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

2022

ANNUAL REPORT

Contents

Corporate Information

DIRECTORS

Executive Directors:

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

Non-executive Directors:

Mr. GUO Qizhi
Mr. WANG Siye
Dr. CHENG Chi-Kong, Adrian *JP*
(resigned with effect from June 1, 2022)
Mr. YANG Yuelin
Ms. LI Suyu
(appointed with effect from June 1, 2022)
Mr. XIE Qiang

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

56 Nanlishi Road
Xicheng District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 603A, 6/F, Tower 1
Admiralty Centre
18 Harcourt Road
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 Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

LEGAL ADVISERS

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 our Board, I am pleased to present the annual report of our Group for the year ended December 31, 2022.

Under the repeated challenge and impacts of COVID-19 pandemic in 2022, our Group's revenue from pediatrics services and its business ratio increased, which was mainly due to the development of pediatric multi-specialty clinical services and refined customer operation management. Due to a decline in the number of pregnancy preparation and pregnancy caused by the COVID-19 pandemic, our revenue from obstetrics and gynecology business during the year decreased as compared with the same period last year.

The population and health of children are of strategic importance to the long-term development of the country's national strength. The "Decision on Optimizing the Fertility Policy and Promoting the Long-term Balanced Development of the Population" (《關於優化生育政策促進人口長期均衡發展的決定》) released in June 2021 sets out the three-child policy and rolls out supportive measures, and released the "Action Plan for Child Health Improvement (2021–2025)" (《健康兒童行動提升計劃(2021–2025年)》) in October of that same year. Policy guidance at the national level has greatly contributed to raising public awareness of children's health management, and has also triggered a significant increase in market demand for children preventive care, growth and development management, and pediatric specialties. In addition, with the rise of women's first childbearing age and the increase in the number of pregnant and parturient women with advanced maternal age giving birth to the second and third children, Chinese families have great demands for medical technology, medical safety, service quality and one-stop, continuous health management for women and children, which also provides us with broad development space.

As a multi-specialty medical group with the competitive advantage of providing a full range of pediatric services, we have high-quality and scarce medical team resources, leading clinical technology and service concept, and we can provide common and complex disease diagnosis and treatment and health management services for women's and children's families, and thus are trusted by women's and children's families. By the end of 2022, we have served nearly 420,000 women's and children's families and served 250,000 hospital attendances in 2022. Among them, our pediatric family doctor members and commercial insurance direct payment customers contribute to over 50% of revenue from pediatric medical services.

In 2022, after experiencing several waves of strict pandemic controls, medical institutions of various regions overcame the impact of inaccessibility of local and non-local patients to out-patient medical institutions, actively expanded business with rigid demand and placed emphasis on multiple specialties such as pediatric care, pediatric surgery, ophthalmology, and hematology, which maintained the growth in revenue despite the decrease in the number of outpatient visits. The revenue of pediatric outpatient service was RMB326.8 million, with a YoY increase of 8.2%; the number of outpatients was 196,071, with A YoY decrease of 4.1%. Combining the advantages of medical technology, we are committed to continuously developing innovative medical service content and methods according to the needs of our target customers, such as management of child growth and development package, sub-specialty service package (optometry, oral cavity, endocrinology, etc.), etc.. We received positive feedbacks from customers, which will become the main business growth drivers of our Group in the post pandemic era.

Chairman's Statement (Continued)

Last but not least, on behalf of the Board of our Company, I would like to express our gratitude towards all our customers, partners and shareholders for their long-term support and trust, and would like to thank you for your understanding on our Company during the past three years of the pandemic. Looking forward, we will continue to provide high-quality integrated medical services for women's and children's families in the PRC, actively explore the market, seize the opportunities arising from government policies to further develop our business, contribute to the implementation of the national strategy of Healthy China, and create sustainable value return for our shareholders.

Jason ZHOU
Chairman

Beijing, March 28, 2023

Management Discussion and Analysis

BUSINESS OVERVIEW AND OUTLOOK

Business Overview for 2022

For the year ended December 31, 2022, our Group's revenue was RMB636.5 million, representing a 0.6% YoY increase. Our revenue from medical services was RMB629.8 million, representing a 1.4% YoY increase, among which, the revenue from pediatric services recorded a 5.6% YoY increase to RMB532.4 million, accounting for 84.5% of the total revenue from medical services. Our revenue from pediatric outpatient services recorded a 8.2% YoY increase to RMB326.8 million. The number of pediatric services outpatient visits was 196,071, representing a 4.1% YoY decrease. Our revenue from pediatric inpatient services recorded a 1.8% YoY decrease to RMB159.6 million. The number of pediatric inpatient visits was 5,387, representing a 7.7% YoY decrease.

Our revenue from obstetrics and gynecology services recorded a 16.9% YoY decrease to RMB97.4 million in 2022. COVID-19 took a particular toll on our Group's obstetric and gynecologic services, with the number of inpatient and outpatient visits recording a decrease of 23.9% and 11.3%, respectively in 2022 as compared with the year of 2021. The decrease was primarily attributable to our Group's obstetric and gynecologic patients postponing medical consultations, appointment for inpatient surgery services and pregnancy plans as a result of the impact of COVID-19.

As a leading private medical service provider in Beijing and the PRC, we provide customers with integrated medical services of gynecology, obstetrics and pediatrics, and are characterized by providing comprehensive and in-depth pediatric medical services. The growth of our pediatric business is mainly due to (i) our Group's strengthening of clinical deployment, product and service organization and service promotion of internal medicine-pediatric services (including General Pediatrics, Respiratory and Cardiology etc.) and well-child care (mainly including preventive health care, physical examination, growth and development clinics, psychological counseling, etc.); (ii) strengthening the buildup of commercial insurance team and actively developing commercial insurance business; (iii) strengthening the construction of the "New Century Family Doctor" panda membership program and improving the quality of member service; and (iv) with the help of digitalized customer operation and management systems, improving customer reach and enhancing customer visit experience, so as to improve customer stickiness. For the year ended December 31, 2022, our revenue from internal medicine-pediatric services and pediatric healthcare services increased by 9.9% as compared with the year of 2021. In addition, the direct payment income of commercial insurance in pediatric business increased by 13.2% YoY, and its contribution to the income of our pediatric services increased to 28.2% from 25.8% in the year of 2021. The combined revenue of pediatric membership and commercial insurance direct payment accounts for over 50.0% of revenue from pediatric services, reflecting a customer base with consumption power.

The net loss of our Group amounted to RMB291.6 million for the year ended December 31, 2022, while the net loss was RMB85.3 million for the year ended December 31, 2021. The net loss was mainly attributable to (i) impairment losses on non-current assets; (ii) certain significant amounts of impairment losses on financial assets; and (iii) impairment losses on investment in an associate. For details, please refer to the section headed "FINANCIAL REVIEW" below.

Industry Outlook and the Group's Strategies

In this new stage of social development, the theme of women and children's health has expanded to include comprehensive health development, with an increasingly strong demand for diversified health services, as well as new and higher requirements for medical service capabilities, service models, and service concepts. In September 2021, the State Council issued the "Outline on the Development of Chinese Women (2021–2030)" and "Outline on the Development of Chinese Children (2021–2030)", which are of great significance in promoting the high-quality development of China's women and children's health undertakings in the new era. The "Notice of the National Health Commission on Publishing the Implementation Plan for the 2021–2030 Outlines for the Development of Chinese Women and Children" issued in April 2022 provides further guidance. China's women and children's health work still faces many challenges such as insufficient total service resources, uneven distribution, and a shortage of high-quality resources. Especially since the adjustment of the birth policy, the proportion of advanced age and multiparous women has increased, the risk of complications, comorbidities, and birth defects during pregnancy has increased, and the demand for newborn safety and child health care has further increased, triggering a significant increase in the market demand for the provision of whole-cycle, whole-process and all-round medical and health services to women and children.

Adhering to the previously formulated development strategies, our Group intends to grasp the industry opportunities by implementing the following measures in 2023:

- Leverage the attraction effect of obstetrics to meet the needs of postpartum families for women's health care, medical aesthetics and pediatric services; and with the competitive advantage of multi-disciplinary collaboration in pediatrics and gynecology, focus on building sub-specialties and building a product and service chain around our customers' medical and health needs.

- Expand the market-oriented consumption medical services of ophthalmology, children's healthcare, endocrinology and stomatology for the pediatric business.

- Upgrade the customer management system to fully improve customer experience and stickiness and to continue expanding the membership base in terms of family units.

- Strengthen marketing and cooperation with insurance institutions to expand the coverage of the target customers.

- Optimize the organizational structure and talent management, and strengthen cost control in accordance with our 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,			
	2022		2021	
	(in thousands of RMB, except percentages)			
Medical services	629,757	99.0%	621,321	98.2%
Hospital consulting services	219	—	4,620	0.7%
Others(1)	6,483	1.0%	6,624	1.1%
Total	636,459	100.0%	632,565	100.0%

(1) Include revenue from 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 (excluding impairment), gross profit and gross profit margin of our medical services for the periods indicated:

	Year ended December 31,	
	2022	2021
	(in thousands of RMB, except percentages)	
Revenue	629,757	621,321
Cost of revenue	426,188	425,351
Gross profit(1)	203,569	195,970
Gross profit margin(2)	32.3%	31.5%

(1) Gross profit is calculated by deducting cost of revenue (excluding impairment) from revenue.

(2) Gross profit margin is calculated by using gross profit divided by revenue and multiplied by 100%.

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,			
	2022		2021	
	(in thousands of RMB, except percentages)			
Pediatric services	532,372	83.7%	504,081	79.7%
Obstetric and gynecologic services	97,385	15.3%	117,240	18.5%
Total	629,757	99.0%	621,321	98.2%

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,	
	2022	2021
Our Group		
Inpatient services		
Inpatient visits	7,156	8,158
Average inpatient spending per visit *(RMB)*	29,434	27,801
Outpatient services		
Outpatient visits	239,767	253,813
Average outpatient spending per visit *(RMB)*	1,556	1,399
Revenue from medical services attributable to inpatients *(RMB'000)*	210,633	226,801
Revenue from medical services attributable to outpatients *(RMB'000)*	373,159	354,979
Revenue recognized for membership card sales *(RMB'000)*	45,965	39,541
Pediatric Services		
Inpatient services		
Inpatient visits	5,387	5,834
Average inpatient spending per visit *(RMB)*	29,624	27,848
Outpatient services		
Outpatient visits	196,071	204,535
Average outpatient spending per visit *(RMB)*	1,667	1,477
Revenue from medical services attributable to inpatients *(RMB'000)*	159,582	162,467
Revenue from medical services attributable to outpatients *(RMB'000)*	326,825	302,073
Revenue recognized for membership card sales *(RMB'000)*	45,965	39,541

	Year ended December 31,	
	2022	2021
Obstetric and gynecologic services		
Inpatient services		
Inpatient visits	1,769	2,324
Average inpatient spending per visit *(RMB)*	28,858	27,682
Outpatient services		
Outpatient visits	43,696	49,278
Average outpatient spending per visit *(RMB)*	1,060	1,074
Revenue from medical services attributable to inpatients *(RMB'000)*	51,051	64,334
Revenue from medical services attributable to outpatients *(RMB'000)*	46,334	52,906

Revenue from provision of our medical services amounted to RMB629.8 million in 2022, representing a 1.4% YoY increase and accounting for 99.0% of our Group's total revenue. This increase was primarily due to (i) a 5.1% YOY increase and 7.1% YOY decrease in revenue from medical services attributable to the outpatients and inpatients respectively, and (ii) a 16.2% YoY increase in revenue recognized for membership card sales.

In 2022, there were 5,387 pediatric services inpatient visits, representing a YoY decrease of 7.7%. There were also 196,071 pediatric services outpatient visits, representing a YoY decrease of 4.1%. For our obstetric and gynecologic services, there were 1,769 inpatient visits, representing a YoY decrease of 23.9%, and 43,696 outpatient visits, representing a YoY decrease of 11.3%.

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 2022 reached RMB426.2 million, representing a YoY increase of 0.2%. The increase in cost of revenue of medical services was is in line with the increase in revenue from medical services attributable to outpatient visits which led to the increase in pharmaceutical costs caused by outpatient visits.

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,	
	2022	2021
	(in thousands of RMB, except percentages)	
Revenue	219	4,620
Cost of revenue	81	885
Gross profit	138	3,735
Gross profit margin	63.0%	80.8%

The gross profit and the gross profit margin of our hospital consulting services for the year ended December 31, 2022 were RMB0.1 million and 63.0% respectively. The provision of hospital consulting services decreased significantly due to the decrease of services provided to a related party of our Group.

Gross Profit and Gross Profit Margin

Our gross profit in 2022 amounted to RMB202.1 million, representing a YoY increase of 1.7%. This was primarily because of the increase in average pediatric outpatient spending per visit. Our gross profit margin increased from 31.4% in 2021 to 31.8% in 2022.

Selling Expenses

Our selling expenses in 2022 amounted to RMB62.3 million, representing a YoY increase of 2.4%. This was primarily due to continuously strengthening the construction of marketing team and expanding marketing channels in order to recover the revenue scale under the normal control environment of the epidemic.

Administrative Expenses

Our administrative expenses in 2022 amounted to RMB131.8 million, representing a decrease from RMB156.4 million in 2021. Such decreases were primarily due to (i) the decreased number of operating clinics which led to expenses decrease generally; and (ii) we carried out measures to optimize personnel structure so as to reduce expenses in response to COVID-19 in 2022.

Research and Development Expenses

The expenses for research and development of our Group were RMB7.7 million, compared with RMB10.6 million in the same period last year. This decrease was mainly due to the reduction of research and development activities.

Impairment Losses of Non-current Assets

Our Group recorded the impairment losses on non-current assets in the amount of RMB155.7 million in 2022, including (i) an impairment loss on intangible assets other than goodwill of RMB105.4 million and a goodwill of RMB33.6 million, and property, plant and equipment of RMB4.8 million of Chengdu New Century Women's and Children's Hospital, and (ii) an impairment loss on intangible assets other than goodwill of RMB9.8 million and a property, plant and equipment impairment losses of RMB2.1 from BNC Ao-doing Clinic, a former wholly-owned subsidiary of our Group.

The impairment losses from Chengdu New Century Women's and Children's Hospital were mainly due to the continuous impact of COVID-19 and the on-going stringent epidemic control policies implemented by the local government, and the operating results of Chengdu New Century Women's and Children's Hospital's pediatric services and obstetric and gynecologic services did not meet expectations in 2022. In addition, the competition in Chengdu was more fierce and China's population experienced negative growth for the first time in 2022, therefore, we believe that the above situation will continue to affect the future operation of Chengdu New Century Women's and Children's Hospital.

