–	111,698
The group of CGUs of Obstetrics and Gynecology in Beijing area (i)	12,544	–	–	12,544
The CGU of Pediatric in Chengdu New Century (ii)	88,695	–	(76,567)	12,128
The CGU of Obstetrics and Gynecology in Chengdu New Century (ii)	165,002	–	(143,532)	21,470
The CGU of New Century Healthcare Technology (iii)	14,387	–	(14,387)	–
	392,326	–	(234,486)	157,840
Year ended 31 December 2019				
The group of CGUs of Pediatric in Beijing area (i)	111,698	–	–	111,698
The group of CGUs of Obstetrics and Gynecology in Beijing area (i)	12,544	–	–	12,544
The CGU of Pediatric in Chengdu New Century (ii)	88,695	–	–	88,695
The CGU of Obstetrics and Gynecology in Chengdu New Century (ii)	165,002	–	–	165,002
The CGU of New Century Healthcare Technology (iii)	–	14,387	–	14,387
	377,939	14,387	–	392,326

8 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment tests for goodwill (Continued)

(i) Goodwill arose from acquisition of BNC Women's and Children's Hospital, BNC Ao-dong Clinic and BNC Yide Consultancy

Goodwill of RMB97,682,000, RMB15,537,000 and RMB11,023,000 arose from the acquisition of BNC Women's and Children's Hospital, BNC Ao-dong Clinic and BNC Yide Consultancy on 30 November 2015, 16 January 2018 and 9 February 2018, respectively. The goodwill arose from acquisition of BNC Women's and Children's Hospital, BNC Ao-dong Clinic and BNC Yide Consultancy was allocated to the group of CGUs of Pediatric in Beijing area and the group of CGUs of Obstetrics and Gynecology in Beijing area because the director of the Company's has expected to benefit from the synergies of the combination.

(ii) Goodwill arose from acquisition of Chengdu New Century

Goodwill of RMB253,697,000 was resulted from the acquisition of Chengdu New Century on 2 August 2018. Chengdu New Century is principally engaged in the provision of medical services to women and children in Chengdu. The goodwill arose from acquisition of Chengdu New Century was allocated to its Pediatric CGU and Obstetrics and Gynecology CGU, respectively.

(iii) Goodwill arose from acquisition of New Century Healthcare Technology

Goodwill of RMB14,387,000 was resulted from the acquisition of New Century Healthcare Technology on 23 August 2019. New Century Healthcare Technology is principally engaged in the provision of hospital appointment services, online consultation services and online products sales to customers. Management consider New Century Healthcare Technology is a stand-alone CGU since management allocate resources and assess the performance obligations to New Century Healthcare Technology as a whole business unit. Therefore, management allocate the goodwill to the CGU of New Century Healthcare Technology. Goodwill amounting to RMB14,387,000 was fully impaired on 30 June 2020 according to the impairment assessment performed by management of the Group.

8 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment tests for goodwill (Continued)

The recoverable amount of each CGU or a group of CGUs is determined based on the higher of value-in-use and fair value less costs to sell. These calculations use cash flow projections based on financial budgets approved by management covering six to eight years forecast period. Cash flows beyond the forecast period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the each CGU or the group of CGUs operate. Management uses a forecast period of six to eight years considering that: 1) the investment cycle in the healthcare industry is longer than other industries; 2) management has searched industry information to help make more accurate prediction and better plan of the future operation; 3) based on the available industry information, the compound annual growth rate of healthcare industry is projected to maintain a high level in the forecast period. It is consistent with management's forecast.

The following table sets out the key assumptions for those CGUs or group of CGUs that have significant goodwill allocated to them as at 31 December 2020 and 2019:

	The group of CGUs of Pediatric in Beijing area	
	31 December 2020	31 December 2019
Revenue *(% compound growth rate)*	11.70%	8.21%
Costs and operating expenses *(% compound growth rate)*	9.18%	6.53%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	17.38%	17.17%
Recoverable amount *(RMB'000)*	1,196,901	1,792,272

8 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment tests for goodwill (Continued)

	The group CGUs of Obstetrics and Gynecology in Beijing area	
	31 December 2020	31 December 2019
Revenue *(% compound growth rate)*	6.36%	11.52%
Costs and operating expenses *(% compound growth rate)*	6.45%	2.94%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	16.32%	16.08%
Recoverable amount *(RMB'000)*	163,892	266,171

	The CGU of Pediatric in Chengdu New Century	
	31 December 2020	31 December 2019
Revenue *(% compound growth rate)*	14.25%	18.01%
Costs and operating expenses *(% compound growth rate)*	3.21%	7.29%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	14.33%	16.51%
Recoverable amount *(RMB'000)*	108,045	269,560

	The CGU of Obstetrics and Gynecology in Chengdu New Century	
	31 December 2020	31 December 2019
Revenue *(% compound growth rate)*	14.18%	19.95%
Costs and operating expenses *(% compound growth rate)*	2.59%	8.36%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	14.49%	16.59%
Recoverable amount *(RMB'000)*	200,532	397,959

8 INTANGIBLE ASSETS (CONTINUED)

(b) Impairment charge

After the outbreak of Coronavirus Disease 2019 in early 2020 ("**COVID-19**"), a significant impact on the Group's operation due to a series of precautionary and control measures which have been and continued to be implemented in China results that the operation was below the management forecast significantly. Management expects there will be further impact on the future operation. An impairment loss on goodwill of RMB234,486,000 was recognised for the year ended 31 December 2020 including the goodwill of the operating segments of Chengdu New Century amounting to RMB220,099,000 and New Century Healthcare Technology amounting to RMB14,387,000, respectively.

(c) Impact of possible changes in key assumptions

The directors and management have considered and assessed the impact of reasonably possible changes in key assumptions for each of the reporting segment.

(i) The group of CGUs of Pediatric, Obstertrics and Gynecology in Beijing area

The recoverable amount is estimated to exceed the carrying amount of the group of CGUs of Pediatric in Beijing area at 31 December 2020 by RMB798,781,000 (2019: RMB1,508,774,000). The recoverable amount is estimated to exceed the carrying amount of the group of CGUs of Obstertrics and Gynecology in Beijing area at 31 December 2020 by RMB74,017,000 (2019: RMB248,504,000).

Based on the results of the aforesaid impairment assessments, the directors of the Company concluded that no provision for impairment on the goodwill has to be recognized in the group of CGUs of Pediatric, Obstertrics and Gynecology in Beijing area as of 31 December 2020.

8 INTANGIBLE ASSETS (CONTINUED)

(c) Impact of possible changes in key assumptions (Continued)

(ii) The CGUs of Pediatric, Obstertrics and Gynecology in Chengdu New Century

The table below sets forth each key assumption for the eight-year forecast period as of the year end (estimates based on the operation for the period indicated) used in goodwill impairment testing and the breakeven point of such key assumptions:

	The CGU of Pediatric in Chengdu New Century			
	31 December 2020		31 December 2019	
	Key Assumption	Breakeven Point	Key Assumption	Breakeven Point
Revenue (% compound growth rate)	14.25%	12.44%	18.01%	9.23%
Costs and operating expenses (% compound growth rate)	3.21%	3.80%	7.29%	8.29%
Pre-tax discount rate	14.33%	15.75%	16.51%	24.47%

	The CGU of Obstetrics and Gynecology in Chengdu New Century			
	31 December 2020		31 December 2019	
	Key Assumption	Breakeven Point	Key Assumption	Breakeven Point
Revenue (% compound growth rate)	14.18%	11.63%	19.95%	15.80%
Costs and operating expenses (% compound growth rate)	2.59%	3.55%	8.36%	9.00%
Pre-tax discount rate	14.49%	16.05%	16.59%	20.93%

The recoverable amounts of each CGU (including goodwill and intangible acquired in the business combination) based on the estimated value-in-use calculations were higher than their carrying amounts at 31 December 2020.

8 INTANGIBLE ASSETS (CONTINUED)

(d) Impairment in other intangible assets

An impairment loss of other intangible assets amounting to RMB16,975,000 was recognised on full provision of the software of New Century Healthcare Technology due to the recoverable amount below its carrying amount.

An impairment loss of other intangible assets amounting to RMB2,504,000 was recognised on full provision of the medical license of Beijing New Century Yide Chaowai Clinic of Beijing New Century Yide Consulting Co., Ltd. ("**BNC Chaowai Clinic**") due to its close-down on 31 July 2020 and the undetermined reopen time until 31 December, 2020.

