CONNER DAVID E
Form 4
February 20, 2018

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
CONNER DAVID E
(Last) (First) (Middle)
118 2ND AVE SE
(Street)
CEDAR RAPIDS, IA 52401-1212
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
UNITED FIRE GROUP INC [UFCS]

3. Date of Earliest Transaction (Month/Day/Year)
02/15/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP/Chief Claims Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/15/2018		F		476 (1)	D	$ 44.28	9,897	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
								Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
				Code	V	(A)	(D)						

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
CONNER DAVID E 118 2ND AVE SE CEDAR RAPIDS, IA 52401-1212			VP/Chief Claims Officer	

Signatures

/s/ David E. Conner by Michael T. Wilkins, Attorney-in-Fact	02/20/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Represents payment of tax liability by withholding shares incident to the vesting of restricted stock units ("RSU").

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. kground-color: rgb(204,238,255)"> Balance as of December 31, 2016 130,091,977 105 (8) 1,852,245 (87,968) (598,196) 65,592 1,231,770 Balance as of January 1, 2017 130,091,977 105 (8) 1,852,245 (87,968) (598,196) 65,592 1,231,770 Net loss — — — — — (284,320) (1,364) (285,684)Cumulative adjustments for changes in accounting principles (note 2) — — — (3,123) — 3,123 — — Other comprehensive income — — — — 40,550 — 3,849 44,399 Contri non-controlling interest — — — — — — 12,800 12,800 Share-based compensation — — — 11,641 — — – of subsidiaries — — — — — (8) (8) Balance as of December 31, 2017 130,091,977 105 (8) 1,860,763 (47,418) (879,393) 80,869 1,014,918 Balance as of December 31, 2017 (US$) 130,091,977 16 (1) 285,994 (7,288) (135,160) 12,429 155,990

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CONCORD MEDICAL SERVICES HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi (“RMB”) and United States Dollar (“US$”),

except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying consolidated financial statements include the financial statements of Concord Medical Services Holdings Limited (the “Company”) and its subsidiaries, consolidated variable interest entity (the “VIE”) and subsidiaries of the VIE, which are collectively referred to as the “Group”. The Company was incorporated under the laws of the Cayman Islands on November 27, 2007.

The Group is principally engaged in the leasing of radiotherapy and diagnostic imaging equipment, and the provision of management services to hospitals. Starting April 2015, the Group is also engaged in hospital operations as a result of the acquisition of Concord Healthcare Singapore Pte. Ltd. (note 4).

(a) As of December 31, 2017, subsidiaries of the Company and its consolidated variable interest entities included the following entities:

Entities	Date of establishment/acquisition	Place of establishment	Percentage of ownership by the Company		Principal activities
Subsidiaries					
Ascendium Group Limited (“Ascendium”)	September 10, 2007	British Virgin Islands (“BVI”)	100	%	Investment holding
Our Medical Services Limited (“OMS”)	August 22, 1996	BVI	100	%	Investment holding
Medstar Oversea Ltd. (“Medstar Overseas”)	September 22, 2011	BVI	100	%	Investment holding
Cyber Medical Networks Limited (“Cyber”)	May 26, 2006	Hong Kong	100	%	Investment holding