As to BNC Ao-dong Clinic, the impairments losses were primarily related to assets impairment based on the lower of the assets' carrying amount and fair value less costs to sale. On June 29, 2022, BNC Women's and Children's Hospital, a subsidiary of the Company (the "Vendor"), and an Independent Third Party (the "Purchaser") entered into a sale and purchase agreement pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase the entire equity interests of BNC Ao-dong Clinic at a total consideration of RMB5.3 million (the "Disposal"). As all applicable ratios calculated in respect of the Disposal were under 5.0%, the Disposal does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Impairment Losses on Financial Assets

During the reporting period, our Group recorded impairment losses on financial assets amounting to RMB126.6 million, which was primarily due to (i) expected credit losses of RMB104.5 million from Jiahua Likang (the "Jiahua Likang Expected Credit Losses"); and (ii) expected credit losses of RMB21.9 million from Beijing Bairui Kangchen Technology Development Co., Ltd. (北京栢瑞康辰科技發展有限公司) (the "Bairui Kangchen Expected Credit Losses").

The Jiahua Likang Expected Credit Losses was primarily due to (i) the prolonged impact of COVID-19 during 2022, especially in view of the higher transmissibility of the Omicron variant leading to the on-going stringent epidemic control policies implemented by the PRC government for majority of 2022, which had a significant adverse impact on the outpatient and surgical services provided by medical institutions operated by Jiahua Likang, in particular, the common diseases in the specialties which contribute a significant part of the income of such medical institutions mostly overlap with the diseases strictly regulated under the national epidemic controls, which significantly affected Jiahua Likang's ability to fulfill the agreed repayment schedule; and (ii) the impact of the spread of the Omicron variant coupled with the uncertainty of the macroeconomic domestic economic environment for the majority of 2022, which adversely affected the financing and funding ability of Jiahua Likang during the period.

Going forward, the Company will continue to step up its efforts and will monitor much more closely the collection of the receivables especially mentioned as above. The Bairui Kangchen Expected Credit Losses was primary due to (i) more stringent and frequent regional control measures were implemented in response to the spread of the Omicron variant, which adversely affected the operation of Shenzhen Yihe Qiaoxiang Clinic, a subsidiary of Bairui Kangchen Technology Development Co., Ltd. and (ii) Bairui Kangchen defaulted the agreed repayment schedule in September 2022.

Impairment Losses on Investment in an Associate

During the reporting period, our Group recorded impairment losses amounting to RMB7.9 million from its investment in Jiahua Yongsheng, which was primarily due to the prolonged impact of COVID-19 on the performance of Jianhua Yongheng, especially in view of the higher transmissibility of the Omicron variant leading to the on-going stringent epidemic control policies implemented by the PRC government for majority of 2022, leading to obstetric and gynecologic patients postponing medical consultations, inpatient surgery appointments and pregnancy plans in Qingdao New Century and Women's and Children's Hospital.

Other (Losses)/Gains — Net

Our other net losses in 2022 amounted to RMB0.02 million as compared to other net gains of RMB3.2 million in 2021. Our other net gains in 2021 were a net result of gains from change in leases and retirement of fixed assets and intangible assets while such amount decreased in 2022.

Finance Income and Costs

Our finance income in 2022 increased from RMB 3.1 million in 2021 to RMB 9.7 million, which was mainly the result of a significant increase in foreign exchange gains and a modest decrease in interest income of approximately RMB1.0 million. Our finance costs in 2022 decreased from RMB16.7 million in 2021 to RMB13.0 million, which was mainly a result of (i) foreign exchange gains of RMB7.6 million in 2022 as compared to foreign exchange losses of RMB2.3 million in 2021, and (ii) a decrease in interest expenses and finance charges paid/payable for lease liabilities amounting to RMB3.8 million.

Income Tax Expense

Our income tax expense in 2022 amounted to RMB1.7 million, representing a YoY decrease of 93.4%. This was mainly because the reversal of deferred tax liabilities related to the impairment losses accrued for intangible assets of Chengdu New Century Women's and Children's Hospital during the year.

Due to the loss-making result for the years ended December 31, 2022 and 2021, the effective tax rate is not applicable.

Loss for the year ended December 31, 2022

Our loss attributable to the owners of our Company for the year ended December 31, 2022 amounted to RMB297.7 million, as compared to a net loss attributable to the owners of our Company of RMB101.5 million for the year ended December 31, 2021.

FINANCIAL POSITION

Inventories

Our inventories increased by 17.7% from RMB21.1 million as of December 31, 2021 to RMB24.9 million as of December 31, 2022 primarily due to the increase of requisite medical inventories as a result of the growth of business of the Group's medical institutions.

Trade Receivables

Our trade receivables decreased by 14.5% from RMB39.4 million as of December 31, 2021 to RMB33.6 million as of December 31, 2022 primarily driven by the collection of trade receivables from commercial insurance companies and social security had been improved in 2022.

Trade Payables

Our trade payables increased by 45.0% from RMB27.4 million as of December 31, 2021 to RMB39.8 million as of December 31, 2022 primarily due to the purchase and consumption of medicines and consumables increased significantly at the end of 2022, while the payments for these stocks were not due as of December 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

Treasury Policy

Our Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. Our Group's liquidity and financing requirements are regularly reviewed. Our Board closely monitors our Group's liquidity position to ensure that our Group can meet its funding requirements for business development from time to time.

Cash and Cash Equivalents

As of December 31, 2022, we had cash and cash equivalents of RMB226.1 million (December 31, 2021: RMB223.8 million). We did not have any interest-bearing borrowings as of December 31, 2022 (2021: nil).

Significant Investments, Acquisitions and Disposals

We did not have any significant investments, material acquisitions or material disposals in the year ended December 31, 2022.

Through the acquisition of 12.47% equity interests of Jiahua Yongsheng in April 2022, our Group indirectly held 12.47% minority equity interests in Qingdao New Century Women's and Children's Hospital. The acquisition is in line with our Group's development strategies. Details of the above acquisition are set out in the announcements dated January 30, 2022 and March 29, 2022, respectively.

Capital Expenditures

Our capital expenditures primarily include expenditures on (i) property, plant and equipment, comprising buildings and construction, leasehold improvements, medical equipment, furniture and office equipment and motor vehicles; (ii) intangible assets such as computer software relating to our operations; and (iii) investment in the equity interests. The amount of our capital expenditures in 2022 was RMB28.8 million (2021: RMB13.2 million), and the increase was mainly attributable to the investment in the equity interests of Jiahua Yongsheng amounting to RMB18.7 million in 2022.

INDEBTEDNESS

Borrowings

As of December 31, 2022, we did not have any borrowings (2021: 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, 2022, our assets and liabilities are primarily denominated in RMB, except for certain cash and cash equivalents 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, 2022, 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, 2022, none of our assets had been pledged.

Contractual Obligations

As of December 31, 2022, we did not have any contractual obligations that would have a material effect on our financial position or results of operations.

Financial Instruments

Our major financial instruments include trade receivables, other receivables excluding prepayments, amounts due from related parties, cash and cash equivalents, 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, 2022, our gearing ratio, calculated as total borrowings divided by total equity, is not applicable (2021: Not applicable).

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 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 31, 2022 *(HK$ million)*	Utilized between March 31, 2022 to March 31, 2023 *(HK$ million)*	Unutilized as of March 31, 2023 *(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	116.9	26.6	90.3	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)	–	–	–	Not applicable
Total	116.9	26.6	90.3	

EMPLOYEE AND REMUNERATION POLICY

On December 31, 2022, our Group had 1,246 employees (2021: 1,401 employees). Total staff remuneration expenses including Directors' remuneration in 2022 amounted to RMB312.2 million (2021: RMB322.5 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 our Group, performance-based compensation and discretionary bonus. Our Group has adopted the RSA Scheme and the Employee Share Scheme to attract, retain and motivate our key employees.

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2022 (2021: nil).

Directors and Senior Managements

DIRECTORS

Executive Directors

Mr. Jason ZHOU, aged 58, 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 20 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 Jiahua Yihe.

Mr. Zhou obtained his bachelor's degree in Electrical Engineering in July 1987.

Ms. XIN Hong (辛紅), aged 53, 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 is a director of Jiahua Yihe, BNC Children's Hospital, Chengdu New Century Women's and Children's Hospital and certain other subsidiaries of the Group.

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 20 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.

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 51, 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. Mr. Xu is a director of Jiahua Yihe, BNC Harmony Clinic, Chengdu New Century Women's and Children's Hospital and certain other subsidiaries of the Group.

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 50, 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, technology, new consumption 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 services and technology 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.

Directors and Senior Managements (Continued)

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 41, 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 December 2016, Mr. Wang served as an executive director of Boyu Capital, an investment firm focused on investing in Greater China, and served as a managing director of Boyu Capital since January 2017. Prior to joining Boyu Capital, Mr. Wang served as an investment manager at CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金) from August 2010 to June 2012 and, prior to that, as an associate at the Investment Banking Department of China International Capital Corporation Co., Ltd. (中國國際金融有限公司) from February 2007 to July 2010.

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

Ms. Li Suyu (李素玉), aged 34, has been a non-executive Director since June 1, 2022. She is primarily responsible for providing strategic advice and guidance on the business development and expansion of our Group.

Ms. Li has worked in New World Strategic Investment Limited (新世界策略投資有限公司) since 2017, and has been the Head of Life Science Investment since July 2021. She worked for SinoCentury International Investment Management (Beijing) Co., Ltd (漢世紀國際投資管理(北京)有限公司) as an investment analyst from 2012 to 2014, and worked for Credit Suisse (瑞士信貸) as a medical industry analyst in Hong Kong from 2015 to 2017.

Ms. Li obtained her bachelor's degree in economics from the School of Economics and Management, Tsinghua University in 2012, and obtained her master's degree in economics from The Hong Kong University of Science and Technology in 2015.

Mr. YANG Yuelin (楊躍林), aged 59, 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 44, has been a non-executive Director since January 1, 2021. He 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 51, 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 47, was appointed as an independent non-executive Director in December 2016. He is also the chairman of the Audit Committee. Mr. Sun has over 24 years of finance experience. He has been an independent non-executive director of CStone Pharmaceuticals (基石藥業) (stock code: 2616), a company listed on the Stock Exchange, since February 2019. He was appointed as an independent non-executive director of Mobvista Inc. (匯量科技有限公司) (stock code: 1860), a company listed on the Stock Exchange, since July 2020. He has been an independent non-executive director of Abbisko Cayman Limited (和譽開曼有限責任公司) (stock code: 2256), a company listed on the Stock Exchange, since September 2021. He has been the chief financial officer of MicroPort Scientific Corporation (微創醫療科學有限公司) (stock code: 0853), a company listed on the Stock Exchange, since September 2010 and served as its executive director from July 2010 to September 2012. Mr. Sun has served as a director of Shanghai MicroPort MedBot (Group) Co., Ltd. (上海微創醫療機器人(集團)股份有限公司) (stock code: 2252, "MedBot"), a company listed on the Stock Exchange, since April 2020, and as a non-executive director from June 2021. He has also served as chairman of the board of MedBot. He was the deputy financial director of Otsuka (China) Investment Co., Ltd. (大冢(中國)投資有限公司) from January 2004 to December 2005 and then worked as its general manager from January 2006 to August 2010. From August 1998 to January 2004, he was an assistant manager in the audit department of KPMG Huazhen (畢馬威華振會計師事務所) in Shanghai.

Mr. Sun has been a member of the Chinese Institute of Certified Public Accountants since December 2009 and is also a Chartered Financial Analyst since September 2009, Mr. Sun received his bachelor's degree in accounting from Shanghai Jiao Tong University in the PRC in July 1998.

Mr. JIANG Yanfu (姜彥福), aged 79, 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 20 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.

Dr. MA Jing (馬晶), aged 62, 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 31 years of experience in medical and public health studies. She was an associate professor at Harvard Medical School from 2005 to October 2020 and an associate professor at the Harvard School of Public Health from 2012 to October 2020. 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 has been a professor of the Institute for Hospital Management of Tsinghua University since September 2021 and the executive supervisor of the Tsinghua University School of Medicine — Centre for Physician-Scientist Development since March 2023.

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 64, 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 28 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.

Directors and Senior Managements (Continued)

Ms. TENG Lan (滕嵐), aged 47, 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, director of operations, and the Human Resources Director of the Group. Since July 2021, she has served as the Chief Executive Officer of BNC Women's and Children's Hospital.

Ms. Teng has over 21 years of experience 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.

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.

Mr. JIA Xiaofeng (賈曉鋒), aged 44, has been the Vice President and the secretary of the Board of our Group. He is primarily responsible for the Group's corporate governance, overall company secretarial and management matters of the hospitals under the Company's brand.

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 2021.

Mr. Jia has 21 years of experience in the healthcare and medical industry involving corporate investment and financing, compliance and hospital operation and management. 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.

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, 2022.

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 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, 2022 are set out in note 35 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. The environmental performance of the Group will be set out in the Environmental, Social and Governance Report to be issued by the Company separately pursuant to the Listing Rules.

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 2022.

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 2022, 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 2022, 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, 2022 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, 2022 (2021: nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended December 31, 2022 are set out in note 17 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, 2022 are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report.

As of December 31, 2022, 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, 2022, the Group did not have any borrowings (2021: nil).

PLEDGE OF ASSETS

As of December 31, 2022, no assets of the Group were pledged.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2022, combined sales to the Group's five largest customers accounted for less than 30% of our Group's total revenue of the year.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 49.6% (2021: 45.9%) of the total purchases for the year ended December 31, 2022 and purchases from the largest supplier accounted for approximately 14.7% (2021: 18.8%) of our total purchases.

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, 2022.

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
Ms. LI Suyu
Mr. YANG Yuelin
Mr. XIE Qiang

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. Jason ZHOU, Ms. XIN Hong, Mr. XU Han and Mr. YANG Yuelin 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, following Ms. LI SUYU's appointment as non-executive Director on June 1, 2022, she may hold office only until the next following AGM and shall be eligible for re-election at that meeting. Ms. LI is eligible and willing to offer herself for re-election 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, 2022 and up to the Latest Practicable Date are as follows:

With effect from June 1, 2022,

- Dr. CHENG Chi-Kong, Adrian ceased to act as a non-executive Director of the Company; and
- Ms. LI SUYU had been appointed as a non-executive Director of the Company.

With effect from April 11, 2023,

- Mr. XU Han ceased to act as a director of BNC Women's and Children's Hospital, being the subsidiary of our Group.