(e) Amortisation charges

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cost of revenue	14,893	14,752
Administration expenses	1,199	1,094
Selling expenses	228	174
Total	16,320	16,020

9 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group (%)		Ownership interest held by non-controlling interests (%)	
				2020	2019	2020	2019
Directly owned:							
New Millennium Investment Co., Ltd.	The BVI, limited liability company	Investment holding in the BVI	50,000 ordinary shares, USD50,000	100%	100%	–	–
NCH Marvel Investment (BVI) Limited	The BVI, limited liability company	Investment holding in the BVI	50,000 ordinary shares, USD50,000	100%	100%	–	–
Indirectly owned:							
New Century Healthcare (International) Co., Ltd. (新世紀醫療 (國際)有限公司)	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary shares, HKD1	100%	100%	–	–
Beijing Jiahua Yihe Management Consulting Co., Ltd. (北京嘉華怡和管理諮詢有限公司)	The PRC, limited liability company*	Investment holding and hospital consulting services in the PRC	RMB400,000,000	100%	100%	–	–
Beijing New Century Children's Hospital Co., Ltd. (北京新世紀兒童醫院有限公司)	The PRC, limited liability company**	Operating of hospital in the PRC	RMB20,000,000	65%	65%	35%	35%
Beijing New Century Women's and Children's Hospital Co., Ltd. (北京新世紀婦兒醫院有限公司)	The PRC, limited liability company**	Operating of hospital in the PRC	RMB45,000,000	100% (i)	100% (i)	–	–
Beijing New Century Harmony Clinic Co., Ltd. (北京新世紀榮和門診部有限公司)	The PRC, limited liability company**	Operating of hospital in the PRC	RMB3,000,000	100% (i)	100% (i)	–	–

9 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Ownership interest held by the Group (%)		Ownership interest held by non-controlling interests(%)	
				2020	2019	2020	2019
Beijing New Century Ao-dong Clinic Outpatient Service Co., Ltd. (北京新世紀奧東門診部有限公司)	The PRC, limited liability company**	Operating of hospital in the PRC	RMB5,000,000	100% (i)	100% (i)	–	–
New Century Healthcare (Hong Kong) Co. Limited (新世紀醫療(香港)有限公司) (iv)	Hong Kong, limited liability company	Investment Holding in Hong Kong	1 ordinary shares, HKD1	100%	100%	–	–
Indirectly owned:							
Beijing New Century Yide Consultancy Co., Ltd. (北京新世紀怡德諮詢有限公司) (iii)	The PRC, limited liability company**	Investment holding and hospital consulting services in the PRC	RMB23,333,333	100% (i)	100% (i)	–	–
Beijing New Century Qingnian Road Pediatric Clinic Co., Ltd. (北京新世紀青年路兒科診所有限公司)	The PRC, limited liability company**	Operating of hospital in the PRC	RMB1,000,000	100% (i)	100% (i)	–	–
Zhuhai Jiahua Yihe Medical Investment Co., Ltd (珠海嘉華怡和醫療投資有限公司)	The PRC, limited liability company**	Investment holding and hospital consulting services in the PRC	RMB200,000,000	100%	100%	–	–
Chengdu New Century Women's and Children's Hospital Co., Ltd (成都新世紀婦女兒童醫院有限公司)	The PRC, limited liability company**	Operating of hospital in the PRC	RMB30,000,000	85%	85%	15%	15%
Beijing New Century Wenyu Clinic Outpatient Services Co., Ltd. (北京新世紀溫榆門診部有限公司)	The PRC, limited liability company**	Operating of hospital in the PRC	RMB27,000,000	100% (i)	–	–	–
Chengdu Xinyi Health Management Co., Ltd. (成都信怡健康管理有限公司)	The PRC, limited liability company**	Operating of hospital in the PRC	RMB1,000,000	100% (i)	–	–	–

* Registered as a wholly foreign owned enterprise under the PRC law.
** Registered as a domestic owned enterprise under the PRC law.

9 SUBSIDIARIES (CONTINUED)

Some of the Entity's English names are translated for identification purpose only. These companies incorporated in the PRC which do not have official English names.

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

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

Jiahua Kangming is a holding company incorporated in the PRC with limited liability, which is owned by Ms. ZHAO Juan as to 99.0% and by Ms. ZHOU Jie (Mr. Jason ZHOU's sister) as to 1.0% (the "**Shareholders of Jiahua Kangming**"), and hold 30% interest of BNC Women's and Children's Hospital and BNC Harmony Clinic. The Company's wholly-owned subsidiary, Jiahua Yihe has entered into a series of contractual arrangements (the "**Jiahua Kangming Contractual Arrangements**") with Jiahua Kangming, the Shareholders of Jiahua Kangming, BNC Women's and Children's Hospital, and BNC Harmony Clinic.

Through the Jiahua Kangming Contractual Arrangements, the Company consolidated Jiahua Kangming and the other 30% equity interests of BNC Women's and Children's Hospital and BNC Harmony Clinic.

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

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

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

9 SUBSIDIARIES (CONTINUED)

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

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

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

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

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

9 SUBSIDIARIES (CONTINUED)

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

Furthermore, in accordance with the Jiahua Kangming Contractual arrangements, the Group also consolidated 100% equity interest of BNC Ao-dong Clinic, Beijing New Century Qingnian Road Pediatric Clinic Co., Ltd. (BNC Qingnian Road Clinic), Beijing New Century Wenyu Clinic Outpatient Service Co., Ltd. (BNC Wenyu Clinic) and BNC Yide Consultancy which were fully owned by BNC Women's and Children's Hospital directly and Chengdu Xinyi Health Management Co., Ltd. which was owned by Jiahua Yihe as to 65% and by BNC Women's and Children's Hospital as to 35%.

(ii) Consolidation of Jiahua Yunzhong and the 57.5% equity interests of New Century Healthcare Technology.

Jiahua Yunzhong is a company incorporated in the PRC with limited liability, which is owned by Ms. Teng Lan as to 99.0% and by Mr. Nie Tingqiang as to 1.0% (the "**Shareholders of Jiahua Yunzhong**"), and hold 57.5% interest of New Century Healthcare Technology. The Company's wholly-owned subsidiary, Jiahua Yihe has entered into a series of contractual arrangements (the "**Jiahua Yunzhong Contractual Arrangements**") with Jiahua Yunzhong, the Shareholders of Jiahua Yunzhong and New Century Healthcare Technology in 2019.

Through the Jiahua Yunzhong Contractual Arrangements, the Company consolidated Jiahua Yunzhong and the 57.5% equity interests of New Century Healthcare Technology.

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

- Provide to Jiahua Yunzhong and its affiliated institutions, including New Century Healthcare Technology, on an exclusive basis, management and operation related services based on their actual business demand. For return, the Group will receive an annual service fee in an amount equivalent to 100% of the annual distributable profits of Jiahua Yunzhong and 57.5% of the annual distributable profits of New Century Healthcare Technology after deducting any loss in prior year and the statutory surplus reserve (if applicable);

- Exercise all of its rights and powers as a shareholder of Jiahua Yunzhong and New Century Healthcare Technology;

- Obtain an irrevocable and exclusive right to purchase all equity interest of Jiahua Yunzhong, 57.5% equity interest of New Century Healthcare Technology attributable to Jiahua Yunzhong. Jiahua Yihe may exercise such options at any time until it has acquired all equity interests and/or all assets of the Jiahua Yunzhong, 57.5% equity interests and/or the related portion assets New Century Healthcare Technology attributable to Jiahua Yunzhong.

9 SUBSIDIARIES (CONTINUED)

(ii) Consolidation of Jiahua Yunzhong and the 57.5% equity interests of New Century Healthcare Technology. (Continued)

- Obtain a pledge over the entire equity interest in Jiahua Yunzhong and 57.5% equity interest in New Century Healthcare Technology from their equity holders to secure performance of all their obligations and the obligations of Jiahua Yunzhong and New Century Healthcare Technology under the Contractual Arrangements, respectively.

Nevertheless, the Jiahua Yunzhong Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Jiahua Yunzhong and the 57.5% equity interests of New Century Healthcare Technology attributable to Jiahua Yunzhong and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights to the results, assets and liabilities of Jiahua Yunzhong and the 57.5% equity interests of New Century Healthcare Technology attributable to Jiahua Yunzhong. The Group believes that the Jiahua Yunzhong Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

In the view of the directors of the Group, the Group could obtain the control over Jiahua Yunzhong and obtain the 57.5% economic benefits of New Century Healthcare Technology attributable to Jiahua Yunzhong based on the Group has the power over Jiahua Yunzhong and 57.5% equity interests of New Century Healthcare Technology attributable to Jiahua Yunzhong, has rights to variable returns from its involvement with Jiahua Yunzhong and 57.5% equity interests of New Century Healthcare Technology attributable to Jiahua Yunzhong, and has the ability to affect those returns through its power over Jiahua Yunzhong and 57.5% equity interests of New Century Healthcare Technology attributable to Jiahua Yunzhong. Consequently, the Group has consolidated the financial information of Jiahua Yunzhong and the 57.5% equity interests of New Century Healthcare Technology attributable to Jiahua Yunzhong in the consolidated financial statements.