China Medical Services (Holdings) Limited ("CMS Holdings")	July 18, 2008	Hong Kong	100	%	Investment holding
King Cheers Holdings Limited ("King Cheers")	May 18, 2001	Hong Kong	100	%	Investment holding
Shenzhen Aohua Medical Technology and Services Co., Ltd. ("Aohua Technology ")	February 21, 2008	PRC	100	%	Leasing of medical equipment and provision of management services
Medstar (Shanghai) Leasing Co., Ltd. ("Shanghai Medstar")	March 21, 2003	PRC	99	%	Leasing of medical equipment and provision of management services
Beijing MeizhongJiahe Hospital Management Co., Ltd.("MHM")*	July 23, 2008	PRC	85.34	%	Provision of management services
Beijing Yundu Internet Technology Co., Ltd. ("Yundu")	July 26, 2007	PRC	100	%	Provision of management services
Tianjin Concord Medical Technology Limited("Tianjin Concord Medical")	April 22, 2010	PRC	100	%	Leasing of medical equipment and provision of management services
Guangzhou Jinkangshenyou Investment Co., Ltd. ("JKSY")	August 12, 2010	PRC	100	%	Leasing of medical equipment
Guangzhou Concord Medical Cancer Hospital Co., Ltd. ("Guangzhou Concord Cancer Hospital")	June 29, 2011	PRC	70	%	Medical technology research and development, and provision of management and consulting services.
CCM (Hong Kong) Medical Investments Limited ("CCM (HK)")**	June 03, 2013	Hong Kong	85.71	%	Investment holding

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Entities	Date of establishment/acquisition	Place of establishment	Percentage of ownership by the Company	Principal activities
CMS Radiotherapy Holdings Limited (“CMS (USA)”)	August 13, 2013	United States of America	100%	Investment holding
Shenzhen Concord Medical Investment Limited (“SZ CMS”)	January 10, 2014	PRC	100%	Investment holding
Shanghai Concord Oncology Hospital Limited (“SHC”)	March 17, 2014	PRC	90 %	Group’s medical treatment and service business
Global Medical Imaging (HongKong) Limited. (“GMI”)	May 26, 2014	Hong Kong	100%	Investment holding
Datong MeizhongJiahe Cancer Center (“DTMZ”)	October 23, 2014	PRC	100%	Group’s medical treatment and service business
Wuxi Concord Medical Development Ltd.("Wuxi Concord”)	December 29, 2015	PRC	100%	Group’s medical treatment and service business
Concord Hospital Management Group Ltd.(HK) (“CHMG”)	July 7, 2015	Hong Kong	100%	Group’s medical treatment and service business
Beijing Concord Medical Technology Ltd.	January 4, 2016	PRC	100%	Provision of management services
Taizhou Concord Leasing Ltd.	April 20, 2016	PRC	100%	Group’s medical treatment and service business
VIE				
Zhongrong Internation Growth Fund SPC-ZR ConcordHealthcare Investment Fund SP (“SP”)	November 2016	Cayman Islands	25 %	Investment holding
Subsidiaries of VIE				
US Proton Therapy Holdings Limited (“Proton BVI”)	May 16, 2011	BVI	100%	Investment holding
US Proton Therapy Holdings Limited (“US Proton”)	June 29, 2011	United States of America	100%	Investment holding
Concord Medical Services (International) Pte. Ltd. (“China Medstar”) (formerly known as China Medstar Pte. Limited)	August 8, 2003	Singapore	100%	Investment holding
Concord Healthcare Singapore Pte. Ltd. (“CHS”)	April1, 2015	Singapore	100%	Group’s medical treatment and

service business

* On August 27, 2015, the Group changed the name of CMS Hospital Management Co., Ltd. (“CHM”) to Beijing MeizhongJiahe Hospital Management Co., Ltd. (“MHM”), providing management service to the Group’s existing network.

On September 29, 2016, MHM completed its first round private offering of additional 926,000 ordinary shares to five institutional investors with a consideration of RMB41,670 (US$ 6,002), among which one investor thereafter transferred all the shares acquired back to the Group in the secondary market. In November 2016, the Group transferred 1,483,000 ordinary shares to and bought 10,000 ordinary shares from other existing shareholders in the secondary market. On December 30, 2016, MHM completed its second round private offering of additional 6,666,666 ordinary shares to two new institutional investors with a consideration of RMB100,000 (US$ 14,403). After the completion of all transactions mentioned above, the Group ultimately holds 85.34% equity interest in MHM.