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 2022 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 37 and 25 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, 2022 is as follow:

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

REMUNERATION POLICY

As of December 31, 2022, the Group had 1,246 employees (December 31, 2021: 1,401 employees). Total staff remuneration expenses including Directors' remuneration in 2022 amounted to RMB312.2 million (2021: RMB322.5 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 motivate our key employees. Under the RSA Scheme, 9,000,000 restricted shares have been granted to two Directors and 265 employees of the Group up to the Latest Practicable Date and all had either vested or lapsed. 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, 2021. No new business opportunity was informed by them as of December 31, 2022.

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, 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As of December 31, 2022, 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, 2022, 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 December 31, 2022, 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, 2022, 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	30.8%
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)(6)]	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)(6)]	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)(6)]	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)(6)]	Interests in a controlled corporation	31,728,156	6.5%

Name of Shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in the Company
Mr. WU Shangzhi(3)(6)	Interests in a controlled corporation	31,728,156	6.5%
Mr. JIAO Shuge(3)(6)	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%
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	31,444,000	6.4%
China Reinsurance (Group) Corporation(5)	Interests in a controlled corporation	31,444,000	6.4%
Central Huijin Investment Ltd.(5)	Interests in a controlled corporation	31,444,000	6.4%

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 63.0% 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..

6. As of the Latest Practicable Date, the partnership interest held in Shanghai Fuji Investment Partnership L.P. (Limited Partnership) (上海孚紀投資合夥企業(有限合夥)) by CDH Equity Investment Management (Tainjin) Co., Ltd in its capacity as a general partner and the partnership interest held in Shanghai Fuyi Investment Partnership L.P. (Limited Partnership) (上海孚怡投資合夥企業(有限合夥)) by CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司) in its capacity as a general partner had been fully transferred to two Independent Third Parties, respectively. 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 were no longer 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).

Save as disclosed above, as of December 31, 2022, 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.

As of January 1, 2021, all restricted Shares previously granted under the RSA Scheme had either vested or lapsed and there were no restricted Shares outstanding. No restricted Shares were granted under the RSA Scheme during the year ended December 31, 2022.

(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, 2022, for the purpose of the Employee Share Scheme, 2,073,500 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 Employee Share Scheme Rules and the provisions of the trust deed in relation to the Employee Share Scheme.

During the reporting period and up to the Latest Practicable Date, 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 August 31, 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, 2022, were there 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 2022.

RELATED PARTY TRANSACTIONS

Related party transactions during the year ended December 31, 2022 are disclosed in note 33 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 33 ("Note 33") to the consolidated financial statements in this annual report, the Directors consider that the other related party transactions disclosed in the Note 33 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 transactions under "hospital consulting services provided to Tianjin Heping New Century Women's and Children's Hospital Co., Ltd.", "Other services provided", "examination, and laboratory test services received from Beijing Children's Hospital, Capital Medical University and Chengdu Women's and Children's Central Hospital", "confinement services received from Chengdu Yunxi Ge Health Management Co., Ltd.", "Purchase of equipments from Foshan Shunde Yihe Clinic Co., Ltd. and Shenzhen Jardine Yihe Qiaoxiang out-patient Department", and "Other services received from others" set forth in item (d) of Note 33 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 Note 33 have complied with the requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION

Partial-exempt Connected Transaction

The following transaction constitute connected transaction, which was exempt from circular and Shareholders' approval requirement and was only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

During the reporting period, the connected transaction between the Company and its associates (as defined in the Listing Rules) was as follows:

Connected Transaction in Relation to Acquisition of 12.47% Equity Interest of Jiahua Yongsheng

On January 29, 2022, Jiahua Yihe as the purchaser, and Jiahua Likang as the seller, entered into a sale and purchase agreement, pursuant to which Jiahua Yihe agreed to purchase, and Jiahua Likang agreed to sell, 12.47% equity interest of Beijing Jiahua Yongsheng Medical Investment Management Co., Ltd at a consideration of RMB18.7 million, conditional upon the satisfaction of the conditions precedents as agreed therein. As Mr. Zhou, an executive Director and a controlling Shareholder of the Company, who is a connected person of the Company, holds (together with his spouse) approximately 37.67% equity interest of Jiahua Likan, Jiahua Likang is an associate of Mr. Zhou and a connected person of the Company pursuant to the Chapter 14A Listing Rules. The acquisition was completed on April 7, 2022 after completion of registration of the acquisition with the relevant Administrative for Market Regulation in the PRC.

For more information on this transaction, please refer to the Company's announcement dated January 30, 2022 titled "Connected Transaction In Relation to the Acquisition of 12.47% of Equity Interest of Jiahua Yongsheng" and the supplemental announcement in relation to the connected transaction dated March 29, 2022.

All the independent non-executive Directors of the Company have reviewed the above partial-exempt 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.

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.

The Company's auditor was engaged to report on the group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group as below in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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, 2022 under the Framework Property Management and Cleaning Services Agreement was RMB15.0 million and the actual aggregate amount paid for the year ended December 31, 2022 was RMB9.3 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.

On December 31, 2021, Jiahua Yihe and Muhe Jiaye renewed the Framework Property Management and Cleaning Services Agreement for a term of 3 years with effect from January 1, 2022. Since the highest applicable percentage ratio calculated with reference to the maximum aggregate annual services fees payable to Muhe Jiaye under the renewed Framework Property Management and Cleaning Services Agreement for each of the three years ending December 31, 2024 exceeds 0.1% but is less than 5%, the renewed Framework Property Management and Cleaning Services Agreement and the transaction contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the announcements of the Company dated December 31, 2021 and January 5, 2022.

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, 2022, the annual cap of the maximum aggregate annual amount of services provided by Jiahua Yihe under the Framework Management Consulting Services Agreement is RMB2.7 million and the actual aggregate amount in relation to the services provided for the year ended December 31, 2022 was RMB0.38 million. Such consideration for revenue recognition were not met, so no revenue was recognised in 2022.

Jiahua Likang is held as to 37.67% by Beijing Jiahua Kangyong Investment and Management Co., Ltd. (北京嘉華康永投資管理有限公司), which is held as to 90.0% by Mr. Zhou and 10.0% by Ms. Zhao, 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) 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.

On December 31, 2021, Jiahua Yihe and Jiahua Likang renewed the Framework Management Consulting Services Agreement for a term of 3 years with effect from January 1, 2022. Since the highest applicable percentage ratio calculated with reference to the maximum aggregate annual services fees payable to Jiahua Yihe under the renewed Framework Management Consulting Services Agreement for each of the three years ending December 31, 2024 is less than 5% and the total consideration for each of the three years ending December 31, 2024 is less than HK$3,000,000, the renewed Framework Management Consulting Services Agreement and the transaction contemplated thereunder are exempt from the reporting, annual review, announcement and circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 Women's and Children's Hospital and Chengdu Women's and Children's Central Hospital dated August 25, 2010, Chengdu New Century Women's and Children's Hospital 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, 2022, 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 payable amount is RMB10.4 million (the actual payment is RMB5.25 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 Women's and Children's Hospital, 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 Women's and Children's Hospital 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, 2022 is RMB0 and the Company does not expect to record any transaction amount under VIE Contracts for the year ending December 31, 2023. 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, 2022.

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, 2022.

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, 2022.

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, 2022.

CHARITABLE DONATIONS

During the year ended December 31, 2022, 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 provisions 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, 2022 (2021: nil).

AGM AND CLOSURES OF REGISTER OF MEMBERS

The AGM of the Company will be held on Monday, May 22, 2023. 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 Wednesday, May 17, 2023 to Monday, May 22, 2023, 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 Tuesday, May 16, 2023.

CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 47 to 59 of this annual report.

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

As of December 31, 2022, for the purpose of the Employee Share Scheme, 2,073,500 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, 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Directors' Report (Continued)

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 the year ended December 31, 2022 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, 2022. The financial statements for the year ended December 31, 2022 have been audited by PricewaterhouseCoopers who retire, and being eligible, offer themselves for re-appointment. 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 28, 2023

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, 2022, the Company has applied the principles as set out in the CG Code set out in Appendix 14 of the Listing Rules, which are applicable to the Company.

In the opinion of the Directors, during the year ended December 31, 2022, the Company has complied with all applicable code provisions as set out in the CG Code, save and except for code provision C.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, 2022. 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
Ms. LI Suyu
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 18 to 24 of this annual report. The relationships between the members of the Board are also disclosed under the same section.

The Board possesses the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group which brings a good balance of relevant skills and experience to the Company. The independent non-executive Directors also provide their independent professional judgements on the assessment of the development, performance and risk management of the Group.

Chairman and Chief Executive Officer

Code provision C.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, 2022, the Board at all times complied with Rules 3.10(1) and (2), and Rule 3.10A 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.

Relationship

Save as disclosed in this annual report, none of the members of the Board has any relationship between Board members and in particular, between the chairman and the chief executive of the Company.

DIRECTORS' RE-ELECTION

Code provision B.2.2 states 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-ordinating the daily operation and management of the Company are delegated to the management.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

The Directors confirmed that they have complied with the code provision C.1.4 of the CG Code on Director's training. For the year ended December 31, 2022, all Directors read materials regarding corporate governance, directors' duties, the Listing Rules and other relevant laws. 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 websites of the Company (www.ncich.com.cn) and the HKEx (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, the effectiveness of the Company's internal audit function, 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 2022, 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 2022, 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) assess the performance of the executive Directors; (iii) approve the terms of the executive Directors' service contracts; (iv) review and/or approve matters relating to share schemes under Chapter 17; and (v) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management (i.e. code provision E.1.2(c)(ii) of the CG Code)

In 2022, 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 (i) review the nomination policy for Directors; (ii) make recommendations to our Board in relation to the appointment and removal of Directors and senior management, and (iii) 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 2022, 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.

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.

Our Board members have a wide range of age, ranging from 34 years old to 79 years old. With respect to the succession of Directors, the Nominating Committee will also engage assistance in identifying potential female Board members as and when necessary. The Board will continue to increase the proportion of female members in the future if suitable candidates are available.

Details of the current members of the Board are set out as follows:

Gender			Male	Female
			10	2

Age Group	30–39	40–49	50–59	60–69	70–79
	1	3	6	1	1

Length of service	5 years or below	6–9 years	Over 10 years
	4	8	0

The Board is currently of the opinion that it generally meets the diversity requirements under the Listing Rules. Currently, 3 out of 12 Directors are female, bringing the female representation to 25% of the Board. Yet, the Board will continue to take opportunities to promote gender diversity at all levels of the Company and increase the proportion of female members over time as and when suitable candidates are identified. We will also continue to apply the principle of appointments based on merits with reference to our diversity policy as a whole.

In 2022, the Group employed 1,246 full-time employees, of which 214 were male and 1,032 were female. The gender ratio of all employees (including senior management) is approximately 17.2% (male) and approximately 82.8% (female), respectively.

The Nomination Committee will monitor the implementation of the Board Diversity Policy by conducting review of the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects, and adhering to the Board Diversity Policy when making recommendation on any Board appointments.

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 A.2.1 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, 2022 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	2/4	N/A	N/A	2/3	0/1
Mr. WANG Siye	4/4	N/A	N/A	N/A	1/1
Dr. CHENG Chi-Kong, Adrian *JP*(1)	3/4	N/A	N/A	N/A	1/1
Ms. LI Suyu(2)	1/4	N/A	N/A	N/A	N/A
Mr. YANG Yuelin	4/4	N/A	1/1	N/A	1/1
Mr. XIE Qiang	4/4	N/A	N/A	N/A	1/1
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

Notes:

(1) Dr. CHENG Chi-kong, Adrian ceased to act as a non-executive Director of the Company on June 1, 2022.

(2) Ms. LI Suyu had been appointed as a non-executive Director of the Company on June 1, 2022.

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, 2022.

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 60 to 68 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, 2022 and non-audit services is set out below:

Service Category	Fees Paid/Payable *RMB'000*
Audit Service	3,200
Non-audit Services(1)	305

Note:

(1) The non-audit services conducted by the auditor mainly include tax advisory service and ESG report review service.

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 acknowledges it is the responsibility of the Board for maintaining adequate risk management, internal control systems and internal audit function to safeguard Shareholders' investments and the Company's assets. The Board, through the Audit Committee, will conduct an annual review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting function. During the reporting period, the Company considered its risk management and internal control systems were effective and adequate.

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 compliance with Rule 3.29 of the Listing Rules, Mr. JIA Xiaofeng have undertaken no less than 15 hours of relevant professional training during the year ended December 31, 2022.

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:	ir@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

Shareholders' Communication Policy

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 also recognises the importance of timely and non-selective disclosure of its information, which will enable Shareholders and investors to make the informed investment decisions.

The Company establishes a liaison mailbox (ir@ncich.com.cn), which is responsible for providing Shareholders and investors with the necessary information and services. It maintains proactive communications with Shareholders, investors and other capital market participants, which enable Shareholders and investors to fully understand the Company's operation and development, by various means such as participating in domestic and foreign investor exchanges, performance conferences, press conferences, telephone conferences and investment analysts meetings.

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.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2022, the Company did not make any changes to its Memorandum and Articles of Association.

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"), which are set out on pages 69 to 174, comprise:

- the consolidated balance sheet as at 31 December 2022;
- 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 significant accounting policies and other explanatory information.