(iii) BNC Yide Consultancy has a branch which is BNC Chaowai Clinic, a clinic providing pediatric services to customers.

(iv) New Century Healthcare (Hong Kong) Co. Limited has two branches which are New Century Child Development Center and New Century Healthcare Medical Center (HK), the clinic providing pediatric services to customers.

9 SUBSIDIARIES (CONTINUED)

(a) Significant restrictions

Cash and cash equivalents of RMB206,579,000 (2019: RMB221,498,000) are held in mainland China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

(b) Non-controlling interests

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 sheets

	BNC Children's Hospital As at 31 December		Chengdu New Century As at 31 December		New Century Healthcare Technology As at 31 December	
	2020 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	2019 *RMB'000*
Current						
Assets	167,796	233,300	20,260	24,585	10,781	4,271
Liabilities	(82,318)	(87,211)	(276,064)	(255,510)	(84,239)	(52,952)
Total net current assets/ (liabilities)	85,478	146,089	(255,804)	(230,925)	(73,458)	(48,681)
Non-current						
Assets	23,919	20,502	288,675	329,060	5,691	24,853
Liabilities	(2,837)	(395)	(217,520)	(211,328)	(2,900)	(4,868)
Total net non-current assets	21,082	20,107	71,155	117,732	2,791	19,985
Net assets/(liabilities)	106,560	166,196	(184,649)	(113,193)	(70,667)	(28,696)

9 SUBSIDIARIES (CONTINUED)

(b) Non-controlling interests (Continued)

Summarised income statements

	BNC Children's Hospital Year ended 31 December		Chengdu New Century Year ended 31 December		New Century Healthcare Technology Year ended 31 December	
	2020	2019	2020	2019	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	217,011	356,103	84,108	98,493	5,809	653
Profit/(loss) before income tax	85,031	165,813	(47,146)	(34,413)	(42,120)	(8,881)
Income tax expense	(21,650)	(42,328)	(24,312)	(2,086)	673	683
Profit/(loss) for the year	63,381	123,485	(71,458)	(36,499)	(41,447)	(8,198)
Total comprehensive income/(loss)	63,381	123,485	(71,458)	(36,499)	(41,447)	(8,198)
Total comprehensive income/(loss) attributable to the non-controlling interests	22,183	43,220	(10,719)	(5,475)	(17,615)	(3,484)
Dividends paid to the non-controlling interests	43,353	35,894	–	–	–	–

9 SUBSIDIARIES (CONTINUED)

(b) Non-controlling interests (Continued)

Summarised statements of cash flows

	BNC Children's Hospital Year ended 31 December		Chengdu New Century Year ended 31 December		New Century Healthcare Technology Year ended 31 December	
	2020 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	2019 *RMB'000*
Cash flows from operating activities						
Cash generated from/(used in) operations	73,776	182,311	(10,595)	(8,772)	(3,394)	(1,991)
Interest paid	(141)	(135)	(1,084)	(1,173)	(262)	(65)
Interest received	1,443	1,010	19	56	8	8
Income tax paid	(22,294)	(38,863)	–	–	–	–
Net cash generated from/(used in) operating activities	52,784	144,323	(11,660)	(9,889)	(3,648)	(2,048)
Net cash generated from/(used in) investing activities	58,704	(27,531)	(1,463)	(3,851)	(353)	(43)
Net cash (used in)/generated from financing activities	(125,003)	(104,208)	8,615	(19,547)	4,743	5,092
Net (decrease)/increase in cash and cash equivalents	(13,515)	12,584	(4,508)	(33,287)	742	3,001
Cash and cash equivalents at the beginning of the year	150,545	137,961	11,171	44,458	3,416	415
Cash and cash equivalents at the end of year	137,030	150,545	6,663	11,171	4,158	3,416

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Associates	2,575	12,985

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
At the beginning of the year	12,985	13,052
Share of net profit/(loss) of investments accounted for using the equity method	54	(67)
Impairment loss	(10,306)	–
Other comprehensive income	(158)	–
At the end of the year	2,575	12,985

(i) Interests in an associate

On 7 August 2018, the Group invested 10.1% interest in Chiron Healthcare Holdings Limited ("**Chiron Healthcare Group**") for a cash consideration of HKD15,000,000. The directors of the Group believe that it is appropriate to account for the investment in Chiron Healthcare Group by using the equity method because the Group can nominate one director in the board of directors of Chiron Healthcare Group which demonstrate that the Group has significant influence in Chiron Healthcare Group. Set out below is the information of the associate.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Quoted fair value		Carrying amount	
		2020	2019			2020	2019	2020	2019
		%	%			*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chiron Healthcare Group	Hong Kong	10.1%	10.1%	Associate	Equity method	–*	–*	2,575	12,985
Total equity account investments								2,575	12,985

* Private entity – no quoted price available.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(ii) Summarised financial information for associates

Summarised balance sheet

	Chiron Healthcare Group As at 31 December	
	2020 *RMB'000*	2019 *RMB'000*
Total current assets	29,078	28,639
Total non-current assets	6,467	7,436
Total current liabilities	(10,790)	(9,395)
Non-controlling interest	(744)	155
Net assets attributable to owners	25,499	26,525
Net assets	24,755	26,680

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(ii) Summarised financial information for associates (Continued)

Reconciliation to carrying amounts

	Chiron Healthcare Group	
	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Opening net assets attributable to owners	26,525	27,192
Less: Loss for the year	(331)	(1,463)
Add: Loss for the year attributable to non-controlling interests of an associate	865	796
Other comprehensive income	(1,560)	–
Closing net assets attributable to owners	25,499	26,525
Group's share in %	10.1%	10.1%
Group's share in RMB	2,575	2,679
Goodwill	–	10,306
Carrying amount	2,575	12,985
Revenue	138,660	113,887
Losses for the period	(331)	(1,463)

11 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Financial assets		
At amortised cost		
Trade receivables *(note 13)*	28,577	30,829
Other receivables excluding prepayments *(note 14)*	17,989	16,621
Amounts due from related parties *(note 15)*	161,003	158,421
Cash and cash equivalents *(note 17)*	299,211	349,125
	506,780	554,996
At fair value through profit or loss		
Financial assets at FVPL *(note 16)*	–	61,122
	–	61,122
Financial liabilities		
At amortised cost		
Trade payables *(note 23)*	25,618	26,353
Accruals and other payables (excluding non-financial liabilities) *(note 24)*	145,704	126,940
Amounts due to related parties *(note 15)*	4,214	4,492
Lease liabilities *(note 7)*	361,095	356,401
	536,631	514,186

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

12 INVENTORIES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Pharmaceuticals	14,246	10,539
Medical consumables	5,338	5,148
	19,584	15,687

The cost of inventories was recognised as expense and included in cost of revenue amounting to RMB78,475,000 for the year ended 31 December 2020 (2019: RMB91,459,000) (note 26).

13 TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current assets		
Trade receivables from contracts with customers	29,033	31,202
Less: allowance for impairment of trade receivables	(456)	(373)
Trade receivables – net	28,577	30,829

As at 31 December 2020 and 2019, the aging analysis of the trade receivables based on demand note date was as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Up to 3 months	21,383	25,765
4 – 6 months	2,170	2,313
7 months – 1 year	1,192	744
Over 1 year	4,288	2,380
	29,033	31,202

13 TRADE RECEIVABLES (CONTINUED)

(i) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amounts approximate their fair value.

(ii) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1.2 provides for details about the calculation of the allowance for impairment of trade receivables.

The loss allowance increased by a further RMB83,000 to RMB456,000 for trade receivables during the current reporting period. Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in note 3.1.

All of the trade receivables are denominated in RMB. As a result, there is no exposure to foreign currency risk.

14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current		
Prepayments	5,246	5,363
Deposits	2,899	1,437
Other receivables	5,221	5,074
Interest receivables	–	16
Others	3,508	2,080
	16,874	13,970
Less: provision for impairment	–	–
	16,874	13,970
Non-current		
Prepayments	7,516	5,402
Deposits	6,361	8,014
	13,877	13,416
Less: provision for impairment	(3,168)	(3,168)
	10,709	10,248

Due to the short-term nature of the other current receivables and deposits, their carrying amount approximates their fair value. Note 3.1.2 sets out information about the impairment of financial assets and the Group's exposure to credit risk. All of the other current receivables and deposits which is classified as the financial assets at amortised cost are denominated in RMB. As a result, there is no exposure to foreign currency risk.