** On September 9, 2015, CCM (HK) issued (i) 61,302,441 shares to Gopher CCM limited (“Gopher”), an entity controlled by a director of the Company, for a consideration of US$7,859 and (ii) 366,685,949 shares to Ascendium for a consideration of US$47,011, among which US$40,728 has been injected in 2015. As a result, Gopher holds 14.29% equity interest of CCM (HK) and through which, Gopher indirectly holds 10% of SHC, which is 70% owned by CCM (HK) and Ascendium holds 85.71% equity interest of CCM (HK).

On December 29, 2015, the Group set up Wuxi Concord Medical Development Ltd. for the purpose to develop Group’s medical treatment and service business.

On January 4, 2016, the Group set up Beijing Concord Medical Technology Ltd. for the purpose to provision of management services.

On January 27, 2016, the Group acquired 100% equity interest in Beijing Century Friendship and additional 55% equity interest in BPMC and ultimately hold 80% equity interest in BPMC.

On March 30 and April 20, 2016, the Group set up Shanghai Taifeng Medical Technology Ltd and Taizhou Concord Leasing Ltd. for the purpose to develop Group’s medical treatment and service business.

On September 26, 2016, Shanghai Medstar introduced a new shareholder called Shanghai Huifu Technology Development Co., Ltd. (“Shanghai Huifu”). After this process, the equity interest in Shanghai Medstar owned by the Group changed from 100% to 99%.

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(b) Establishment of Onshore Fund and Offshore Fund

In November 2016, the Company entered into a framework agreement with Zhongrong Guofu Investment Management Company Limited (“ZR Guofu”) to establish an onshore fund, namely SP, for the purpose of acquiring several hospital businesses of the Company, including 100% shares of CHS through China Medstar, 70% shares of Guangzhou Concord Cancer Hospital through CMS Holdings and 59.51% shares of PTC-Houston Management, LP (“PTC”) through Proton (BVI), collectively the “CCM Hospital Business”. ZR Guofu will provide management and consultation services on the funds and the Group will continue to manage the CCM Hospital Businesses. ZR Guofu subscribes Class A shares of SP with a consideration of RMB521,396, while the Group subscribes Class B shares of the SP using 1) creditor’s rights of RMB166,299 due from CCM Hospital Business and 2) RMB7,500 cash as consideration. During the year ended December 31, 2016, the Group and ZR Guofu had injected RMB7,500 and RMB521,396, respectively, into the SP which was then granted as loans to the CCM Hospital Business.

In addition, the Group and ZR Guofu established an onshore fund, namely Guofu Huimei Investment Management Limited Partnership (“Guofu Huimei”). The registered capital of Guofu Huimei is RMB1,009,000, of which RMB746,001and RMB262,999 were subscribed by ZR Guofu and the Group, for 73.93% and 26.07% equity interest, respectively. General partners of the Guofu Huimei are Shanghai Medstar and ZR Guofu. During the year of 2016, the Group has injected RMB174,000 into Guofu Huimei.

As of December 31, 2016, SP has been established but changes of registration of shareholders and the articles of association of the CCM Hospital Businesses were still in process. As a result, the cash injected by the Group to the SP and Guofu Huimei amounting to RMB181,500 was recorded as “prepayment for long-term investments” under non-current assets and the loans received by the CCM Hospital Business amounted to RMB528,896 was recorded as “advances from long-term investment” under non-current liabilities in the consolidated balance sheet as of December 31, 2016. In addition, the Group has prepaid RMB53,141 to ZR Guofu for the interest expense and consultation expense as of December 31, 2016 which was recorded in “prepayments and other current assets” on the consolidated balance sheet.

In April 2017, the change in register members of Proton (BVI) and China Medstar to SP was completed.