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Impairment assessment of goodwill

- Expected credit losses assessment of trade receivables, amounts due from related parties, other receivables and deposits

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Refer to notes 2.8.1, 4(a), 8 and 26 to the consolidated financial statements. For the year ended 31 December 2022, goodwill arose from historical acquisitions of subsidiaries of the Group amounting to RMB157.84 million was tested for impairment. Each goodwill was allocated to the lowest level within the Group at which the goodwill is monitored for internal management purposes. The Group performed an impairment assessment as at 31 December 2022 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 and value-in-use calculations. The determination of recoverable amount involved a variety of assumptions, such as compound growth rate of revenue within forecast period, compound growth rate of costs and operating expenses, long-term growth rate and pre-tax 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 external valuer, determined the recoverable amounts of certain CGUs as at 31 December 2022 based on which goodwill impairment losses totalled RMB33.6 million were recorded during the year ended 31 December 2022.	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 such as complexity, subjectivity, changes and susceptibility to management bias or fraud. We assessed the competence, capabilities and objectivity of the external valuer engaged by the management. We involved our internal valuation expert in assessing the appropriateness of valuation model applied and data inputs selected by management under the support of the external valuer. We assessed the significant estimates and judgments 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 costs and operating expenses by reference to the historical financial performance of each CGU or a group of CGUs; • 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
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 judgments involved in selecting data.	We also checked the mathematical accuracy of the calculations of recoverable amounts performed by management and the external valuer. 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 further impairment. We also considered whether the judgments 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 in the context of the applicable financial reporting framework. Based on the above, we considered that management's judgments and assumptions applied in the impairment assessment of goodwill were supportable by the evidence obtained and procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses assessment of trade receivables, amounts due from related parties and other receivables and deposits	
Refer to notes 3.1.2, 4 (b), 13, 14 and 15 to the consolidated financial statements. As at 31 December 2022, the gross carrying amount of the Group's trade receivables, amounts due from related parties and other receivables and deposits amounted to RMB230.6 million, for which, total allowance for expected credit losses of RMB140.7 million was recognised. Allowances for trade receivables, amounts due from related parties and other receivables and deposits were provided based on management's best estimates at the balance sheet date of the expected credit loss model prescribed under HKFRS 9. The estimates required significant management judgments in making assumptions about the expected credit loss rates based on historical credit records or external credit rating information, the agreed payment schedule and the financial information of customers/counterparties and adjusted by forward-looking adjustment factors taking into consideration of macroeconomic parameters. For trade receivables and amounts due from related parties which are trade in nature, simplified approach prescribed under HKFRS 9 was applied. And for amounts due from related parties which are non-trade in nature and other receivables and deposits, the three-stage model was applied. For those shared similar risk characteristics with others, management assessed the expected credit losses on a collective basis. For those with specific risk characteristics, management assessed the expected credit losses on an individual basis.	We obtained an understanding of the management's internal control and assessment process of expected credit losses of trade receivables, amounts due from related parties and other receivables and deposits, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. With the support of our internal valuation experts, we assessed the appropriateness of expected credit loss model applied and data inputs selected by management, including: • checking the external credit rating information and analysing historical payment records/patterns, the agreed payment schedule and the financial information of the customers/counterparties; • evaluating the rationality of the groups of trade receivables, amounts due from related parties and other receivables and deposits whose expected credit losses are assessed on a collective or individual basis by reference to the credit risk characteristics of respective customer/counterparty; and

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses assessment of trade receivables, amounts due from related parties and other receivables and deposits	
We focused on auditing the expected credit losses of trade receivables, amounts due from related parties and other receivables and deposits including the related disclosures because the estimation of expected credit losses is subject to higher degree of estimation uncertainty. The inherent risk in relation to expected credit losses is considered higher due to the complexity of the model applied, subjectivity of significant assumptions used and significant judgments involved in selecting data.	• evaluating the reasonableness of selecting relevant macroeconomic parameters in calculation of forward-looking adjustment factors. We considered whether the judgments made in selecting significant assumptions and data inputs would give rise to indicators of possible management bias. We tested the mathematical accuracy of the calculation of the expected credit losses. We assessed the adequacy of the disclosures related to the expected credit losses in notes 3.1.2, 4 (b), 13, 14 and 15 to the consolidated financial statements. Based on the above procedures performed, we considered that management's judgments and assumptions adopted in the expected credit losses assessment of trade receivables, amounts due from related parties and other receivables and deposits were supported by the evidences obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in New Century Healthcare Holding Co. Limited 2022 annual report (the "Annual Report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the Chairman's Statement, Management Discussion and Analysis and Directors' Report prior to the date of this auditor's report. The remaining other information, including the Directors and Senior Managements, Corporate Governance Report and the other sections to be included in the Annual Report, is 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 remaining other information to be included in the Annual 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.

Independent Auditor's Report (Continued)

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 Yuen Kwok Sun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2023

Consolidated balance sheet

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	137,345	161,967
Right-of-use assets	7(a)	154,203	223,969
Intangible assets	8	250,008	412,989
Investments accounted for using the equity method	10	12,634	1,809
Deferred tax assets	23	685	598
Long-term deposits and prepayments	14	2,862	8,133
Total non-current assets		557,737	809,465
Current assets			
Inventories	12	24,885	21,142
Trade receivables	13	33,636	39,351
Other receivables, deposits and prepayments	14	24,810	18,170
Amounts due from related parties	15	34,237	158,925
Cash and cash equivalents	16	226,079	223,843
Total current assets		343,647	461,431
Total assets		901,384	1,270,896
EQUITY			
Share capital	17	335	335
Shares held for employee share scheme	18	(2,939)	(2,829)
Share premium	19	2,606,495	2,606,495
Reserves	19	(1,496,301)	(1,494,950)
Accumulated losses		(669,326)	(371,592)
Equity attributable to owners of the Company		438,264	737,459
Non-controlling interests		(76,913)	(53,221)
Total equity		361,351	684,238

Consolidated balance sheet (Continued)

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	7(a)	181,108	243,498
Deferred tax liabilities	23	25,113	51,983
Total non-current liabilities		206,221	295,481
Current liabilities			
Trade payables	21	39,800	27,448
Accruals, other payables and provisions	22	221,871	185,421
Contract liabilities	5(g)	19,480	30,399
Current tax liabilities		9,784	5,852
Lease liabilities	7(a)	35,908	36,743
Amounts due to related parties	15	6,969	5,314
Total current liabilities		333,812	291,177
Total liabilities		540,033	586,658
Total equity and liabilities		901,384	1,270,896

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

The financial statements on pages 69 to 174 were approved by the Board of Directors on 28 March 2023 and were signed on its behalf:

Jason ZHOU　　　　*XU Han*

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	5(f)	636,459	632,565
Cost of revenue	24	(434,317)	(433,830)
Impairment losses on non-current assets	26	(155,699)	(15,010)
Selling expenses	24	(62,286)	(60,811)
Administrative expenses	24	(131,828)	(156,429)
Research and development expenses	24	(7,695)	(10,574)
Net impairment losses on financial assets	3.1.2	(126,643)	(7,582)
Other income		3,380	3,661
Other (losses)/gains — net	27	(20)	3,160
Operating loss		(278,649)	(44,850)
Finance income	28	9,717	3,059
Finance costs	28	(13,034)	(16,653)
Share of net loss of investments accounted for using the equity method	10	(27)	(703)
Impairment losses on investment in an associate	10	(7,860)	—
Loss before income tax		(289,853)	(59,147)
Income tax expense	29	(1,720)	(26,115)
Loss for the year		(291,573)	(85,262)
(Loss)/profit for the year is attributable to:			
Owners of the Company		(297,734)	(101,461)
Non-controlling interests		6,161	16,199
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
— Exchange differences on translation of foreign operations		(1,351)	290
Total comprehensive loss		(292,924)	(84,972)
Total comprehensive (loss)/income for the year is attributable to:			
Owners of the Company		(299,085)	(101,171)
Non-controlling interests		6,161	16,199
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	30	(0.62)	(0.21)

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

Consolidated statement of changes in equity

	Note	Share capital RMB'000	Shares held for employee share scheme RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company							
Balance at 1 January 2021		335	(2,826)	2,606,495	(1,499,996)	(265,375)	838,633	(26,781)	811,852
Total comprehensive (loss)/income									
— (Loss)/profit for the year		—	—	—	—	(101,461)	(101,461)	16,199	(85,262)
— Translation differences		—	—	—	290	—	290	—	290
		—	—	—	290	(101,461)	(101,171)	16,199	(84,972)
Transactions with owners									
— Dividends	20	—	—	—	—	—	—	(42,639)	(42,639)
— Appropriation to statutory surplus reserves		—	—	—	4,756	(4,756)	—	—	—
— Acquisition of shares for employee share scheme	18	—	(3)	—	—	—	(3)	—	(3)
		—	(3)	—	4,756	(4,756)	(3)	(42,639)	(42,642)
Balance at 31 December 2021		335	(2,829)	2,606,495	(1,494,950)	(371,592)	737,459	(53,221)	684,238
Balance at 1 January 2022		335	(2,829)	2,606,495	(1,494,950)	(371,592)	737,459	(53,221)	684,238
Total comprehensive (loss)/income									
— (Loss)/profit for the year		—	—	—	—	(297,734)	(297,734)	6,161	(291,573)
— Translation differences		—	—	—	(1,351)	—	(1,351)	—	(1,351)
		—	—	—	(1,351)	(297,734)	(299,085)	6,161	(292,924)
Transactions with owners									
— Dividends	20	—	—	—	—	—	—	(29,853)	(29,853)
— Acquisition of shares for employee share scheme	18	—	(110)	—	—	—	(110)	—	(110)
		—	(110)	—	—	—	(110)	(29,853)	(29,963)
Balance at 31 December 2022		335	(2,939)	2,606,495	(1,496,301)	(669,326)	438,264	(76,913)	361,351

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

Consolidated statement of cash flows

	Note	2022 RMB'000	2021 RMB'000
		Year ended 31 December	
Cash flows from operating activities			
Cash generated from operations	31(a)	106,550	62,700
Interest paid		(7,032)	(10,220)
Interest received		1,507	2,057
Income taxes paid		(24,745)	(32,282)
Net cash generated from operating activities		76,280	22,255
Cash flows from investing activities			
Proceeds from disposal of a subsidiary	9(c)	5,157	—
Payments for property, plant and equipment		(9,655)	(11,232)
Payments for intangible assets		(469)	(1,923)
Proceeds from disposals of property, plant and equipment		599	262
Payments for investment in an associate		(18,700)	—
Loans to related parties		—	(2,850)
Net cash used in investing activities		(23,068)	(15,743)
Cash flows from financing activities			
Dividends paid to the non-controlling interests	20	(29,853)	(42,639)
Principal elements of lease payments		(25,248)	(37,201)
Cash paid by a related party on behalf of the Group		1,987	—
Settlement for cash paid by a related party on behalf of the Group		(1,937)	—
Cash collected by related parties on behalf of the Group		(2,096)	—
Shares repurchase for employee share scheme		(110)	(3)
Net cash used in financing activities		(57,257)	(79,843)
Net decrease in cash and cash equivalents		(4,045)	(73,331)
Cash and cash equivalents at the beginning of the year		223,843	299,211
Effects of exchange rate changes on cash and cash equivalents		6,281	(2,037)
Cash and cash equivalents at the end of the year		226,079	223,843

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

Notes to the consolidated financial statements

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.

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 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use — Amendments to HKAS 16

- Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37

- Annual Improvements to HKFRS Standards 2018–2020

- Reference to the Conceptual Framework — Amendments to HKFRS 3

- Covid-19 Related Rent Concessions beyond 30 June 2021 — Amendment to HKFRS 16 (March 2021) (the "HKFRS 16 Amendment (March 2021)")

- Merger Accounting for Common Control Combinations — Amendments to AG 5

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.4 New and amended standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
• HKFRS 17	Insurance contracts	1 January 2023
• HKFRS 17	Amendments to HKFRS 17	1 January 2023
• HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative information	1 January 2023
• Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
• Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
• Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
• Hong Kong Interpretations 5 (Revised)	Presentation of financial statements-classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
• Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
• Amendments to HKAS 1	Non-current liabilities with covenants (amendments)	1 January 2024
• Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 January 2024
• Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where 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 2.3).

Inter-company 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.

2.2.2 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 2.2.3 below), after initially being recognised at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.3 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 2.9.

2.2.4 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.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

over the fair value of the net identifiable assets acquired is recorded as goodwill. 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)

2.3 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.

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

2.6.1 Functional and presentation currency

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

2.6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of comprehensive income within finance income or expenses.

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.

2.7 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or 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)

2.7 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 2.9).

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 capitalised 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.

2.8 Intangible assets

2.8.1 Goodwill

Goodwill is measured as described in note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to each of the cash-generating unit ("CGU"), or groups of CGUs, that are expected to benefit from the business combination in which the goodwill arose. Each unit or group of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

2.8.2 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.

2.8.3 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.

The costs of software are amortised using the straight-line method over their estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 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 (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.

2.10 Financial assets

2.10.1 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.

2.10.2 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)

2.10 Financial assets (Continued)

2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at 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 depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- 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 — 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 — 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 — net" and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

2.10.3 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 — 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 — 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.

2.10.4 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)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the 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.

2.12 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.

2.13 Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting 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 for a description of the Group's impairment policies.

2.14 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)

2.15 Share capital

Ordinary shares are classified as equity.

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

2.16 Shares held for employee share scheme

Where the Company purchases the Company's equity instruments (note 18), 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 Company.

2.17 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 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.

2.18.1 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.

2.18.2 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)

2.18 Current and deferred income tax (Continued)

2.18.2 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 utilised.

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 statement of comprehensive income.

2.18.3 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.

2.19 Employee benefits

2.19.1 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)

2.19 Employee benefits (Continued)

2.19.2 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.

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

No other defined benefit plan was operated by the Group.

2.20 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

2.21.1 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 are 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 medical services from the Group. Such consideration will be prepaid by customers and is recognised as advance from customers when the customer has a right to refund the prepayment for the unused service package or unused value amount in the stored-value cards within a given period. See note 22 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.

2.21.2 Pharmaceutical sales

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

2.21.3 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 one of its subsidiaries provides hospital appointment, online consultation services and online products sales to customers. Revenue from hospital appointment services is recognised on a net basis for the commission earned by the Group. Revenue from online products sales is 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 is 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.

2.22 Earnings per share

2.22.1 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.

2.22.2 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Leases (Continued)

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.

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 without a purchase option. 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 — net".

Except for HKFRS 16 Amendment (March 2021), the Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements. The impact from the adoption of HKFRS 16 Amendment (March 2021) are summarised as below:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Leases (Continued)

In the prior year, the Group adopted Covid-19 Related Rent Concessions: Amendment to HKFRS 16 (May 2020) for a rent concession related to Covid-19, resulting in a reduction in lease payments due on or before 30 June 2021. In 2022, the Group has adopted the Covid-19 Related Rent Concessions beyond 30 June 2021: Amendment to HKFRS 16 (March 2021) (the "HKFRS 16 Amendment (March 2021)") to extend the date of applicable lease payments from 30 June 2021 to 30 June 2022 retrospectively. Upon the first adoption of HKFRS 16 Amendment (March 2021), the carrying amounts of right-of-use assets and lease liabilities as at 1 January 2022 have been adjusted, and the net cumulative effect of the adjustments of Changes in ownership interests RMB999,000 (2021: nil) for the interim period have been accounted for as negative variable lease payments and recognised in administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2022, with a corresponding further adjustment to the lease liabilities.

2.24 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.

2.25 Interest income

Interest income from financial assets at FVPL is included in the "other gains — net" in the consolidated statement of comprehensive income.

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

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

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, cash flow 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 when recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2022 and 2021, most of the financial assets and liabilities of each entity within the Group are denominated in the same currency with their functional currency, except for certain cash and cash equivalent denominated in USD (note 16).