15 BALANCES WITH RELATED PARTIES

The relationship between related parties is disclosed in below table and the Group is set out in Note 36.

	As at 31 December	
	2020 *RMB'000*	2019 *RMB'000*
Amounts due from related parties		
– Trade		
Beijing Jiahua Likang Health Investment Co., Ltd.	141,606	138,125
Tianjin Heping New Century Women's and Children's Hospital	73	–
Beijing Children's Hospital, Capital Medical University	26	–
Chengdu Women's and Children's Central Hospital	7	7
	141,712	138,132
Less: provision for impairment	(6,090)	–
	135,622	138,132
– Non-Trade		
Shanghai New Century Pujin Pediatric Clinic Outpatient Service Co., Ltd.	1,850	2,289
Beijing Bairui Kangchen Technology Development Co., Ltd.	22,541	18,000
Chengdu Yunxi Ge Health Management Co., Ltd.	443	–
Foshan Shunde Yihe Clinic Co., Ltd.	439	–
Chengdu Wuhou New Century Joy City Clinic Outpatient Service Co., Ltd.	68	–
Zhuhai Yunzhong Equity Investment Limited Partnership	40	–
	25,381	20,289
	161,003	158,421

15 BALANCES WITH RELATED PARTIES (CONTINUED)

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Amounts due to related parties		
– Trade		
Beijing Children's Hospital, Capital Medical University	984	1,429
Beijing Muhe Jiaye Property Management Co., Ltd.	987	365
Chengdu Women's and Children's Central Hospital	33	186
	2,004	1,980
– Non-Trade		
Beijing Children's Hospital, Capital Medical University	1,892	2,149
Ms. Zhao Juan	190	190
Zhuhai Yunzhong Equity Investment Limited Partnership	110	110
Beijing Jiahua Likang Health Investment Co., Ltd.	–	57
Mr. Jia Xiaofeng	14	4
Chengdu Wuhou New Century Joy City Clinic Outpatient Service Co., Ltd.	2	–
Mr. Xu Han	1	1
Ms. Xin Hong	1	1
	2,210	2,512
	4,214	4,492

The amounts due from/to related parties are unsecured, interest-free except those loans to related parties as disclosed in note 36, and repayable on demand and denominated in RMB. Their carrying values as at 31 December 2020 and 2019 approximate their fair values.

15 BALANCES WITH RELATED PARTIES (CONTINUED)

As at 31 December 2020 and 2019, the aging analysis of the amounts due from related parties and amounts due to related parties which are trade in nature based on demand note date is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Amounts due from related parties – trade in nature		
Within one year	8,580	36,205
1 year – 2 years	36,205	42,300
Over 2 years	96,927	59,627
	141,712	138,132
Amounts due to related parties – trade in nature		
Within one year	2,004	1,980

16 FINANCIAL ASSETS AT FVPL

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Financial assets at FVPL	–	61,122

The Group classifies certain financial products purchased from financial institutions as the financial assets at FVPL. See note 2.11 for the relevant accounting policies. For information about the methods and assumptions used in determining fair value please refer to note 3.3.2 and note 3.3.5.

17 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cash at banks	265,534	348,325
Cash on hand	1,052	800
Short term bank deposit	32,625	–
	299,211	349,125

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
RMB	207,243	223,839
USD	79,043	109,048
HKD	12,925	16,238
	299,211	349,125

18 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary share *USD*
Authorized:		
At 31 December 2019 and 2020	500,000,000	50,000

	Number of ordinary shares	Nominal value of ordinary share *USD*	Equivalent nominal value of ordinary shares *RMB'000*
Issued and paid:			
As at 31 December 2019 and 2020	490,025,000	49,003	335

19 SHARES HELD FOR EMPLOYEE SHARE SCHEME

Pursuant to the board resolution on 28 August 2020, the Company repurchased 1,921,500 shares of the Company during the rest period of 2020 to set up an employee stock incentive plan. These shares are held by the Company's Employee Share Trust (the "**Trust**") for the purpose of issuing shares under the Company's employee share scheme. Shares issued to employees are recognised on a first-in-first-out basis. As at 31 December 2020, there was no specific plan approved. Up to the date of this report, no shares were granted under the employee share scheme.

	Number of shares	Nominal value of ordinary share	Value of shares
		USD	*RMB'000*
Opening balance 1 January 2020	–	–	–
Acquisition of shares by the Trust	1,921,500	192	2,826
Balance 31 December 2020	1,921,500	192	2,826

20 SHARE PREMIUM AND RESERVES

	Note	Share premium RMB'000	Reserves: Other reserves RMB'000	Merger reserve RMB'000	Statutory surplus reserve (a) RMB'000	Sub-total RMB'000
At 1 January 2019		2,600,209	(106,987)	(1,417,965)	17,642	(1,507,310)
Transaction with non-controlling interests		–	(8,399)	–	–	(8,399)
Appropriation to statutory surplus reserves		–	–	–	5,837	5,837
Shares exercised under share awards scheme		6,053	(3,580)	–	–	(3,580)
Share-based payments	21	–	5,779	–	–	5,779
At 31 December 2019		2,606,262	(113,187)	(1,417,965)	23,479	(1,507,673)
At 1 January 2020		2,606,262	(113,187)	(1,417,965)	23,479	(1,507,673)
Appropriation to statutory surplus reserves		–	–	–	5,873	5,873
Shares exercised under share awards scheme		233	(168)	–	–	(168)
Share-based payments	21	–	1,566	–	–	1,566
Other comprehensive income		–	406	–	–	406
At 31 December 2020		2,606,495	(111,383)	(1,417,965)	29,352	(1,499,996)

(a) Statutory surplus reserve

In accordance with the PRC regulations and the articles of association of the companies now comprising the Group, before distributing the net profit of each year, companies registered in the PRC are required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reverse is appropriated for BNC Children's Hospital and Jiahua Yihe. Before 1 January 2014, the balance of the statutory surplus reserve from BNC Children's Hospital had reached 50% of the share capital, no statutory surplus reserve was appropriated in 2020 (2019: Nil). The statutory surplus reserves for Jiahua Yihe was RMB5,873,000 in 2020 (2019: RMB5,837,000).

21 SHARE-BASED PAYMENTS

Employee share scheme

On 29 August 2016, the shareholders of the Company approved a RSA Scheme. In accordance with the shareholders' approval, 9,000,000 ordinary shares (the "**Restricted Shares**") were allotted and issued at par value each to Talent Wise Investments Limited, a business company incorporated in the British Virgin Islands with limited liability, and the Restricted Shares were held on trust by the two shareholders of Talent Wise Investments Limited as trustee for the RSA Scheme. The two shareholders are the directors of the Company.

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

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

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

21 SHARE-BASED PAYMENTS (CONTINUED)

Employee share scheme (Continued)

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

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

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

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

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

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

Restricted Shares was granted under the scheme are as follows:

	As at 31 December	
	2020	2019
Number of shares granted under the RSA Scheme	9,000,000	9,000,000

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

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

21 SHARE-BASED PAYMENTS (CONTINUED)

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

	Year ended 31 December	
	2020 *RMB'000*	2019 *RMB'000*
Shares issued under RSA Scheme *(note 27)*	1,566	5,779

Movements in the number of Restricted Shares for the years ended 31 December 2020 and 2019 are as follows:

	Year ended 31 December	
	2020	2019
As at 1 January	2,509,500	5,379,000
Exercised during the year	(19,500)	(927,000)
Forfeited during the year	(2,490,000)	(1,942,500)
As at 31 December	–	2,509,500
Vested and exercisable at 31 December	–	–

22 DIVIDENDS

The board of directors of the Company does not resolve to declare a dividend for the year ended 31 December 2020 (Nil for the year ended 31 December 2019).

Dividends of RMB43,353,000 and RMB35,894,000 related to the earnings of BNC Children's Hospital for the years ended 31 December 2019 and 2018 were paid to BCH in 2020 and 2019, respectively.

23 TRADE PAYABLES

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

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Up to 3 months	17,909	19,394
4 – 6 months	3,941	4,435
7 months – 1 year	1,473	1,121
Over 1 year	2,295	1,403
	25,618	26,353

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

24 ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Accrued employee benefits	23,167	42,668
Refund liabilities (i)	98,164	85,690
Accrued operating expenses	19,509	20,700
Other payables to suppliers of plant and equipment	15,634	11,401
Dividend payable	2,642	2,642
Duty and tax payable other than corporate income tax	2,312	1,560
Others	9,755	6,507
	171,183	171,168

(i) Refund liabilities

When a customer has a right to obtain refundable prepayment for unused service package within a given period and their advanced deposit in the prepaid card, the Group recognises a refund liability for the amount of consideration received. See note 2.23 regarding the accounting policy of refund liabilities.