Further in April 2017, the Group and ZR Guofu entered into a supplemental contract to the framework agreement, pursuant to which, Guofu Huimei will be used as the platform to invest and provide loans to some domestic entities engaging in hospital business. During 2017, Guofu Huimei acquired 78.31% equity interest of Beijing Century Friendship Science & Technology Development Co., Ltd. ("Beijing Century Friendship”) which holds 55% equity interest of BPMC at consideration of RMB388,500 (US$59,711), 54.8% equity interest of Shanghai Meizhongjiahe ProMed Cancer Centers Co., Ltd. (“ProMed”) at consideration of RMB182,000 (USD$27,973), 28.77% equity interest of Tianjin Jiatai Entity Management limited Partnership (“Tianjin Jiatai”) at consideration of RMB106,500 (US$16,369)

and established Shanghai Rongchi Medical Management Limited ("SH Rongchi") with share capital of RMB695,305 (US$106,866). Guofu Huimei also provided loans of RMB17,900 (USD$2,751) to ProMed and loans of RMB300,000 (US$46,109) to Guangzhou Concord Cancer Hospital. The profit or loss of these domestic entities engaging in hospital business is shared proportionally among investors based on the percentage of their respective subscribed share capital.

Pursuant to the supplemental contract, the 75% equity interest in SP held by the ZR Guofu is contractually required to be repurchased by the Group at the end of four years from the establishment of SP at a consideration equivalent to the investment cost of RMB521,396. ZR Guofu is also entitled to an annual premium at 15% for its capital contribution of RMB521,396 in SP in the form of interest expense and consultation expense. In addition, the Group's share in Beijing Century Friendship (note 14), certain construction in progress (note 9) and certain prepaid land lease payments (note 10) are pledged to secure the capital contribution from ZR Guofu.

On December 20, 2017, the Company repaid a loan with principal of RMB97,106 (US$14,925) to ZR Guofu, and repurchased 100% equity interest of CMS Holdings at a consideration of US$1. Upon completion, the shares in CMS Holdings was pledged to ZR Guofu by the Company.

The offshore fund SP is determined as a variable interest entity as the cash injection from ZR Guofu of RMB521,396 was not equity at risk. As the Company maintains the power to direct the activities that most significantly affect SP's economic performances through supplemental contracts agreed terms and absorbs the expected losses of SP, the Company is the primary beneficiary of SP and consolidates SP and its subsidiaries under by ASC 810-10 Consolidation: *Overall*.

The 75% equity interest held by the ZR Guofu in SP is accounted for as a liability recorded as "Mandatorily redeemable noncontrolling interests" in the Company's consolidated balance sheets as a result of the mandatory redemption feature and is carried at the redemption value at the end of each reporting date as determined in accordance with the contract terms from the day of on which control is transferred to the Company. The 15% annual premium is accrued as an interest expense and consultation expense during each reporting period. As of December 31, 2017, the balance of mandatorily redeemable noncontrolling interest was RMB396,281 (US$60,907).

The onshore fund Guofu Huimei is not a variable interest entity. The Company does not control but can exercise significant influence over Guofu Huimei and thus recorded Guifu Huimei as an investment under equity method (note 14).

(c) VIE disclosures

Creditors of the VIE and its subsidiaries have no recourse to the general credit of the primary beneficiaries of the VIE and its subsidiaries, and such amounts have been parenthetically presented on the face of the consolidated balance sheets. The VIE and its subsidiaries operate the hospital business are recognized in the Company's consolidated financial statements. The Company has not provided any financial or other support that it was not previously contractually required to provide to the VIE and its subsidiaries during the periods presented.