The Group is primarily exposed to change in RMB/USD exchange rate. As at 31 December 2022, 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 RMB2,744,000 (2021: RMB3,338,000) 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.

(ii) Cash flow and fair value interest rate risk

Other than interest-bearing cash and cash equivalents, the Group has no other significant variable interest-bearing assets or liabilities. 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 are not expected to change significantly.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk

Credit risk of the Group arises from credit exposures to cash and cash equivalents, 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 with regards to cash and cash equivalents of the Group is assessed to be not material as the counterparties are primarily state-owned or public listed commercial banks and financial institutions in the PRC.

(i) Impairment of financial assets

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

- Trade receivables,
- Other receivables and deposits, and
- Amounts due from related parties.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was not material.

Trade receivables

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected credit loss of trade receivables is determined based on historical loss rate of the customers over a period not less than 3 years before 31 December 2022, or by reference to external credit rating of the customers. The Group has identified certain forward-looking macroeconomic data and adjusts the historical loss rate.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(i) Impairment of financial assets (Continued)

Other receivables and deposits

The Group assesses the 12-month expected credit losses of other receivables and deposits upon initial recognition. Once there is a significant increase in credit risk, lifetime expected credit losses shall be assessed (stage 2). Once it's credit impaired (e.g. default), lifetime expected credit losses shall still be assessed (stage 3).

The expected credit loss of other receivables and deposits is determined by reference to external credit rating of the counterparties and adjusted by forward-looking macroeconomic data.

Amounts due from related parties

The Group assesses the 12-month expected credit losses of amounts due from related parties which are non-trade in nature and lifetime expected credit loss of amounts due from related parties which are trade in nature upon initial recognition.

Once there is a significant increase in credit risk for amounts due from related parties which are non-trade in nature, lifetime expected credit losses shall be assessed (stage 2). Once it's credit impaired (e.g. default), lifetime expected credit losses shall still be assessed (stage 3).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(i) Impairment of financial assets (Continued)

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the end of reporting period with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking adjustment factors. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparty
- significant increases in credit risk on other financial instruments of the same counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

(i) Impairment of financial assets (Continued)

Financial assets 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 indicator(s) of severe financial difficulty. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

On that basis, the loss allowances as at 31 December 2022 and 31 December 2021 are determined as follows for trade receivables, amounts due from related parties and other receivables and deposits:

31 December 2022	Expected credit loss rate	Gross carrying amount *RMB'000*	Expected credit loss *RMB'000*	Net carrying Amount *RMB'000*
Trade receivables from insurance companies and government's insurance scheme	1.43%	32,197	(459)	31,738
Trade receivables from individual customers	7.01%	2,041	(143)	1,898
Amounts due from related parties (i)	80.34%	174,164	(139,927)	34,237
Other receivables and deposits	0.98%	22,204	(218)	21,986
		230,606	(140,747)	89,859

31 December 2021	Expected credit loss rate	Gross carrying amount *RMB'000*	Expected credit loss *RMB'000*	Net carrying Amount *RMB'000*
Trade receivables from insurance companies and government's insurance scheme	0.79%	38,105	(301)	37,804
Trade receivables from individual customers	8.57%	1,692	(145)	1,547
Amounts due from related parties	7.81%	172,389	(13,464)	158,925
Other receivables and deposits	1.09%	20,032	(218)	19,814
		232,218	(14,128)	218,090

(i) Due to unfavorable changes in credit risk of certain related parties, the expected credit loss rate for amounts due from related parties significantly increased. See details in note 15.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

3.1.2 Credit risk (Continued)

The loss allowances for trade receivables, amounts due from related parties and other receivables and deposits as at 31 December 2022 and 2021 reconcile to the opening loss allowances as follows:

	2022 *RMB'000*	2021 *RMB'000*
Opening loss allowance as at 1 January	(14,128)	(6,546)
Increase in loss allowance for trade receivables, amounts due from related parties and other receivables and deposits recognised in profit or loss during the year	(126,643)	(7,582)
Receivables written off during the year as uncollectible	24	—
Closing loss allowance as at 31 December	(140,747)	(14,128)

Impairment losses on trade receivables, amounts due from related parties and other receivables and deposits are presented as net impairment losses within operating profit.

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 2022					
Trade payables	39,800	—	—	—	39,800
Accruals and other payables (excluding non-financial liabilities) *(note 22)*	152,184	—	—	—	152,184
Amounts due to related parties	6,969	—	—	—	6,969
Lease liabilities	44,370	27,557	78,565	100,153	250,645
	243,323	27,557	78,565	100,153	449,598
At 31 December 2021					
Trade payables	27,448	—	—	—	27,448
Accruals and other payables (excluding non-financial liabilities) *(note 22)*	151,357	—	—	—	151,357
Amounts due to related parties	5,314	—	—	—	5,314
Lease liabilities	44,256	42,449	97,074	146,366	330,145
	228,375	42,449	97,074	146,366	514,264

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 2022 and 2021 was as follows:

	As at 31 December	
	2022	2021
The liability-to-asset ratio	59.91%	46.16%

3.3 Fair value estimation

As at 31 December 2022 and 2021, the Group does not have any financial assets or liabilities measured at fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 judgment in applying the Group's accounting policies.

Estimates and judgments 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 notes 2.8.1 and 2.9. 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 amounts also involves variety of assumptions, such as compound growth rate of revenue, compound growth rate of costs and operating expenses, 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) Impairment of financial assets

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

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 specialised pediatric services is mainly 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") 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 Beijing Jiahua Likang Medical Investment and Management Co., Ltd. ("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 — 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 2022							
Revenue from external customers	532,372	97,385	219	6,483	—	—	636,459
Inter-segment revenue	—	—	—	25,552	(25,552)	—	—
Total revenue	532,372	97,385	219	32,035	(25,552)	—	636,459
Cost of revenue	(332,129)	(94,059)	(81)	(16,792)	8,744	—	(434,317)
Impairment losses on non-current assets	(61,009)	(94,690)	—	—	—	—	(155,699)
Segment results	9,504	(130,821)	(148,158)	(3,807)	—	—	(273,282)
Unallocated income						10,031	10,031
Unallocated cost						(26,602)	(26,602)
Profit/(loss) before income tax	9,504	(130,821)	(148,158)	(3,807)	—	(16,571)	(289,853)
Income tax expense						(1,720)	(1,720)
Loss for the year							(291,573)
As at 31 December 2022							
Assets							
Segment assets	298,900	192,507	33,187	6,428	—	—	531,022
Goodwill	111,698	12,544	—	—	—	—	124,242
Unallocated assets						246,120	246,120
Total assets	410,598	205,051	33,187	6,428	—	246,120	901,384
Total liabilities	298,903	180,596	2,947	9,295	—	48,292	540,033
Others							
Depreciation and amortisation	(37,272)	(26,983)	(2,411)	(2,584)	—	—	(69,250)

5 SEGMENT INFORMATION (Continued)

(e) Segment information (Continued)

	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 2021							
Revenue from external customers	504,081	117,240	4,620	6,624	—	—	632,565
Inter-segment revenue	—	—	—	18,012	(18,012)	—	—
Total revenue	504,081	117,240	4,620	24,636	(18,012)	—	632,565
Cost of revenue	(313,571)	(111,780)	(885)	(22,553)	14,959	—	(433,830)
Impairment losses on non-current assets	(9,012)	—	—	(5,998)	—	—	(15,010)
Segment results	57,490	(37,450)	(35,288)	(19,787)	—	—	(35,035)
Unallocated income						10,855	10,855
Unallocated cost						(34,967)	(34,967)
Profit/(loss) before income tax	57,490	(37,450)	(35,288)	(19,787)	—	(24,112)	(59,147)
Income tax expense						(26,115)	(26,115)
Loss for the year							(85,262)
As at 31 December 2021							
Assets							
Segment assets	433,410	279,842	139,784	5,719	—	—	858,755
Goodwill	123,826	34,014	—	—	—	—	157,840
Unallocated assets						254,301	254,301
Total assets	557,236	313,856	139,784	5,719	—	254,301	1,270,896
Total liabilities	302,864	199,794	4,209	7,577	—	72,214	586,658
Others							
Depreciation and amortisation	(43,473)	(30,272)	(4,526)	(8,350)	—	—	(86,621)

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 2022	Pediatrics *RMB'000*	Obstetrics and Gynecology *RMB'000*	Hospital consulting services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue from external customers					
At a point in time*	532,372	97,385	219	6,483	636,459

For the year ended 31 December 2021	Pediatrics *RMB'000*	Obstetrics and Gynecology *RMB'000*	Hospital consulting services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Revenue from external customers					
At a point in time*	504,081	117,240	997	6,624	628,942
Over time	—	—	3,623	—	3,623
	504,081	117,240	4,620	6,624	632,565

* Majority medial services of the Group are provided in a very short period, therefore, the related revenue is categorised 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	
	2022	2021
	RMB'000	*RMB'000*
Contract liabilities	19,480	30,399
Revenue recognised that was included in the contract liability balance at the beginning of the year	25,255	24,015

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 2021						
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
Year ended 31 December 2021						
Opening net book amount	129,564	51,308	3,307	13,361	1,358	198,898
Additions	—	4,874	—	2,764	1,460	9,098
Disposals	—	(711)	—	(135)	—	(846)
Transfer upon completion	2,818	—	—	—	(2,818)	—
Depreciation charges	(15,479)	(10,751)	(587)	(3,356)	—	(30,173)
Impairment charges (c)	(11,448)	(3,327)	—	(235)	—	(15,010)
Closing net book amount	105,455	41,393	2,720	12,399	—	161,967
At 31 December 2021						
Cost	196,931	105,967	7,399	34,025	—	344,322
Accumulated depreciation and impairment	(91,476)	(64,574)	(4,679)	(21,626)	—	(182,355)
Net book amount	105,455	41,393	2,720	12,399	—	161,967
Year ended 31 December 2022						
Opening net book amount	105,455	41,393	2,720	12,399	—	161,967
Additions	—	6,938	—	1,155	580	8,673
Disposals of a subsidiary	(96)	(113)	—	(17)	—	(226)
Disposals	—	(861)	—	(483)	—	(1,344)
Transfer upon completion	580	—	—	—	(580)	—
Depreciation charges	(12,180)	(9,007)	(489)	(3,117)	—	(24,793)
Impairment charges (c)	(6,932)	—	—	—	—	(6,932)
Closing net book amount	86,827	38,350	2,231	9,937	—	137,345
At 31 December 2022						
Cost	184,386	107,278	7,399	33,359	—	332,422
Accumulated depreciation and impairment	(97,559)	(68,928)	(5,168)	(23,422)	—	(195,077)
Net book amount	86,827	38,350	2,231	9,937	—	137,345

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Depreciation charges

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cost of revenue	18,396	22,086
Administration expenses	5,634	7,190
Selling expenses	763	897
Total	24,793	30,173

No property, plant and equipment was pledged as collateral under borrowing agreements as at 31 December 2022 (2021: nil).

(b) Impairment charges

For the year ended 31 December 2022, the Group recognised impairment for the leasehold improvements of RMB2,119,000 based on the allocation of impairment losses related with this disposal transaction and sold its entire equity interests in one of its subsidiary (note 9(c)).

And with assistance from an external valuer, the Group performed impairment tests on goodwill and other non-current assets for respective CGUs. As a result of this impairment test, impairment losses on plant and equipment of Chengdu New Century amounting to RMB4,813,000 were recognized for the year ended 31 December 2022. Details of key assumptions used in the impairment tests were disclosed in note 8(b).

For the year ended 31 December 2021, the Group resolved to spin off certain clinics by closure of business. As a result, impairments for the property, plant and equipment of RMB15,010,000 were provided for these clinics (note 26).

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 2021			
Cost	360,945	6,524	367,469
Accumulated depreciation	(57,898)	(786)	(58,684)
Net book amount	303,047	5,738	308,785
Year ended 31 December 2021			
Opening net book amount	303,047	5,738	308,785
Additions	14,475	—	14,475
Disposal	(57,910)	—	(57,910)
Depreciation	(40,543)	(838)	(41,381)
Closing net book amount	219,069	4,900	223,969
At 31 December 2021			
Cost	297,058	6,524	303,582
Accumulated depreciation	(77,989)	(1,624)	(79,613)
Net book amount	219,069	4,900	223,969
Year ended 31 December 2022			
Opening net book amount	219,069	4,900	223,969
Additions	530	—	530
Disposal of a subsidiary *(note 9(c))*	(37,871)	—	(37,871)
Disposal	(90)	(23)	(113)
Depreciation	(31,692)	(620)	(32,312)
Closing net book amount	149,946	4,257	154,203
At 31 December 2022			
Cost	246,143	6,174	252,317
Accumulated depreciation	(96,197)	(1,917)	(98,114)
Net book amount	149,946	4,257	154,203

7 LEASES (Continued)

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

Lease liabilities

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current	35,908	36,743
Non-current	181,108	243,498
	217,016	280,241

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

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

	2022	2021
	RMB'000	*RMB'000*
Depreciation charges of right-of-use assets		
Properties	31,692	40,543
Equipment	620	838
	32,312	41,381
Interest expense (included in finance costs) *(note 28)*	10,062	13,902
Expense relating to short-term leases (included in cost of revenue, selling expenses and administrative expenses)	1,878	2,362
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	885	733
	12,825	16,997

The total cash outflow for leases in 2022 was RMB35,043,000 (2021: RMB50,516,000).