25 DEFERRED INCOME TAX

The analysis of deferred income tax is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	8,620	35,605
– Deferred tax assets to be recovered within 12 months	2,743	8,637
	11,363	44,242
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	63,319	70,126
– Deferred tax liabilities to be recovered within 12 months	3,335	3,902
	66,654	74,028
Set-off of deferred tax assets pursuant to set-off provisions	(10,864)	(41,998)
Net deferred tax assets	499	2,244
Net deferred tax liabilities	(55,790)	(32,030)

25 DEFERRED INCOME TAX (CONTINUED)

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

Deferred tax assets	Provision for receivables *RMB'000*	Tax losses *RMB'000*	Leases *RMB'000*	Total *RMB'000*
At 1 January 2019	65	47,492	–	47,557
Credited/(charged) to the statement of comprehensive income	24	(7,730)	927	(6,779)
Acquisition of subsidiaries	–	3,464	–	3,464
At 31 December 2019	89	43,226	927	44,242
At 1 January 2020	89	43,226	927	44,242
Credited/(charged) to the statement of comprehensive income	10	(32,423)	(466)	(32,879)
At 31 December 2020	99	10,803	461	11,363

The expiry date of tax losses is as follow:

	As at 31 December	
	2020 *RMB'000*	2019 *RMB'000*
As at 31 December 2020	–	111,376
As at 31 December 2021	57,995	57,995
As at 31 December 2022	71,533	71,533
As at 31 December 2023	87,992	87,992
As at 31 December 2024	92,242	92,242
As at 31 December 2025	96,823	–
As at 31 December 2029	15,718	15,718
As at 31 December 2030	31,842	–
	454,145	436,856

25 DEFERRED INCOME TAX (CONTINUED)

The Group did not recognise deferred tax assets of RMB94,977,000 as at 31 December 2020 (2019: RMB18,189,000) in respect of tax losses amounting to RMB410,933,000 (2019: RMB258,410,000) which can be carried forward against future taxable income.

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

Deferred tax liabilities	Intangible Assets *RMB'000*	Leases *RMB'000*	Total *RMB'000*
Balance at 1 January 2019	74,738	–	74,738
Credited to the statement of comprehensive income	(5,531)	–	(5,531)
Acquisition of subsidiaries	4,821	–	4,821
Balance at 31 December 2019	74,028	–	74,028
Balance at 1 January 2020	74,028	–	74,028
(Credited)/charged to the statement of comprehensive income	(7,632)	187	(7,445)
Acquisition of subsidiaries	71	–	71
Balance at 31 December 2020	66,467	187	66,654

The tax rate for the recognition of deferred tax assets and deferred tax liabilities is 25% for the year ended 31 December 2020 (2019: 25%).

26 EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Employee benefits expenses *(note 27)*	263,789	310,591
Cost of inventories and consumables	78,475	91,459
Rental expenses	2,421	2,347
Consultation fees	35,100	50,310
Depreciation and amortisation	94,788	107,739
Utilities, maintenance fee and office expenses	34,471	40,570
Outsourced examination and inspection fees	5,517	5,148
Auditors' remuneration		
– Audit services	3,200	3,200
– Non-audit services	–	200
Other expenses	41,064	51,055
	558,825	662,619

27 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Wages, salaries and bonuses	212,013	237,729
Welfare and other expenses	42,010	41,056
Pension costs – defined contribution plan	8,200	26,027
Share-based payments to directors and employees	1,566	5,779
	263,789	310,591

27 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Contribution to a pension plan

The employees of the Group in the PRC are members of a state-managed pension scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme. The Group did not have any forfeited contribution for the year ended 31 December 2020 and 2019 in connection with the defined contribution plan operated by local governments.

(b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group for the year include three (2019: three) directors whose emoluments are reflected in the analysis shown in note 40. The emoluments payable to the remaining two (2019: two) individuals during the year are as follows:

	Year ended 31 December	
	2020 *RMB'000*	2019 *RMB'000*
Basic salaries, bonus, housing allowance, other allowance and benefits in kind	2,657	2,954
Share-based payments	97	317
Others	8	16
	2,762	3,287

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

	Number of individuals Year ended 31 December	
	2020	2019
Emolument bands (in HK dollar)		
HK$1,000,000 to HK$1,500,000	1	–
HK$1,500,000 to HK$2,000,000	1	2
	2	2

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

28 IMPAIRMENT LOSSES ON NON-CURRENT ASSETS

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Impairment losses on goodwill *(note 8)*	234,486	–
Impairment losses on other intangible assets *(note 8)*	19,479	–
Impairment losses on investments accounted for using the equity method *(note 10)*	10,306	–
	264,271	–

29 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Bargain purchase of a subsidiary *(note 34)*	744	–
Losses on disposal of property, plant and equipment	(341)	(13,683)
Gains on disposal of right-of-use assets	2,444	6,029
Gains on financial assets at FVPL	1,132	2,610
	3,979	(5,044)

30 FINANCE COSTS – NET

	Year ended 31 December	
	2020 *RMB'000*	2019 *RMB'000*
Finance income		
Interest income	3,287	2,084
Net foreign exchange gains	–	2,272
	3,287	4,356
Finance costs		
Interest and finance charges paid/payable for lease liabilities	(15,787)	(18,847)
Interest expense on related party borrowings	–	(2)
Net foreign exchange losses	(7,540)	–
	(23,327)	(18,849)
Finance costs – net	(20,040)	(14,493)

31 INCOME TAX EXPENSE

	Year ended 31 December	
	2020 *RMB'000*	2019 *RMB'000*
Current income taxation:		
– PRC corporate income tax	23,353	42,324
Deferred income tax *(note 25)*	25,434	1,248
	48,787	43,572

31 INCOME TAX EXPENSE (CONTINUED)

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
(Loss)/profit before income tax	(328,747)	48,065
Calculated at a taxation rate of 25%	(82,187)	12,016
Effects of different tax rates applicable to different subsidiaries of the Group	7,046	2,763
Tax super deduction for research and development expenses	(2,713)	–
Income not subject to tax	(185)	(588)
Expenses not tax deductible	59,529	4,358
Tax effect of tax losses or temporary differences not recognised	35,853	16,513
Utilisation of previous unrecognised tax loss	–	(306)
Adjustment of deferred income tax arising in prior years	31,444	10,651
Others	–	(1,835)
Income tax expense	48,787	43,572

(a) Cayman Islands income tax

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

(b) PRC Corporate Income Tax

Subsidiaries established and operating in Mainland China are subject to PRC corporate income tax at the rate of 25% except for New Century Healthcare Technology which has been eligible as a High/New Technology Enterprise since December 2019 with preferential tax rate of 15% as set out in PRC EIT Law.

(c) Hong Kong profits tax

Hong Kong profits tax rate is 16.5% for the years ended 31 December 2020 and 2019. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended 31 December 2020 and 2019.

31 INCOME TAX EXPENSE (CONTINUED)

(d) Withholding tax

As at 31 December 2020, deferred tax liabilities of RMB24,365,200 (2019: RMB23,010,700), have not been recognised for the withholding tax that would be payable on the unremitted earnings of the PRC subsidiaries. Management expects to be reinvested such amount in these subsidiaries in the foreseeable future. Unremitted earnings of these subsidiaries as at 31 December 2020 amounted to RMB243,652,000 (2019: RMB230,107,000).

32 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for RSA scheme.

	Year ended 31 December	
	2020	2019
Loss attributable to owners of the Company (RMB'000)	(371,383)	(26,556)
Weighted average number of ordinary shares in issue (in thousands) (i)	485,126	484,818
Basic loss per share (in RMB)	(0.77)	(0.05)

The loss per share presented above is calculated by using the weighted average number of ordinary shares during the year ended 31 December 2020.

(i) The Company granted 9,000,000 Restricted Shares to employees on 25 July 2017 pursuant to the RSA Scheme. As at 31 December 2020, 9,000,000 Restricted shares were vested among which 4,767,000 forfeited Restricted Shares have been excluded from the calculation of basic loss per share.

During the year ended 31 December 2020, the Company repurchased 1,921,500 shares of the Company to set up an employee stock incentive plan. These shares were not included in the calculation of basic loss per share as there was no share granted.

(b) Diluted

For the years ended 31 December 2020 and 2019, diluted loss per share is equivalent to the basic loss per share due to the Group's negative financial results attributable to owners of the Company.