The following tables represent the financial information of the VIE and its subsidiaries as of December 31, 2017 and for the year ended December 31, 2017 before eliminating the intercompany balances and transactions between the VIE and its subsidiaries and other entities within the Group:

	As at December 31,	
	2017	2017
	RMB	US$
ASSETS		
Current assets:		
Cash	13,161	2,023
Restricted cash, current portion	42	6
Accounts receivable (net of allowance of RMB73 (US$11) as of December 31, 2017)	3,985	612
Inventories	1,399	215
Prepayments and other current assets	1,988	306
Total current assets	20,575	3,162
Non-current assets:		
Property, plant and equipment, net	279,240	42,918
Intangible assets, net	202	31
Deposits for non-current assets	172	26
Equity method investments	195,040	29,977
Other non-current assets	481	74
Total non-current assets	475,135	73,026
Total assets	495,710	76,188
Current liabilities:		
Accounts payable	1,978	304
Accrued expenses and other liabilities	21,321	3,277
Amount due to inter-companies*	54,563	8,386
Total current liabilities	77,862	11,967
Non-current liabilities:		

Deferred tax liabilities	8,316	1,278
Mandatorily redeemable noncontrolling interests	396,281	60,907
Total non-current liabilities	404,597	62,185
Total liabilities	482,459	74,152

* Amount due to inter-companies represented payable balances of VIE and its subsidiaries due to other subsidiaries within the Group.

	As at December 31,	
	2017	2017
	RMB	US$
Net revenues	28,673	4,407
Net loss	(141,188)	(21,700)

	As at December 31,	
	2017	2017
	RMB	US$
Net cash used in operating activities	(54,113)	(8,317)
Net cash used in investing activities	(5,582)	(858)
Net cash generated from financing activities	56,787	8,728
Exchange rate effect on cash, net	748	115
Decrease in cash and cash equivalents	(2,160)	(332)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP").

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions reflected in the Company's financial statements include, but are not limited to, purchase price allocation, allowance for doubtful accounts, impairment of long-lived assets, useful lives of property, plant and equipment and intangible assets, realization of deferred tax assets, share-based compensation expenses, unrecognized tax benefits, accrued liabilities, the valuation of the Company's acquired equity investments and derivative instruments and the determination of fair value of the retained investments in the subsidiary which is deemed to be disposed. Actual results could materially differ from those estimates.

Principles of consolidation

The consolidated financial statements of the Group include the financial statements of the Company, its subsidiaries and the VIE and its subsidiaries for which the Company or a subsidiary of the Company is the primary beneficiary. All transactions and balances between the Company, subsidiaries and VIE and its subsidiaries have been eliminated upon consolidation. Results of acquired subsidiaries and its VIE and its subsidiaries are consolidated from the date on which control is transferred to the Company.

Foreign currency translation and transactions

The Company's PRC subsidiaries determine their functional currencies to be the Chinese Renminbi ("RMB") based on the criteria of ASC 830, *Foreign Currency Matters* ("ASC 830"). The Company uses the RMB as its reporting currency.

Generally, the Company and other subsidiaries incorporated outside PRC use their local currency as functional currency. The Company and the subsidiaries whose functional currency is not RMB use the monthly average exchange rate for the year and the exchange rate at the balance sheet date to translate the operating results and financial position, respectively. Translation differences are recorded in accumulated other comprehensive loss, a component of shareholders' equity.

Transactions denominated in foreign currencies are remeasured into the functional currency at the exchange rates prevailing on the transaction dates. Foreign currency denominated financial assets and liabilities are remeasured at the exchange rates prevailing at the balance sheet date. Exchange gains and losses are included in the consolidated statements of comprehensive loss.

Accumulated other comprehensive loss represents the cumulative foreign currency translation adjustments at each balance sheet date.

Convenience translation

Amounts in U.S. dollars are presented for the convenience of the reader and are translated at the noon buying rate of RMB6.5063 to US$1.00 on December 31, 2017 as published on the website of the Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