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 2021				
Cost	311,969	377,939	30,687	720,595
Accumulated amortisation	(48,025)	—	(8,662)	(56,687)
Impairment	(2,504)	(220,099)	(16,975)	(239,578)
Net book amount	261,440	157,840	5,050	424,330
Year ended 31 December 2021				
Opening net book amount	261,440	157,840	5,050	424,330
Additions	—	—	3,841	3,841
Disposals	—	—	(115)	(115)
Amortisation	(13,050)	—	(2,017)	(15,067)
Closing net book amount	248,390	157,840	6,759	412,989
At 31 December 2021				
Cost	311,969	377,939	33,776	723,684
Accumulated amortisation	(61,075)	—	(10,042)	(71,117)
Impairment	(2,504)	(220,099)	(16,975)	(239,578)
Net book amount	248,390	157,840	6,759	412,989
Year ended 31 December 2022				
Opening net book amount	248,390	157,840	6,759	412,989
Additions	—	—	1,775	1,775
Disposals of a subsidiary *(note 9(c))*	(2,823)	—	(22)	(2,845)
Amortisation	(10,687)	—	(2,457)	(13,144)
Impairment charge (b) *(note 9(c))*	(115,169)	(33,598)	—	(148,767)
Closing net book amount	119,711	124,242	6,055	250,008
At 31 December 2022				
Cost	286,969	377,939	35,551	700,459
Accumulated amortisation	(59,379)	—	(12,521)	(71,900)
Impairment	(107,879)	(253,697)	(16,975)	(378,551)
Net book amount	119,711	124,242	6,055	250,008

8 INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill and other intangible assets

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

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 2022				
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)	12,128	—	(12,128)	—
The CGU of Obstetrics and Gynecology in Chengdu New Century (ii)	21,470	—	(21,470)	—
	157,840	—	(33,598)	124,242
Year ended 31 December 2021				
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)	12,128	—	—	12,128
The CGU of Obstetrics and Gynecology in Chengdu New Century (ii)	21,470	—	—	21,470
	157,840	—	—	157,840

8 INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill and other intangible assets (Continued)

(i) Goodwill arose from acquisition of BNC Women's and Children's Hospital, BNC Ao-dong Clinic and Beijing New Century Yide Consultancy Co., Ltd. ("BNC Yide Consultancy")

Goodwill of RMB97,682,000, RMB15,537,000 and RMB11,023,000 arose from the acquisitions 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 these acquisitions was allocated to the group of CGUs of Pediatric in Beijing area and the group of CGUs of Obstetrics and Gynecology in Beijing area as the directors of the Company expect to benefit from the synergies of the combination.

(ii) Goodwill arose from acquisition of Chengdu New Century

Goodwill of RMB253,697,000 arose 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 this acquisition was allocated to its Pediatric CGU and Obstetrics and Gynecology CGU, respectively. A goodwill impairment losses of RMB222,099,000 was provided in 2020.

8 INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill and other intangible assets (Continued)

The recoverable amount of each CGU or a group of CGUs is determined based on the higher of value-in-use ("VIU") and fair value less costs of disposal calculations ("FVLCD"). These calculations use cash flow projections based on financial forecasts 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 Group uses VIU to determine the recoverable amount of each CGU or group of CGUs as it's higher than FVLCD. The following table sets out the key assumptions and recoverable amounts based on value-in-use for respective CGUs or group of CGUs which possess goodwill allocated to them as at 31 December 2022 and 2021:

	The group CGUs of Pediatric in Beijing area	
	31 December 2022	31 December 2021
Revenue *(% compound growth rate)*	6.54%	6.86%
Costs and operating expenses *(% compound growth rate)*	5.74%	6.78%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	17.56%	17.65%
Recoverable amount *(RMB'000)*	1,108,491	1,112,709

8 INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill and other intangible assets (Continued)

	The group CGUs of Obstetrics and Gynecology in Beijing area	
	31 December 2022	31 December 2021
Revenue *(% compound growth rate)*	9.44%	9.47%
Costs and operating expenses *(% compound growth rate)*	5.53%	5.77%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	15.99%	16.44%
Recoverable amount *(RMB'000)*	72,436	145,274

	The CGU of Pediatric in Chengdu New Century	
	31 December 2022	31 December 2021
Revenue *(% compound growth rate)*	10.95%	13.93%
Costs and operating expenses *(% compound growth rate)*	5.20%	5.52%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	15.89%	16.00%
Recoverable amount *(RMB'000)*	43,662	114,916

	The CGU of Obstetrics and Gynecology in Chengdu New Century	
	31 December 2022	31 December 2021
Revenue *(% compound growth rate)*	13.34%	17.96%
Costs and operating expenses *(% compound growth rate)*	4.23%	6.76%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	15.80%	15.93%
Recoverable amount *(RMB'000)*	58,143	174,989

8 INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill and other intangible assets (Continued)

(1) The compound annual growth rates (CAGRs) of revenue were estimated by analysing the variance between historical financial budgets and actual results; and analyzing the adjustments, including the number of total patients and the average spending per patient, in the estimates made in response to these variances.

(2) The costs and operating expenses to revenue percentages were estimated based on approved financial budgets. The decreases were mainly attributable to the control on human resource cost as a result of the lower CAGR of revenue.

(3) The long-term growth rates were determined by reference to long term inflation rate and economic growth rate in China. It did not change for the year ended 31 December 2022 compared to the year ended 31 December 2021 as there was no change in relation to the long-term average growth rate (i.e. long-term inflation rate and economic growth rate) for the products, industries or country in which the Group operates.

(4) Pre-tax discount rate applied by the Company was derived from the weighted average cost of capital (the "WACC"). The pre-tax discount rates for the years ended December 31, 2021 and 2022 were similar as there was no significant change on the parameters.

(b) Impairment charge

As at 31 December 2022, with assistance from an external valuer, the Group performed impairment tests on goodwill for respective CGU and group of CGUs. According to the report issued by the external valuer, the carrying amounts of the CGUs of Pediatric in Chengdu New Century and Obstetrics and Gynecology in Chengdu New Century exceeded their recoverable amounts by RMB50,780,000 and RMB93,006,000, respectively, which resulted in further impairment losses on other non-current assets of Chengdu New Century. As a result, the goodwill attributable to Chengdu New Century of RMB33,598,000 was fully impaired; and the medical license and property, plant and equipment of Chengdu New Century were also provided for an impairment of RMB105,375,000 and RMB4,813,000, respectively.

The board of directors of the Company are of the view that the above impairment losses are primarily due to prolonged COVID-19 impact, lower natality rate and child-bearing willingness in the PRC and more intense market competition.

8 INTANGIBLE ASSETS (Continued)

(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 CGUs of Pediatric, Obstertrics and Gynecology in Beijing area

The recoverable amount is estimated to exceed the carrying amount of the group CGUs of Pediatric in Beijing area at 31 December 2022 by RMB838,348,000 (2021: RMB767,931,000). The recoverable amount is estimated to exceed the carrying amount of the group CGUs of Obstertrics and Gynecology in Beijing area at 31 December 2022 by RMB31,109,000 (2021: RMB60,359,000).

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 recognised in the group CGUs of Pediatric, Obstertrics and Gynecology in Beijing area as at 31 December 2022.

If the budgeted revenue applied in the value in use calculation for the group CGUs of Pediatric, Obstertrics and Gynecology in Beijing area had been 3% lower or the pre-tax discount rate had been 1% higher than management's estimates as at 31 December 2022, the Group would not have had to recognise an impairment against the carrying amount of goodwill.

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

If the budgeted revenue used in the value-in-use calculation during the forecast period for the CGU of Pediatric in Chengdu New Century and the CGU of Obstetrics and Gynecology in Chengdu New Century had been 3% lower than management's estimates as at 31 December 2022, with other key assumptions remaining the same, the Group would have had to further recognise an impairment against the remaining carrying amount of non-current assets totalling to RMB36,877,000.

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 1% higher than management's estimates, with other key assumptions remaining the same, the Group would have had to further recognise an impairment against the remaining carrying amount of non-current assets totalling to RMB12,625,000.

(d) Amortisation charges

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cost of revenue	11,311	13,336
Administration expenses	1,782	1,596
Selling expenses	51	135
Total	13,144	15,067

9 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2022 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 (%)	
				2022	2021	2022	2021
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(1)	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(2)	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(2)	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(2)	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 (%)	
				2022	2021	2022	2021
Indirectly owned: (Continued)							
Beijing New Century Ao-dong Clinic Outpatient Service Co., Ltd. (北京新世紀奧東門診部有限公司)(3)	The PRC, limited liability company(2)	Operating of hospital in the PRC	RMB5,000,000	—	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%	—	—
Beijing New Century Yide Consultancy Co., Ltd. (北京新世紀怡德諮詢有限公司) (iii)(4)	The PRC, limited liability company(2)	Investment holding and hospital consulting services in the PRC	RMB23,333,333	—	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)(4)	The PRC, limited liability company(2)	Operating of hospital in the PRC	RMB1,000,000	—	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(2)	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(2)	Operating of hospital in the PRC	RMB30,000,000	85%	85%	15%	15%

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 (%)	
				2022	2021	2022	2021
Indirectly owned: (Continued)							
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(2)	Operating of hospital in the PRC	RMB27,000,000	100% (i)	100% (i)	—	—
Chengdu Qingyang New Century Shangjin Xinyi Clinic Co., Ltd. (成都青羊新世紀尚錦信怡門診部有限公司)	The PRC, limited liability company(2)	Operating of hospital in the PRC	RMB6,000,000	100% (i)	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(2)	Operating of hospital in the PRC	RMB1,000,000	100%	100%	—	—
Qinhuangdao New Century Binhai Outpatient Department Co. Ltd. (秦皇島新世紀濱海門診部有限公司)	The PRC, limited liability company(2)	Operating of hospital in the PRC	RMB1,000,000	100% (i)	100% (i)	—	—

(1) Registered as a wholly foreign owned enterprise under the PRC law.

(2) Registered as a domestic owned enterprise under the PRC law.

(3) Disposed subsidiary in 2022.

(4) Closed subsidiaries in 2022.

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 has 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, Beijing Jiahua Yihe Management Consulting Co., Ltd. ("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.

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)

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;

- 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 Jiahua Kangming Contractual Arrangements, respectively.

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)

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.

Furthermore, in accordance with the Jiahua Kangming Contractual arrangements, the Group also consolidated 100% equity interest of BNC Ao-dong Clinic before its disposal, 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), BNC Yide Consultancy and Qinhuangdao New Century Binhai Outpatient Department Co. Ltd. which were fully owned by BNC Women's and Children's Hospital directly and Chengdu Qingyang New Century Shangjin Xinyi Clinic Co., Ltd. was owned by Jiahua Yihe as to 65% and by BNC Women's and Children's Hospital as to 35%.

9 SUBSIDIARIES (Continued)

(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. Jia Xiaofeng 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;

- Obtain a pledge over the entire equity interest in Jiahua Yunzhong and 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 Jiahua Yunzhong Contractual Arrangements, respectively.

9 SUBSIDIARIES (Continued)

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

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.

(a) Significant restrictions

Cash and cash equivalents of RMB158,700,000 (2021: RMB152,040,000) 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.

9 SUBSIDIARIES (Continued)

(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	
	2022 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	2021 *RMB'000*
Current						
Assets	161,690	151,697	21,283	24,346	37,859	29,430
Liabilities	(116,447)	(104,618)	(347,532)	(315,685)	(133,182)	(121,792)
Total net current assets/ (liabilities)	45,243	47,079	(326,249)	(291,339)	(95,323)	(92,362)
Non-current						
Assets	26,307	31,539	129,821	267,040	1,174	3,330
Liabilities	(348)	(4,402)	(173,401)	(207,444)	—	(538)
Total net non-current assets	25,959	27,137	(43,580)	59,596	1,174	2,792
Net assets/(liabilities)	71,202	74,216	(369,829)	(231,743)	(94,149)	(89,570)

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	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	325,258	311,378	86,283	82,814	26,046	18,534
Profit/(loss) before income tax	109,945	115,799	(158,491)	(48,427)	(4,579)	(18,903)
Income tax (expense)/credit	(27,601)	(26,380)	20,402	1,333	—	—
Profit/(loss) for the year	82,344	89,419	(138,089)	(47,094)	(4,579)	(18,903)
Total comprehensive income/(loss)	82,344	89,419	(138,089)	(47,094)	(4,579)	(18,903)
Total comprehensive income/(loss) attributable to the non-controlling interests	28,820	31,297	(20,713)	(7,064)	(1,946)	(8,034)
Dividends paid to the non-controlling interests	29,853	42,639	—	—	—	—

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	
	2022	2021	2022	2021	2022	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from/ (used in) operating activities	99,351	90,712	(15,601)	(35,852)	10,519	(5,096)
Net cash used in investing activities	(4,588)	(6,795)	(2,259)	(1,031)	(13)	(56)
Net cash (used in)/generated from financing activities	(89,304)	(124,202)	17,972	34,513	(2,458)	4,348
Net increase/(decrease) in cash and cash equivalents	5,459	(40,285)	112	(2,370)	8,048	(804)
Cash and cash equivalents at the beginning of the year	96,745	137,030	4,293	6,663	3,354	4,158
Cash and cash equivalents at the end of year	102,204	96,745	4,405	4,293	11,402	3,354

(c) Disposal of a subsidiary

On 29 June 2022, the Group entered into a sale and purchase agreement with an independent third party to sell the entire equity interests of BNC Ao-dong Clinic held by the Group at a total consideration of RMB5,300,000. The related assets of BNC Ao-Dong Clinic were classified as held for sale and impairment losses on the leasehold improvements of property, plant and equipment and medical licenses of intangible assets amounting to RMB2,119,000 (note 6) and RMB9,794,000 (note 8) were recognised, respectively. As at 31 December 2022, the disposal transaction has been completed with a disposal gain of RMB585,000 (note 27). After deduction of the cash balance of BNC Ao-dong Clinic at the date of disposal, the net proceeds from this disposal transaction were RMB5,157,000.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Associates	12,634	1,809

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
At the beginning of the year	1,809	2,575
Additions (i)	18,700	—
Share of net loss of investments accounted for using the equity method	(27)	(703)
Impairment loss (ii)	(7,860)	—
Other comprehensive income	12	(63)
At the end of the year	12,634	1,809

(i) Interests in associates

On 7 August 2018, the Group invested 10.1% interest in Chiron Healthcare Holdings Limited ("Chiron Healthcare Group"). 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.

On 7 April 2022, the Group acquired 12.47% equity interests in Beijing Jiahua Yongsheng Medical Investment Management Co., Ltd. ("Jiahua Yongsheng"), a subsidiary of Jiahua Likang, for a cash consideration of RMB18,700,000. Jiahua Yongsheng is the investment holding company of Qingdao New Century Women's and Children's Hospital Co., Ltd. ("Qingdao New Century"). The directors of the Group believe that it is appropriate to account for the investment in Jiahua Yongsheng by using the equity method because the Group appointed the Chief Executive Officer of Qingdao New Century which demonstrate that the Group has significant influence in the entire business of Jiahua Yongsheng.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(i) Interests in associates (Continued)

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	
		2022 %	2021 %			2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Chiron Healthcare Group	Hong Kong	10.1%	10.1%	Associate	Equity method	—*	—*	2,511	1,809
Jiahua Yongsheng	China	12.47%	12.47%	Associate	Equity method	—*	—	10,123	—
Total equity account investments								12,634	1,809

* Private entity — no quoted price available.