33 CASH FLOW INFORMATION

(a) Cash generated from operation

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
(Loss)/profit before income tax	(328,747)	48,065
Adjustments for:		
– Depreciation of property, plant and equipment *(note 6)*	34,618	39,731
– Amortisation *(note 8)*	16,320	16,020
– Depreciation of right-of-use assets	43,850	51,988
– Share-based payments *(note 21)*	1,566	5,779
– Other (gains)/losses – net *(note 29)*	(3,979)	5,044
– Finance costs – net *(note 30)*	20,040	14,493
– Impairment losses on investments accounted for using the equity method *(note 10)*	10,306	–
– Share of net (profit)/loss of investments accounted for using the equity method *(note 10)*	(54)	67
– Impairment losses on intangible assets *(note 8)*	253,965	–
– Provision of impairment of trade receivables and amounts due from related parties (trade in nature)	6,211	106
Changes in working capital (excluding the effects of acquisition on consolidation):		
– Inventories	(3,888)	(1,970)
– Trade and other receivables	1,090	5,592
– Balances with related parties	(2,513)	(30,749)
– Trade and other payables	(10,750)	19,404
– Contract liabilities	(14,621)	4,543
– Deferred income	2,641	–
Cash generated from operations	26,055	178,113

33 CASH FLOW INFORMATION (CONTINUED)

(a) Cash generated from operation (Continued)

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

	Year ended 31 December	
	2020 *RMB'000*	2019 *RMB'000*
Net book amount *(note 6)*	475	13,686
Loss on disposal of property, plant and equipment	(341)	(13,683)
Proceeds from disposal of property, plant and equipment	**134**	3

(b) Non-cash investing and financing activities.

Non-cash investing and financing activities include acquisition of right-of-use assets is disclosed in note 7.

33 CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of financial liabilities arising from financing activities

	Amounts due to related parties *RMB'000*	Dividends payable *RMB'000*	Leases *RMB'000*	Total *RMB'000*
Financial liabilities as at 1 January 2019	(80,272)	(5,812)	–	(86,084)
Recognised on adoption of HKFRS 16	–	–	(456,477)	(456,477)
Cash flows				
– net cash flows from financing activities	73,003	3,170	47,067	123,240
– net cash flows from operating activities	(2,315)	–	14,184	11,869
Acquisition of subsidiaries	(38,942)	–	–	(38,942)
Other changes (i)	44,034	–	38,825	82,859
Financial liabilities as at 31 December 2019	(4,492)	(2,642)	(356,401)	(363,535)
Cash flows				
– net cash flows from financing activities	–	–	40,359	40,359
– net cash flows from operating activities	(24)	–	9,663	9,639
Acquisition of subsidiaries	–	–	(8,477)	(8,477)
Other changes (i)	302	–	(46,239)	(45,937)
Financial liabilities as at 31 December 2020	(4,214)	(2,642)	(361,095)	(367,951)

(i) For the year ended as at 31 December 2020, other changes also include addition, modification and foreign exchange differences to leases.

34 BUSINESS COMBINATION

Business combinations of BNC Wenyu Clinic

On 20 February 2020, the Group through its subsidiary BNC Women's and Children's Hospital acquired 100% equity interest of Beijing Phoenix UMP Wenyu Clinic Outpatient Service Co., Ltd., a clinic for the provision of pediatric and gynecologic healthcare services in Beijing, with zero consideration. Once upon the acquisition, the entity's name was changed into BNC Wenyu Clinic.

Details of the purchase consideration, the net assets acquired and gain on bargain purchase are as follows:

	Fair value *RMB'000*
Property, plant and equipment	1,242
Right-of-use assets	7,807
Other receivables, deposits and prepayments	507
Cash and cash equivalents	3,342
Inventory	9
Intangible assets	285
Amounts due from related parties	1,897
Trade payables	(22)
Accruals, other payables and provisions	(5,775)
Lease liabilities	(8,477)
Deferred tax liabilities	(71)
Net identifiable assets acquired	744
Total purchase consideration	–
Gain on bargain purchase	744

(i) Acquired receivables

The fair value of other receivables is RMB507,000. The gross contractual amount for trade receivables due is nil.

(ii) Revenue and profit contribution

The acquired business contributed net losses of RMB5,641,000 to the Group for the period from 20 February 2020 to 31 December 2020. If the acquisition had occurred on 1 January 2020, consolidated losses after tax for the year ended 31 December 2020 would have been RMB6,769,000.

35 COMMITMENTS

(a) Capital commitments

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

	As at 31 December	
	2020 *RMB'000*	2019 *RMB'000*
Contracted but not provided for		
– Property, plant and equipment	3,290	865
– Intangible assets	1,433	2,013
	4,723	2,878

(b) Operating lease commitments

The Group leases certain office buildings under non-cancellable operating lease agreements.

The future minimum lease payables under non-cancellable operating leases contracted but not provided for at each year-end date are as follows:

	As at 31 December	
	2020 *RMB'000*	2019 *RMB'000*
No later than 1 year	478	448
Total	478	448

36 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Parent entities

The Company is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest	
			2020	2019
JoeCare Investment Co., Ltd ("**JoeCare**")	Immediate parent entity	British Virgin Islands	**30.78%**	30.42%
Century Star Investment Co., Ltd ("**Century Star**")	Immediate parent entity	British Virgin Islands	**1.84%**	1.84%

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

As at 31 December 2020, Ms. LIANG Yanqing held 11.78% (2019: 11.78%) interests of the Company through Victor Gains Limited, a company incorporated in the British Virgin Islands. Pursuant to the voting agreement signed on 18 February 2016, Ms. LIANG Yanqing irrevocably agreed to follow Mr. Jason ZHOU's voting directions when exercising the voting rights attached to the shares beneficially owned by her during the term of the voting agreement. Accordingly, Mr. Jason ZHOU was deemed as controlling shareholder of the Company through the power to control 44.40% of interest in the Company including the shares repurchased by Jason ZHOU from open capital market.

(b) Subsidiaries

Interest in subsidiaries are set out in note 9.

(c) Key management compensation

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

	Year ended 31 December	
	2020 *RMB'000*	2019 *RMB'000*
Salaries and bonus	10,690	11,661
Share-based payments	479	1,561
Contribution to pension plans	168	266
Welfare and other expenses	867	783
Total	12,204	14,271

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with related parties

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

Name	Relationship with the Group
Beijing Jiahua Likang Health Investment Co., Ltd. (北京嘉華麗康醫療投資管理有限公司)	The controlling shareholder of the Company has significant influence
Beijing Children's Hospital, Capital Medical University (首都醫科大學附屬北京兒童醫院)	Significant influence on the subsidiary of the Company
Beijing MuHeJiaYe Property Management Co., Ltd. (北京睦合嘉業物業管理有限公司)	Controlled by Ms. ZHAO Juan, the spouse of the controlling shareholder of the Company
Beijing Bairui Kangchen Technology Development Co., Ltd. (北京柏瑞康辰科技發展有限公司)	Controlled by a shareholder of the Company
Shanghai New Century Pujin Pediatric Clinic Outpatient Service Co., Ltd. (上海新世紀浦錦兒科門診部有限公司)	Controlled by a shareholder of the Company
Zhuhai Yunzhong Equity Investment Limited Partnership (珠海雲眾股權投資企業(有限合夥))	The general partner is key management of the Company
Chengdu Women's and Children's Central Hospital (成都市婦女兒童醫院)	Significant influence on the subsidiary of the Company
Chengdu Yunxi Ge Health Management Co., Ltd. (成都雲禧閣健康管理有限公司)	Significant influenced by the controlling shareholder of the Company
Tianjin Heping New Century Women's and Children's Hospital(天津和平新世紀婦兒醫院有限公司)	Significant influenced by the controlling shareholder of the Company
Foshan Shunde Yihe Clinic Co., Ltd.(佛山市順德怡和門診部有限公司)	Significant influenced by the controlling shareholder of the Company
Chengdu Wuhou New Century Joy City Clinic Outpatient Service Co., Ltd.(成都武侯新世紀大悦城門診部)	The controlling shareholder of the Company has significant influence

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with related parties (Continued)

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

	Year ended 31 December	
	2020 *RMB'000*	2019 *RMB'000*
Hospital consulting services provided to		
– Beijing Jiahua Likang Health Investment Co., Ltd.(i)	8,002	34,149
– Tianjin Heping New Century Women's and Children's Hospital Co., Ltd.	529	–
	8,531	34,149
Examination and laboratory test services received from		
– Beijing Children's Hospital, Capital Medical University	1,037	1,261
– Chengdu Women's and Children's Central Hospital	65	81
Purchase of goods from		
– Beijing Children's Hospital, Capital Medical University	290	718
Cleaning services received from		
– Beijing MuHeJiaYe Property Management Co., Ltd.	8,409	10,977
Lease of hospital premises		
– Chengdu Women's and Children's Central Hospital (ii)	8,500	8,500
	18,301	21,537

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

(ii) Lease of hospital premises include the rental fee paid to Chengdu Women's and Children's Central Hospital.