Business combination and noncontrolling interests

The Company accounts for business combinations using the purchase method of accounting in accordance with ASC 805. ASC 805 requires the Company to recognize separately from goodwill the assets acquired, the liabilities assumed and the noncontrolling interest at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred and the net of the acquisition date fair values of the assets acquired and the liabilities assumed. In cases where the Company acquires less than 100% ownership interest, the Company will derive the fair value of the acquired business as a whole, which will typically include a control premium and subtract the consideration transferred by the Company for the controlling interest to identify the fair value of the noncontrolling interest. In addition, the share purchase agreements entered into may contain contingent consideration provisions obligating the Group to pay additional purchase consideration, upon the acquired business's achievement of certain agreed upon operating performance based milestones. Under ASC 805, these contingent consideration arrangements are required to be recognized and measured at fair value at the acquisition date as either a liability or as an equity instrument, with liability instruments being required to be remeasured at each reporting period through the Company's statements of comprehensive income (loss) until such time as to when the contingency is resolved. Where the fair value of the net assets acquired exceeds the consideration paid, a gain as a result of the bargain purchase will be recognized through the consolidated statements of comprehensive loss at the close of the transaction. For the Company's majority-owned subsidiaries, a noncontrolling interest is recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to the Company. Consolidated net income on the consolidated

statements of comprehensive income includes the net income (loss) attributable to noncontrolling interests. The cumulative results of operations attributable to noncontrolling interests are recorded as noncontrolling interests in the Company's consolidated balance sheets.

The Company derives estimates of the fair value of assets acquired and liabilities assumed using reasonable assumptions based on historical experiences and on the information obtained from management of the acquired companies. Critical estimates in valuing certain of the intangible assets and pre-existing agreements included but were not limited to the following: deriving estimates of future expected cash flows from the acquired business, the determination of an appropriate discount rate, deriving assumptions regarding the period of time that the related benefits would continue and the initial measurement and recognition of any contingent consideration arrangements and the evaluation of whether contingent consideration arrangement is in substance compensation for future services. Unanticipated events may occur which may affect the accuracy or validity of such assumptions or estimates.

If a transaction does not meet the definition of a business, the transaction is recorded as an asset acquisition. Accordingly, the identifiable assets acquired and liabilities assumed are measured at the fair value of the consideration paid, based on their relative fair values at the acquisition date. Acquisition-related costs are included in the consideration paid and capitalised. Any contingent consideration payable that is dependent on the purchaser's future activity is not included in the consideration paid until the activity requiring the payment is performed. Any resulting future amounts payable are recognized in profit or loss when incurred. No goodwill and no deferred tax asset or liability arising from the assets acquired and liabilities assumed are recognized upon the acquisition of assets.

Cash

Cash includes cash on hand and cash deposits with original maturities of less than three months, which are unrestricted as to withdrawal and use.

Restricted cash

Restricted cash represents cash pledged to financial institutions as collateral for the Group's short-term and long-term borrowings, and was recorded under current and non-current on the classification of the underlying bank borrowings (note 17). Such restricted cash is not available to fund the general liquidity needs of the Group.

Short-term investments

All highly liquid investments with original maturities of greater than three months, but less than 12 months, are classified as short-term investments. Investments that are expected to be realized in cash during the next 12 months are also included in short-term investments.

Equity method investments

Investments in entities in which the Group has significant influence but does not own a majority equity interest or control are accounted for under the equity method of accounting in accordance with ASC 323, *Investments-Equity Method and Joint Venture* ("ASC 323"), which requires equity investments be carried at original cost adjusted for the proportionate share of the investees' income, losses and distributions. The share of net profit of equity investee includes the effect of basis difference between the carrying value of the investments and the Group's share of the underlying assets of the investee. An interest in a limited partnership is also accounted for using the equity method of accounting as described in ASC 323, unless the limited partner's interest is so minor that the Company may have virtually no influence over partnership operating and financial policies. The Group assesses the carrying value of equity investments when an indicator of a loss in value is present and records a loss in value of the investment when the assessment indicates that another-than-temporary decline in the investment exists.