(ii) Impairment loss

Due to rapidly of spreading at the end of 2022 with the COVID-19 pandemic and lower natality rate and child-bearing willingness in the PRC, the financial performance of Jiahua Yongsheng and Qingdao New Century did not meet the expectation of the board of directors and an impairment loss of RMB7,860,000 was provided for based on management's impairment assessment as at 31 December 2022 under the assistant of an external valuer.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(iii) Summarised financial information for associates

Summarised balance sheet

	Chiron Healthcare Group As at 31 December		Jiahua Yongsheng As at 31 December	
	2022 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	2021 *RMB'000*
Total current assets	38,964	27,732	16,924	—
Total non-current assets	3,670	7,386	352,821	—
Total current liabilities	(13,586)	(18,461)	(327,190)	—
Total non-current liabilities	(5,147)	—	(39,567)	—
Non-controlling interest	(960)	(1,255)	—	—
Net assets attributable to owners	24,861	17,912	2,988	—
Net assets	23,901	16,657	2,988	—

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(iii) Summarised financial information for associates (Continued)

Reconciliation to carrying amounts

	Chiron Healthcare Group As at 31 December		Jiahua Yongsheng As at 31 December	
	2022 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	2021 *RMB'000*
Opening net assets attributable to owners	17,912	25,499	8,742	—
Less: profit/(loss) for the year	6,662	(7,496)	(5,754)	—
Add: loss for the year attributable to non-controlling interests of an associate	180	539	—	—
Other comprehensive income/(loss)	107	(630)	—	—
Closing net assets attributable to owners	24,861	17,912	2,988	—
Group's share in %	10.1%	10.1%	12.47%	—
Group's share in RMB	2,511	1,809	373	—
Goodwill	—	—	9,750	—
Carrying amount	2,511	1,809	10,123	—
Revenue	174,584	92,901	88,892	—
Profit/(loss) for the year	6,662	(7,496)	(5,754)	—

11 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Financial assets		
At amortised cost		
Trade receivables *(note 13)*	33,636	39,351
Other receivables excluding prepayments *(note 14)*	21,986	19,814
Amounts due from related parties *(note 15)*	34,237	158,925
Cash and cash equivalents *(note 16)*	226,079	223,843
	315,938	441,933
Financial liabilities		
At amortised cost		
Trade payables *(note 21)*	39,800	27,448
Accruals and other payables (excluding non-financial liabilities) *(note 22)*	152,184	151,357
Amounts due to related parties *(note 15)*	6,969	5,314
Lease liabilities *(note 7)*	217,016	280,241
	415,969	464,360

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	
	2022	2021
	RMB'000	*RMB'000*
Pharmaceuticals	18,478	15,144
Medical consumables	6,407	5,998
	24,885	21,142

The cost of inventories was recognised as expense and included in cost of revenue amounting to RMB118,729,000 for the year ended 31 December 2022 (2021: RMB101,222,000) (note 24).

13 TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current assets		
Trade receivables from contracts with customers	34,238	39,797
Less: allowance for impairment of trade receivables	(602)	(446)
Trade receivables — net	33,636	39,351

As at 31 December 2022 and 2021, the aging analysis of the trade receivables based on demand note date was as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Up to 3 months	24,207	31,738
4 — 6 months	4,153	1,604
7 months — 1 year	1,495	904
Over 1 year	4,383	5,551
	34,238	39,797

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.

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	
	2022	2021
	RMB'000	*RMB'000*
Current		
Prepayment for goods and services	4,741	4,418
Employee cash advance	1,805	1,708
Rental and other deposits	3,562	1,428
Receivables due from e-commercial platforms	9,947	8,409
Others	4,973	2,425
	25,028	18,388
Less: provision for impairment	(218)	(218)
	24,810	18,170
Non-current		
Prepayment for purchase of PPE and intangible assets	945	2,071
Rental and other deposits	1,917	6,062
	2,862	8,133
Less: provision for impairment	—	—
	2,862	8,133

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 33.

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Amounts due from related parties		
— Trade		
Beijing Jiahua Likang Medical Investment and Management Co., Ltd. (i)	140,468	140,446
Chengdu Yunxi Ge Health Management Co., Ltd.	874	1,379
Others	99	86
	141,441	141,911
Less: provision for impairment	(111,807)	(7,280)
	29,634	134,631
— Non-Trade		
Shanghai New Century Pujin Pediatric Clinic Outpatient Service Co., Ltd.	1,850	1,850
Beijing Bairui Kangchen Technology Development Co., Ltd. (ii)	27,159	26,522
Chengdu Yunxi Ge Health Management Co., Ltd.	2,544	982
Chengdu Wuhou New Century Joy City Clinic Outpatient Service Co., Ltd.	1,170	636
Others	—	488
	32,723	30,478
Less: provision for impairment	(28,120)	(6,184)
	4,603	24,294
	34,237	158,925

15 BALANCES WITH RELATED PARTIES (Continued)

(i) Amounts due from Jiahua Likang arose from hospital consulting services provided by the Group. As at 31 December 2022, such receivables have been defaulted by Jiahua Likang as a result of the pandemic impact from the second quarter and delay of its financing plan. After considering the possibility of default and loss given default, the expected credit losses for Jiahua Likang of RMB104,520,000 was provided for the year ended 31 December 2022.

(ii) On 30 April 2019, Jiahua Yihe entered into a credit facility agreement with Beijing Bairui Kangchen Technology Development Co., Ltd. ("Bairui Kangchen"), a related party controlled by a shareholder of the Company. Pursuant to the agreement, Jiahua Yihe agreed to provide a loan credit line amounting to RMB20,000,000 to Bairui Kangchen with an annual interest rate at 4.75%. Bairui Kangchen has pledged its share interests in Shenzhen Yihe Qiaoxiang Clinic, a subsidiary of Bairui Kangchen to Jiahua Yihe as collateral for the loans.

In August 2020, Jiahua Yihe entered into a supplementary agreement with Bairui Kangchen to increase the loan credit line to RMB24,250,000 and in August 2021 Bairui Kangchen entered into a supplemental agreement with Jiahua Yihe to extend the maturity date to September 2022.

As at 31 December 2022, the gross amounts due from Bairui Kangchen amounted to RMB27,159,000 including the principal and corresponding interests. Due to the impact of the pandemic during 2022, the business development of Bairui Kangchen is behind schedule and it defaulted the agreed repayment schedule. The directors of the Company are of the opinion that the loans to Bairui Kangchen are credit-impaired and then transferred to stage 3. After considering the possibility of default and loss given default, the expected credit losses for loans to Bairui Kangchen of RMB21,935,000 was provided for the year ended 31 December 2022.

The directors of the Company are closely monitoring the financial position and any other financing activities of Jiahua Likang and Bairui Kangchen to further assess the recoverability of amounts due from Jiahua Likang and Bairui Kangchen.

15 BALANCES WITH RELATED PARTIES (Continued)

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Amounts due to related parties		
— Trade		
Beijing Children's Hospital, Capital Medical University	2,278	1,572
Beijing Muhe Jiaye Property Management Co., Ltd.	2,425	978
Chengdu Women's and Children's Central Hospital	139	110
	4,842	2,660
— Non-Trade		
Beijing Children's Hospital, Capital Medical University	1,977	2,027
Others	150	627
	2,127	2,654
	6,969	5,314

The amounts due from/to related parties are unsecured, interest-free except those loans to related parties as disclosed in note 33 and repayable on demand and denominated in RMB. Their carrying values as at 31 December 2022 and 2021 approximate their fair values.

As at 31 December 2022 and 2021, 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	
	2022	2021
	RMB'000	*RMB'000*
Amounts due from related parties — trade in nature		
Within one year	987	5,298
1 year — 2 years	3,840	8,482
Over 2 years	136,614	128,131
	141,441	141,911
Amounts due to related parties — trade in nature		
Within one year	4,730	2,660
1–2 years	112	—
	4,842	2,660

16 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cash at banks	224,810	223,089
Cash on hand	1,269	754
	226,079	223,843

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
RMB	158,720	152,039
USD	54,879	66,756
HKD	12,480	5,048
	226,079	223,843

17 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary share *USD*
Authorised:		
At 31 December 2021 and 2022	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 2021 and 2022	490,025,000	49,003	335

18 SHARES HELD FOR EMPLOYEE SHARE SCHEME

Pursuant to the board resolution on 28 August 2020, the Company repurchased shares of the Company to set up an employee stock incentive plan. As the 31 December 2022, the Company has repurchased 2,073,500 shares (as at 31 December 2021: 1,923,500 shares). 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 2022, 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 2022	1,923,500	192	2,829
Acquisition of shares by the Trust	150,000	15	110
Balance 31 December 2022	2,073,500	207	2,939

19 SHARE PREMIUM AND RESERVES

		Reserves			
	Share premium	Other reserves	Merger reserve	Statutory surplus reserve (a)	Sub-total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	2,606,495	(111,383)	(1,417,965)	29,352	(1,499,996)
Appropriation to statutory surplus reserves	—	—	—	4,756	4,756
Translation difference	—	290	—	—	290
At 31 December 2021	2,606,495	(111,093)	(1,417,965)	34,108	(1,494,950)
At 1 January 2022	2,606,495	(111,093)	(1,417,965)	34,108	(1,494,950)
Translation difference	—	(1,351)	—	—	(1,351)
At 31 December 2022	2,606,495	(112,444)	(1,417,965)	34,108	(1,496,301)

19 SHARE PREMIUM AND RESERVES (Continued)

(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 2022 (2021: Nil). The statutory surplus reserves for Jiahua Yihe were nil in 2022 (2021: RMB4,756,000).

20 DIVIDENDS

The board of directors of the Company does not resolve to declare a dividend for the year ended 31 December 2022 (2021: nil).

For the year ended 31 December 2022, a dividend of RMB29,853,000 (2021: RMB42,639,000) was paid to BCH, a non-controlling shareholder of BNC Children's Hospital, a subsidiary of the Group.

21 TRADE PAYABLES

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

	As at 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Up to 3 months	26,722	20,138
4 — 6 months	10,977	5,099
7 months — 1 year	735	957
Over 1 year	1,366	1,254
	39,800	27,448

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

22 ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Accrued employee benefits	68,043	31,140
Advance from customers (i)	105,057	103,531
Accrued operating expenses	20,041	21,144
Other payables to suppliers of plant and equipment	12,339	13,141
Dividend payable	2,642	2,642
Duty and tax payable other than corporate income tax	1,644	2,924
Others	12,105	10,899
	221,871	185,421

(i) Advance from customers

When a customer has a right to obtain refundable prepayment for unused service package within a given period and their advanced deposit in relation to prepaid cards, the Group recognises an advance from customers for the amount of consideration received. See note 2.21 regarding the accounting policy of advance from customers.

23 DEFERRED INCOME TAX

The analysis of deferred income tax is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	4,195	8,530
— Deferred tax assets to be recovered within 12 months	2,020	3,148
	6,215	11,678
Deferred tax liabilities:		
— Deferred tax liabilities to be recovered after more than 12 months	30,643	60,922
— Deferred tax liabilities to be recovered within 12 months	—	2,141
	30,643	63,063
Set-off of deferred tax assets pursuant to set-off provisions	(5,530)	(11,080)
Net deferred tax assets	685	598
Net deferred tax liabilities	25,113	51,983

23 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 2021	99	10,803	461	11,363
Credited/(charged) to the statement of comprehensive income	77	(132)	370	315
At 31 December 2021	176	10,671	831	11,678
At 1 January 2022	176	10,671	831	11,678
Charged to the statement of comprehensive income	(101)	(4,464)	(192)	(4,757)
Disposal of a subsidiary	—	(706)	—	(706)
At 31 December 2022	75	5,501	639	6,215

The expiry date of tax losses is as follow:

	As at 31 December	
	2022 *RMB'000*	2021 *RMB'000*
As at 31 December 2022	—	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	96,823
As at 31 December 2026	112,172	112,173
As at 31 December 2027	108,061	—
As at 31 December 2029	15,718	15,718
As at 31 December 2030	31,842	31,842
As at 31 December 2031	23,665	23,665
As at 31 December 2032	7,878	—
	576,393	531,988

23 DEFERRED INCOME TAX (Continued)

The Group did not recognise deferred tax assets of RMB129,114,000 in 2022 (2021: RMB112,499,000) in respect of tax losses amounting to RMB554,388,000 (2021: RMB489,305,000) 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	Leases	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2021	66,467	187	66,654
Credited to the statement of comprehensive income	(3,473)	(118)	(3,591)
Balance at 31 December 2021	62,994	69	63,063
Balance at 1 January 2022	62,994	69	63,063
Credited to the statement of comprehensive income	(31,645)	(69)	(31,714)
Disposal of a subsidiary	(706)	—	(706)
Balance at 31 December 2022	30,643	—	30,643

The tax rate for the recognition of deferred tax assets and deferred tax liabilities is 25% for the year ended 31 December 2022 (2021: 25%).

24 EXPENSES BY NATURE

	Year ended 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Employee benefits expenses *(note 25)*	312,213	322,489
Cost of inventories and consumables	118,729	101,222
Depreciation and amortisation	69,250	86,621
Consultation fees	46,042	48,346
Utilities, maintenance fee and office expenses	31,792	36,545
Outsourced examination and inspection fees	7,946	7,492
Auditors' remuneration		
— Audit services	3,200	3,200
— Non-audit services	305	—
Rental expenses	2,763	3,095
Other expenses	43,886	52,634
	636,126	661,644

All impairment losses on non-current assets are disclosed in note 26.

25 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Wages, salaries and bonuses	239,670	249,332
Welfare and other expenses	44,277	45,344
Pension costs — defined contribution plan	28,266	27,813
	312,213	322,489

25 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 2022 and 2021 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 (2021: three) directors whose emoluments are reflected in the analysis shown in note 37. The emoluments payable to the remaining two (2021: two) individuals during the year are as follows:

	Year ended 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Basic salaries, housing allowance, share options, other allowance and benefits in kind	2,905	2,787
Contribution to pension scheme	—	53
Discretionary bonuses	498	424
	3,403	3,264

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	
	2022	2021
Emolument bands (in HK dollar)		
HK$1,500,000 to HK$2,000,000	1	1
HK$2,000,000 to HK$2,500,000	1	1
	2	2

During the years ended 31 December 2022 and 2021, 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.