36 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Loans to related parties

	Year ended 31 December	
	2020 *RMB'000*	2019 *RMB'000*
Loans to other related parties	–	–
Beginning of the period	20,289	–
Loans advanced (i)	4,541	20,289
End of the period	24,830	20,289

(i) On 30 April 2019, Jiahua Yihe entered into an agreement and provided credit facility to Beijing Bairui Kangchen Technology Development Co., Ltd. ("**Bairui Kangchen**"), a related party which is controlled by a shareholder of the Company. Pursuant to the agreement, Jiahua Yihe has agreed to provide a one-year loan credit line amounting to RMB10,000,000 to Bairui Kangchen. On 18 September 2019, Bairui Kangchen borrowed RMB2,000,000 from Jiahua Yihe with all its shares of Shanghai New Century Pujin Pediatric Clinic Outpatient Service Co., Ltd. pledged as collateral for the loan.

On 25 June 2019, Bairui Kangchen borrowed RMB6,500,000 from Jiahua Yihe with all its equity of Shenzhen New Century Healthcare Investment Co., Ltd. pledged as collateral for the loan.

On 1 November 2019, Jiahua Yihe entered into an agreement with Bairui Kangchen and provided an additional one-year credit facility amounting to RMB20,000,000 to Bairui Kangchen. As at 31 December 2019, the borrowings amounting to RMB16,000,000, including RMB6,500,000 borrowed on 25 June 2019, have been made by Bairui Kangchen under such credit line. During the year ended 2020, Jiahua Yihe borrowed RMB3,400,000 to Bairui Kangchen.

The interest rate of the loans mentioned above is the annual bank borrowing interest rate issued by the People's Bank of China.

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

Balances with related parties as at 31 December 2020 were disclosed in note 15.

(g) Provision of premises by a related party

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

37 CONTINGENCIES

The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice.

38 EVENT OCCURRING AFTER REPORTING PERIOD

There were no material subsequent events occurred during the period from 31 December 2020 to the approval date of these consolidated financial statements by the board of directors of the Company on 31 March 2021.

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

		As at 31 December	
	Note	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		1,766,431	1,764,865
Investments accounted for using the equity method		2,575	12,985
Total non-current assets		1,769,006	1,777,850
Current assets			
Cash and cash equivalents		6,542	17,855
Other receivables, deposits and prepayments		707	–
Amounts due from subsidiaries		750,855	750,777
Total current assets		758,104	768,632
Total assets		2,527,110	2,546,482
EQUITY			
Equity attributable to owners of the Company			
Share capital		335	335
Shares held for employee share scheme		(2,826)	–
Share premium		2,606,495	2,606,262
Reserves	39 (a)	(85,463)	(86,702)
Accumulated losses	39 (a)	(20,487)	(3,081)
Total equity		2,498,054	2,516,814
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		26,508	26,151
Accruals, other payables and provisions		2,548	3,517
Total current liabilities		29,056	29,668
Total liabilities		29,056	29,668
Total equity and liabilities		2,527,110	2,546,482

The balance sheet of the Company was approved by the Board of Directors on 31 March 2021 and signed on its behalf:

Jason ZHOU   *XU Han*

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Accumulated losses and reserve movement of the Company

	Accumulated losses *RMB'000*	Reserves *RMB'000*
At 1 January 2019	1,034	(88,901)
Total comprehensive loss		
– Loss for the year	(4,115)	–
Shares exercised under share awards scheme	–	(3,580)
Share-based payments	–	5,779
At 31 December 2019	(3,081)	(86,702)
Total comprehensive loss		
– Loss for the year	(17,406)	–
– Other comprehensive loss	–	(159)
Shares exercised under share awards scheme	–	(168)
Share-based payments	–	1,566
At 31 December 2020	(20,487)	(85,463)

40 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and chief executive emoluments

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

For the year ended 31 December 2020	Fees	Salaries	Share-based payments	Discretionary bonuses	Housing allowance	Welfare and other expenses	Contribution to a pension plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors								
Mr. Jason ZHOU (i)	–	1,791	–	–	–	–	–	1,791
Mr. XU Han	–	975	100	429	40	61	32	1,637
Ms. XIN Hong	–	972	100	429	40	61	32	1,634
	–	3,738	200	858	80	122	64	5,062
Independent non-executive directors								
Mr. WU Guanxiong	100	–	–	–	–	–	–	100
Mr. SUN Hongbin	100	–	–	–	–	–	–	100
Mr. JIANG Yanfu	100	–	–	–	–	–	–	100
Dr. MA Jing	100	–	–	–	–	–	–	100
	400	–	–	–	–	–	–	400
	400	3,738	200	858	80	122	64	5,462

40 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors and chief executive emoluments (Continued)

For the year ended 31 December 2019	Fees *RMB'000*	Salaries *RMB'000*	Share-based payments *RMB'000*	Discretionary bonuses *RMB'000*	Housing allowance *RMB'000*	Welfare and other expenses *RMB'000*	Contribution to a pension plan *RMB'000*	Total *RMB'000*
Executive directors								
Mr. Jason ZHOU (i)	–	2,112	–	–	–	–	–	2,112
Mr. XU Han	–	1,067	326	455	38	38	50	1,974
Ms. XIN Hong	–	1,067	326	455	38	38	50	1,974
	–	4,246	652	910	76	76	100	6,060
Independent non-executive directors								
Mr. WU Guanxiong	100	–	–	–	–	–	–	100
Mr. SUN Hongbin	100	–	–	–	–	–	–	100
Mr. JIANG Yanfu	100	–	–	–	–	–	–	100
Dr. MA Jing	100	–	–	–	–	–	–	100
	400	–	–	–	–	–	–	400
	400	4,246	652	910	76	76	100	6,460

(i) Jason ZHOU is also the chief executive.

On 31 July 2015, the Company appointed Mr. Jason ZHOU as the directors. On 18 February 2016, the Company appointed Mr. XU Han and Ms. XIN Hong as the directors.

As at 31 December 2020, Mr. WANG Siye, Mr. GUO Qizhi, Mr. YANG Yuelin, Dr. CHENG Chi-Kong and Mr. FENG Xiaoliang were the non-executive directors ("**NED**") of the Company. During the year ended 31 December 2020, neither emoluments were paid by the Group to the NED nor consideration were paid to the third parties for making available directors' services.

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the year ended 31 December 2020 (2019: Nil).

Financial Summary

	For the year ended December 31,				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	512,785	729,369	615,984	536,460	490,933
Profit before income tax	(328,747)	48,065	119,276	159,918	174,098
Income tax expense	(48,787)	(43,572)	(45,838)	(45,031)	(37,137)
Total comprehensive income	(377,128)	4,493	73,438	114,887	136,961
Total comprehensive income attributable to:					
– Owners of the Company	(370,977)	(26,556)	41,514	73,493	98,635
– Non-controlling interests	(6,151)	31,049	31,924	41,394	38,326

	As of December 31,				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	1,471,045	1,876,668	1,611,024	1,441,935	636,749
Total liability	659,193	643,140	339,680	203,498	502,228
Total equity	811,852	1,233,528	1,271,344	1,238,437	134,521
Equity attributable to:					
– Owners of the Company	838,633	1,210,805	1,237,508	1,193,645	79,185
– Non-controlling interests	(26,781)	22,723	33,836	44,792	55,336

Definitions

"2016 Management Consulting Services Agreement"	the management consulting services agreement entered into between Jiahua Yihe and Jiahua Likang on June 1, 2016;
"AGM"	annual general meeting of the Company;
"Articles of Association"	the articles of association of the Company adopted on December 22, 2016 which became effective on the Listing Date, as amended from time to time;
"Audit Committee"	the audit committee of the Board;
"BCH"	Beijing Children's Hospital, Capital Medical University (首都醫科大學附屬北京兒童醫院), a connected person of the Company on the subsidiary level only due to its 35.0% interest in BNC Children's Hospital;
"BNC Ao-dong Clinic"	Beijing New Century Ao-dong Clinic Outpatient Service Co., Ltd. (北京新世紀奧東門診部有限公司), formerly known as Beijing Meihua Women and Children Clinic Co., Ltd. (北京美華婦兒門診部有限公司), a company incorporated in the PRC with limited liability on May 15, 2014, which is a wholly-owned subsidiary of the Company;
"BNC Chaowai Clinic"	Beijing New Century Yide Chaowai Clinic of Beijing New Century Yide Consultancy Co., Ltd. (北京新世紀怡德諮詢有限公司新世紀怡德朝外診所). Beijing New Century Yide Consultancy Co., Ltd. (北京新世紀怡德諮詢有限公司), formerly known as Renze (Beijing) International Corporation Management and Service Co., Ltd. (仁澤(北京)國際企業管理服務有限責任公司), is a company incorporated in the PRC with limited liability on October 27, 2014, which is a non-wholly-owned subsidiary of the Company;
"BNC Children's Hospital"	Beijing New Century Children's Hospital Co., Ltd. (北京新世紀兒童醫院有限公司), a company incorporated in the PRC with limited liability on December 13, 2002, which is a non-wholly-owned subsidiary of the Company;
"BNC Harmony Clinic"	Beijing New Century Ronghe Outpatient Service Co., Ltd. (北京新世紀榮和門診部有限公司), a company incorporated in the PRC with limited liability on May 30, 2012, which is a non-wholly-owned subsidiary of the Company;
"BNC Qingnian Road Clinic"	Beijing New Century Qingnian Road Pediatric Clinic Co., Ltd. (北京新世紀青年路兒科診所有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company;

"BNC Wenyu Clinic"	Beijing New Century Wenyu Clinic Outpatient Service Co., Ltd. (北京新世紀溫榆門診部有限公司), a company incorporated in the PRC with limited liability, which is a wholly-owned subsidiary of the Company;
"BNC Women's and Children's Hospital"	Beijing New Century Women's and Children's Hospital Co., Ltd. (北京新世紀婦兒醫院有限公司), a company incorporated in the PRC with limited liability on January 4, 2012, which is a non-wholly-owned subsidiary of the Company;
"Board" or "Board of Directors"	the board of Directors of the Company;
"BVI"	the British Virgin Islands;
"Century Star"	Century Star Investment Co., Ltd., a company incorporated in the BVI with limited liability on August 14, 2015 and is wholly-owned by Mr. Zhou;
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
"Chengdu New Century"	Chengdu New Century Women's and Children's Hospital Co., Ltd. (成都新世紀婦女兒童醫院有限公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company;
"Chengdu Sale and Purchase Agreement"	the share transfer agreement dated December 6, 2018 entered into between Jiahua Yihe and Jiahua Likang in respect of the acquisition of the sale shares representing 85.0% equity interest of Chengdu New Century;
"Chengdu Women's and Children's Central Hospital"	Chengdu Women's and Children's Central Hospital (成都市婦女兒童中心醫院), a not-for-profit public hospital owned and managed by Chengdu Bureau of Hospital Administration;
"China" or "PRC"	the People's Republic of China; for the purpose of this annual report only, references to "China" or the "PRC" do not include Taiwan, the Macau Special Administrative Region and Hong Kong;
"Company"	New Century Healthcare Holding Co. Limited (新世紀醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability on July 31, 2015, the Shares of which are listed on the Main Board of the Stock Exchange;
"Controlling Shareholder(s)"	Mr. Zhou, JoeCare and Century Star;
"Director(s)"	director(s) of the Company;

Definitions (Continued)

"Economic Benefits"	all the economic rights and benefits and other similar rights attaching or accruing to (i) the 100% equity interest in Jiahua Kangming held by Ms. Zhao and Ms. ZHOU Jie, and (ii) the 30% equity interest in each of BNC Women's and Children's Hospital and BNC Harmony Clinic held by Jiahua Kangming, on or after the completion of the transactions contemplated under the VIE Acquisition Agreement, to the extent permitted under the applicable laws and regulations;
"Employee Share Scheme"	the restricted share award scheme approved and adopted by the Company on August 28, 2020;
"GMP Certificate"	Certificate of Good Manufacturing Practices for Pharmaceutical Products;
"Group", "our Group", "we" or "us"	the Company and its subsidiaries;
"GSP Certificate"	The Good Supply Practices for Pharmaceutical Products Certificate;
"HKEx"	Hong Kong Exchanges and Clearing Limited;
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;
"HKFRS"	Hong Kong Financial Reporting Standards;
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong;
"Independent Third Party(ies)"	any individual(s) or entity(ies) who, as far as our Directors are aware, is/are not connected with the Company or the connected persons of the Company within the meaning ascribed under the Listing Rules;
"IPO"	initial public offering of Shares and listing of the Group on the Stock Exchange on the Listing Date;
"Jiahua Kangming"	Beijing Jiahua Kangming Medical Investment and Management Co., Ltd. (北京嘉華康銘醫療投資管理有限公司), a company incorporated in the PRC with limited liability on December 18, 2015 and is a connected person of the Company;
"Jiahua Likang"	Beijing Jiahua Likang Medical Investment and Management Co., Ltd. (北京嘉華麗康醫療投資管理有限公司), a company incorporated in the PRC with limited liability on April 16, 2009, and is a connected person of the Company;

Definitions (Continued)

"Jiahua Yihe"	Beijing Jiahua Yihe Management and Consulting Co., Ltd. (北京嘉華怡和管理諮詢有限公司), a company incorporated in the PRC with limited liability on June 15, 2015 and wholly-owned by the Company;
"Jiahua Yihe Hospitals"	Hospitals, clinics and/or other medical institutions owned, operated, invested and/or managed by Jiahua Yihe at the relevant time (including any future time during the term of the Framework Property Management and Cleaning Services Agreement) or, where the context so requires, any of them;
"Likang Hospitals"	Hospitals, clinics and/or other medical institutions owned, operated, invested, and/or managed by Jiahua Likang at the relevant time (including any future time during the term of the Framework Management Consulting Services Agreement) or, where the context so requires, any of them;
"JoeCare"	JoeCare Investment Co., Ltd., a company incorporated in the BVI with limited liability on July 16, 2015 and wholly-owned by Mr. Zhou. JoeCare is one of our Controlling Shareholders;
"Latest Practicable Date"	March 31, 2021;
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange;
"Listing Date"	the date on which dealings in the Shares first commenced on the Stock Exchange, i.e. January 18, 2017;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
"Meihua"	Beijing Meihua Women and Children Clinic Company Co., Ltd. (北京美華婦兒門診部有限公司), a company incorporated in the PRC with limited liability and wholly-owned by the Company;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
"Mr. Zhou"	Mr. Jason ZHOU, Chairman of the Board, chief executive officer, an executive Director and one of our Controlling Shareholders;
"Ms. Liang"	Ms. LIANG Yanqing (梁艷清), one of our substantial Shareholders;
"Ms. Zhao"	Ms. ZHAO Juan (趙娟), the spouse of Mr. Zhou;

"Muhe Jiaye"	Beijing Muhe Jiaye Property Management Co., Ltd. (北京睦合嘉業物業管理有限公司), a company incorporated in the PRC with limited liability, a connected person of the Company;
"New Institutions"	the institutions that were recently acquired or set up were BNC Ao-dong Clinic, BNC Chaowai Clinic, Chengdu New Century, BNC Qingnian Road Clinic, New Century Healthcare (Hong Kong) Co. Limited, New Century Healthcare Technology (Beijing) Co., Ltd., Beijing Jiahua Yunzhong Management Consulting Co., Ltd., BNC Wenyu Clinic, Chengdu Qingyang New Century Shangjin Xinyi Clinic Co. Ltd., Chengdu Xinyi Health Management Co. Ltd. and Zhuhai Jiahua Yihe Medical Investment Company;
"Nomination Committee"	the nomination committee of the Board;
"Over-Allotment Shares"	10,025,000 Shares issued and allotted by the Company pursuant to the partial exercise of the Over-Allotment Option;
"Prospectus"	the prospectus dated December 30, 2016 issued by the Company;
"Remuneration Committee"	the remuneration committee of the Board;
"Renze"	Renze (Beijing) International Business Management Services Co., Ltd. (仁澤(北京)國際企業管理服務有限責任公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"RSA Scheme"	the restricted share award scheme approved and adopted by the Company on August 29, 2016;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Shares(s)"	ordinary share(s) of US$0.0001 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"State Council"	State Council of the PRC (中華人民共和國國務院);

Definitions (Continued)

"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subsidiaries"	has the meaning ascribed to it in section 2 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
"Tier 1 Cities"	Beijing, Shanghai, Guangzhou and Shenzhen or, where the context so requires, any of them;
"Victor Gains"	Victor Gains Limited, a company incorporated in the BVI with limited liability on February 2, 2010 and wholly-owned by Ms. Liang, and one of our substantial shareholders;
"Voting Agreement"	an agreement entered into between Mr. Zhou and Ms. Liang on February 18, 2016 and renewed on February 17, 2019 by a renewal agreement entered into between the same parties on January 31, 2019 for a renewed term of three years from February 18, 2019 until February 17, 2022, pursuant to which Ms. Liang irrevocably agreed to follow Mr. Zhou's voting directions when exercising the voting rights attached to the Shares beneficially owned by her during the term of such agreement;
"YoY"	year-on-year; and
"%"	percent.

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