26 IMPAIRMENT LOSSES ON NON-CURRENT ASSETS

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Impairment losses on property, plant and equipment *(note 6)*	6,932	15,010
Impairment losses on goodwill *(note 8)*	33,598	—
Impairment losses on intangible assets other than goodwill *(note 8)*	115,169	—
	155,699	15,010

27 OTHER (LOSSES)/GAINS — NET

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Gains on disposal of right-of-use assets	228	3,859
Gains on disposal of a subsidiary	585	—
Losses on disposal of intangible assets	—	(115)
Losses on disposal of property, plant and equipment	(745)	(584)
Others	(88)	—
	(20)	3,160

28 FINANCE COSTS — NET

	Year ended 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Finance income		
Interest income	2,073	3,059
Net foreign exchange gains	7,644	—
	9,717	3,059
Finance costs		
Interest and finance charges paid/payable for lease liabilities	(10,062)	(13,902)
Net foreign exchange losses	—	(2,349)
Others	(2,972)	(402)
	(13,034)	(16,653)
Finance costs — net	(3,317)	(13,594)

29 INCOME TAX EXPENSE

	Year ended 31 December	
	2022 *RMB'000*	2021 *RMB'000*
Current income taxation:		
— PRC corporate income tax	28,677	30,021
Deferred income tax *(note 23)*	(26,957)	(3,906)
	1,720	26,115

29 INCOME TAX EXPENSE (Continued)

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loss before income tax	(289,853)	(59,147)
Calculated at a taxation rate of 25%	(72,463)	(14,787)
Expenses not tax deductible	9,789	12
Tax effect of tax losses or temporary differences not recognised	54,642	34,080
Adjustment of deferred income tax arising in prior years	9,961	2,274
Effects of different tax rates or income tax exemption applicable to different entities of the Group	657	5,726
Tax super deduction for research and development expenses	(866)	(1,190)
Income tax expense	1,720	26,115

(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 and New Technology Enterprise since December 2019 with preferential tax rate of 15% as set out in PRC Corporate Income Tax Law.

(c) Hong Kong profits tax

Hong Kong profits tax rate is 16.5% for the years ended 31 December 2022 and 2021. 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 2022 and 2021.

29 INCOME TAX EXPENSE (Continued)

(d) Withholding tax

As at 31 December 2022, deferred tax liabilities of RMB17,451,100 (2021: RMB26,543,400) have not been recognised for the withholding tax that would be payable on the unremitted earnings of the PRC subsidiaries. Management expects to reinvest such amount in these subsidiaries in the foreseeable future. Unremitted earnings of these subsidiaries as at 31 December 2022 amounted to RMB174,511,000 (2021: RMB265,434,000).

30 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	
	2022	2021
Loss attributable to owners of the Company *(RMB'000)*	(297,734)	(101,461)
Weighted average number of ordinary shares in issue (in thousands) (i)	483,246	483,334
Basic loss per share *(in RMB)*	(0.62)	(0.21)

The loss per share presented above is calculated by using the weighted average number of ordinary shares during the year ended 31 December 2022.

(i) On 25 July 2017, the Company granted 9,000,000 Restricted Shares to certain employees pursuant to a restricted share award scheme. As at 31 December 2022, except for 4,767,000 shares that were forfeited, all the other shares were vested. Those forfeited shares were excluded from the calculation of basic losses per share.

As at 31 December 2022, the Company held 2,073,500 (2021: 1,923,500) 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 they are not outstanding.

(b) Diluted

For the years ended 31 December 2022, diluted loss per share for employee share scheme is equivalent to the basic loss per share due to the Group's negative financial results attributable to owners of the Company. There were no dilutive shares in 2022.

31 CASH FLOW INFORMATION

(a) Cash generated from operation

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loss before income tax	(289,853)	(59,147)
Adjustments for:		
— Depreciation of property, plant and equipment *(note 6)*	24,793	30,173
— Amortisation *(note 8)*	13,144	15,067
— Depreciation of right-of-use assets *(note 7)*	32,312	41,381
— Rent concessions *(note 2.23)*	(999)	—
— Other gains/(losses) — net *(note 27)*	(68)	(3,160)
— Finance costs — net *(note 28)*	3,317	13,594
— Impairment losses on investments accounted for using the equity method *(note 10)*	7,860	—
— Share of net loss of investments accounted for using the equity method *(note 10)*	27	703
— Impairment losses on intangible assets *(note 8)*	148,767	—
— Provision for impairment of property, plant and equipment *(note 6)*	6,932	15,010
— Net impairment losses on financial assets	126,643	7,582
— Inventories	(7,450)	(1,558)
— Trade and other receivables	946	(11,979)
— Balances with related parties	2,563	(215)
— Trade and other payables	48,535	18,030
— Contract liabilities	(10,919)	(140)
— Deferred income	—	(2,641)
Cash generated from operations	106,550	62,700

31 CASH FLOW INFORMATION (Continued)

(a) Cash generated from operation (Continued)

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Net book amount *(note 6)*	1,344	846
Loss on disposal of property, plant and equipment	(745)	(584)
Proceeds from disposal of property, plant and equipment	599	262

(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.

31 CASH FLOW INFORMATION (Continued)

(c) Reconciliation of financial liabilities arising from financing activities

	Dividends payable RMB'000	Leases RMB'000	Total RMB'000
Financial liabilities as at 1 January 2021	(2,642)	(361,095)	(363,737)
Cash flows			
— net cash flows from financing activities	—	37,201	37,201
— net cash flows from operating activities	—	10,220	10,220
Other changes (i)	—	33,433	33,433
Financial liabilities as at 31 December 2021	(2,642)	(280,241)	(282,883)
Cash flows			
— net cash flows from financing activities	—	25,248	25,248
— net cash flows from operating activities	—	7,032	7,032
Other changes (i)	—	30,945	30,945
Financial liabilities as at 31 December 2022	(2,642)	(217,016)	(219,658)

(i) For the year ended as at 31 December 2022, other changes also include disposal, modification and foreign exchange differences to leases.

32 COMMITMENTS

(a) Capital commitments

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Contracted but not provided for		
— Property, plant and equipment	170	446
— Intangible assets	87	—
	257	446

(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	
	2022	2021
	RMB'000	*RMB'000*
No later than 1 year	125	227

33 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Parent entities

The Company is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest	
			2022	2021
JoeCare Investment Co., Ltd ("JoeCare")	Immediate parent entity	British Virgin Islands	30.78%	30.78%
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 2022, Ms. LIANG Yanqing held 11.78% (2021: 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

Interests 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	
	2022	2021
	RMB'000	*RMB'000*
Salaries and bonus	13,222	11,475
Contribution to pension plans	289	263
Welfare and other expenses	475	585
Total	13,986	12,323

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(d) Transactions with related parties

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

Name	Relationship with the Group
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)	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 Muhe Jiaye 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
Chengdu Women's and Children's Central Hospital (成都市婦女兒童中心醫院)	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 Co., Ltd. (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
Shenzhen Jardine Yihe Qiaoxiang out-patient Department (深圳市怡和僑香門診部)	Controlled by a shareholder of the Company

33 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	
	2022	2021
	RMB'000	*RMB'000*
Hospital consulting services provided to		
— Beijing Jiahua Likang Medical Investment and Management Co., Ltd.(i)	—	3,623
— Tianjin Heping New Century Women's and Children's Hospital Co., Ltd.	73	891
Medical services to		
— Chengdu Yunxi Ge Health Management Co., Ltd.	—	28
Other services provided to		
— others	578	—
	651	4,542
Examination and laboratory test services received from		
— Beijing Children's Hospital, Capital Medical University	2,273	1,729
— Chengdu Women's and Children's Central Hospital	29	33
Cleaning services received from		
— Beijing Muhe Jiaye Property Management Co., Ltd.	9,309	8,934
Confinement services received from		
— Chengdu Yunxi Ge Health Management Co., Ltd.	498	807
Lease payment of hospital premises		
— Chengdu Women's and Children's Central Hospital (ii)	5,250	10,000
Purchase of equipments from		
— Foshan Shunde Yihe Clinic Co., Ltd.	1,142	—
— Shenzhen Jardine Yihe Qiaoxiang out-patient Department	1,452	—
Other services received from		
— others	31	1
	19,984	21,504

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(d) Transactions with related parties (Continued)

(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. The conditions for revenue recognition were not met, so no revenue was recognised in 2022 based on the above transaction amount.

(ii) Lease of hospital premises include the rental fee paid to Chengdu Women's and Children's Central Hospital.

(e) Loans to related parties

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loans to other related parties		
Beginning of the period	28,811	24,830
Loans advanced	—	2,850
Interest expense	637	1,131
End of the period	29,448	28,811
Less: provision for impairment *(note 15)*	(28,120)	(6,184)
	1,328	22,627

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

Balances with related parties as at 31 December 2022 and 2021 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 agreements, 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.

33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(h) Acquisition of 12.47% Equity Interest of Jiahua Yongsheng

On 7 April 2022, the Group acquired 12.47% equity interests of Jiahua Yongsheng for a cash consideration of RMB18,700,000. The transaction was disclosed in note 10(i).

34 CONTINGENCIES

The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice.

35 EVENT OCCURRING AFTER REPORTING PERIOD

There were no material subsequent events occurred during the period from 31 December 2022 to the approval date of these consolidated financial statements by the board of directors of the Company on 31 March 2023.

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		70,538	1,766,431
Investments accounted for using the equity method		2,511	1,809
Total non-current assets		73,049	1,768,240
Current assets			
Cash and cash equivalents		4,182	1,529
Other receivables, deposits and prepayments		132	639
Amounts due from subsidiaries		738,592	748,382
Total current assets		742,906	750,550
Total assets		815,955	2,518,790
EQUITY			
Equity attributable to owners of the Company			
Share capital		335	335
Shares held for employee share scheme		(2,939)	(2,829)
Share premium		2,606,495	2,606,495
Reserves	36(a)	(85,514)	(85,526)
Accumulated losses	36(a)	(1,738,786)	(30,102)
Total equity		779,591	2,488,373
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		33,730	26,828
Accruals, other payables and provisions		2,634	3,589
Total current liabilities		36,364	30,417
Total liabilities		36,364	30,417
Total equity and liabilities		815,955	2,518,790

The balance sheet of the Company was approved by the Board of Directors on 28 March 2023 and signed on its behalf:

Jason ZHOU　　　　*XU Han*

36 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 2021	(20,487)	(85,463)
Total comprehensive loss		
— Loss for the year	(9,615)	—
— Other comprehensive loss	—	(63)
At 31 December 2021	(30,102)	(85,526)
Total comprehensive loss		
— Loss for the year	(1,708,684)	—
— Other comprehensive loss	—	12
At 31 December 2022	(1,738,786)	(85,514)

As at 31 December 2022, due to the impact of the pandemic, the business development of the Group is behind schedule, an impairment loss of RMB1,708,551,000 was recognised for the Company due to the low recoverable amount.

37 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and chief executive emoluments

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

For the year ended 31 December 2022	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)	—	2,060	—	—	—	—	—	2,060
Mr. XU Han	—	1,058	—	498	43	39	58	1,696
Ms. XIN Hong	—	1,058	—	498	43	39	58	1,696
	—	4,176	—	996	86	78	116	5,452
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	4,176	—	996	86	78	116	5,852

37 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors and chief executive emoluments (Continued)

For the year ended 31 December 2021	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)	—	1,990	—	—	—	—	—	1,990
Mr. XU Han	—	1,044	—	416	40	37	53	1,590
Ms. XIN Hong	—	1,044	—	416	40	37	53	1,590
	—	4,078	—	832	80	74	106	5,170
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	4,078	—	832	80	74	106	5,570

(i) Jason ZHOU is also the chief executive.

On 31 July 2015, the Company appointed Mr. Jason ZHOU as the director. On 18 February 2016, the Company appointed Mr. XU Han and Ms. XIN Hong as the directors.

As at 31 December 2022, Mr. GUO Qizhi, Mr. WANG Siye, Dr. CHENG Chi-kong, Adrian JP (resigned with effect from 1 June 2022), Ms. LI Suyu (appointed with effect from 1 June 2022), Mr. YANG Yuelin and Mr. XIE Qiang were the non-executive directors ("NED") of the Company. For the year ended 31 December 2022, neither emoluments were paid by the Group to the NED nor consideration were paid to the third parties for making available directors' services.

For the years ended 31 December 2022 and 2021, 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.

37 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement and termination benefits

None of directors received any retirement and termination benefits during the year ended 31 December 2022 (2021: nil).

(c) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the year ended 31 December 2022 (2021: nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There is no other loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2022 (2021: nil).

(e) 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 2022 (2021: nil).

Financial Summary

	For the year ended December 31,				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	636,459	632,565	512,785	729,369	615,984
Profit before income tax	(289,853)	(59,147)	(328,747)	48,065	119,276
Income tax expense	(1,720)	(26,115)	(48,787)	(43,572)	(45,838)
Total comprehensive income	(292,924)	(84,972)	(377,128)	4,493	73,438
Total comprehensive income attributable to:					
– Owners of the Company	(299,085)	(101,171)	(370,977)	(26,556)	41,514
– Non-controlling interests	6,161	16,199	(6,151)	31,049	31,924

	As of December 31,				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	901,384	1,270,896	1,471,045	1,876,668	1,611,024
Total liability	540,033	586,658	659,193	643,140	339,680
Total equity	361,351	684,238	811,852	1,233,528	1,271,344
Equity attributable to:					
– Owners of the Company	438,264	737,459	838,633	1,210,805	1,237,508
– Non-controlling interests	(76,913)	(53,221)	(26,781)	22,723	33,836

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 was a former 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 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 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;

Definitions (Continued)

"Chengdu New Century Women's and Children's Hospital"	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 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;
"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 Certificates"	Certificates of Good Manufacturing Practices for Pharmaceutical Products;
"Group", "our Group", "we" or "us"	the Company and its subsidiaries;
"GSP Certificates"	The Good Supply Practices for Pharmaceutical Products Certificates;
"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;
"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 28, 2023
"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;

Definitions (Continued)

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules;
"Mr. Zhou"	Mr. Jason ZHOU, Chairman of the Board, chief executive officer, an executive Director and one of our Controlling Shareholders;
"Ms. Liang"	Ms. LIANG Yanqing (梁艷清), 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;
"Nomination Committee"	the nomination committee of the Board;
"Prospectus"	the prospectus dated December 30, 2016 issued by the Company;
"Remuneration Committee"	the remuneration committee of the Board;
"RMB"	Renminbi, the lawful currency of the PRC;
"RSA Scheme"	the restricted share award scheme approved and adopted by the Company on August 29, 2016;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Shares(s)"	ordinary share(s) of US$0.0001 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"State Council"	State Council of the PRC (中華人民共和國國務院);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

Definitions (Continued)

"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 and subsequently automatically renewed on February 17, 2022 (pursuant to a renewal agreement entered into between the same parties on March 23, 2022) for a renewed term of three years until February 17, 2025, 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.