Cost method investments

In accordance with ASC subtopic 325-20, *Investments-Other: Cost Method Investments* (“ASC 325-20”), for investments in an investee over which the Company does not have significant influence and which do not have readily determinable fair value, the Company carries the investment at cost and only adjusts for other-than-temporary declines in fair value and distributions of earnings that exceed the Company’s share of earnings since its investment. Management regularly evaluates the impairment of the cost method investments based on performance and financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee’s cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss is recognized in earnings equal to the excess of the investment’s cost over its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value would then become the new cost basis of investment. Cost method accounting is also applied to investments that are not considered as “in-substance” common stock investments, and do not have readily determinable fair values.

Accounts receivable and allowance for doubtful accounts

The Group considers many factors in assessing the collectability of its receivables due from its customers, such as, the age of the amounts due, the customer’s payment history and credit-worthiness. An allowance for doubtful accounts is recorded in the period in which uncollectability is determined to be probable. The Group routinely evaluates the collectability of accounts receivable of each customer on a specific identification basis. At the time when the Group becomes aware of circumstances that may impair a specific customer’s ability to meet its financial obligations, the Group records a specific allowance against amounts due, and thereby reduces the net recognized receivable to the collectible amount. Accounts receivable balances are written off after all collection efforts have been exhausted.

Inventories

Inventories, consisting of medicine, medical supplies and low-value consumables, are accounted for using the first-in first-out method, and are valued at the lower of cost or market.

Lease obligations

In accordance with ASC 840, *Leases* (“ASC 840”), leases for a lessee are classified at the inception date as either a capital lease or an operating lease. The Company assesses a lease to be a capital lease if any of the following conditions exist: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property’s estimated remaining economic life or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease. The capital lease obligation reflects the present value of future rental payments, discounted at the appropriate interest rates. The cost of the asset is amortized over the lease term.

However, if ownership is transferred at the end of the lease term, the cost of the asset is amortized as set out under the property, plant and equipment, net section of this note.

Operating lease expenses are recognized on a straight-line basis over the applicable lease term.

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Net investment in direct financing leases

Net investment in direct financing leases represents leases of medical equipment arising from sale and leaseback and direct financing lease transactions. For leases where the Group is the lessor, a transaction is accounted for as a direct financing lease if the transaction satisfies one of the four capital lease conditions as discussed under the lease obligations section of this note, the collectability of the minimum lease payments is reasonably predictable, and there are no important uncertainties surrounding the amount of unreimbursable costs yet to be incurred by the Group under the lease.

The net investment in the direct financing leases consists of the minimum lease payments, net of executory costs and profits thereon, unguaranteed residual value, accruing to the benefit of the Group and initial direct costs less unearned income. Over the period of a lease, each lease payment received is allocated between the repayment of the net investment in the lease and financing lease income based on the effective interest method so as to produce a constant rate of return on the balance of the net investment in the lease. The leased property is collateralized against the lease payments and is transferred to the lessee upon the maturity of the lease. There are no executory costs and profits thereon and unguaranteed residual value with respect to such leased equipment for the periods presented.

Property, plant and equipment, net

Property, plant and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Category	Estimated useful life	Estimated residual value
Buildings	38 years	—
Medical equipment*	5-20 years	—
Electronic and office equipment	3-5 years	—
Motor vehicles	5 years	—
Leasehold improvement and building improvement	shorter of lease term or 5 years	—

* The cost of the asset is amortized over the estimated useful life. However, if ownership is transferred at the end of the lease term, the cost of the asset is amortized over the shorter of customer contract or the useful life of the asset which ranges from 5-20 years.

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterments that extends the useful lives of property, plant and equipment is capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of comprehensive loss.

Costs incurred in constructing new facilities, including progress payment, interest and other costs relating to the construction are capitalized and transferred to fixed assets upon completion. Total interest costs incurred and capitalized during the years ended December 31, 2015, 2016 and 2017 amounted to RMB1,376, RMB1,956 and RMB38,533 (US$5,922), respectively.

Intangible assets, net

Intangible assets are carried at cost less accumulated amortization and any recorded impairment. Intangible assets acquired in a business combination were recognized initially at fair value at the date of acquisition. The customer relationship assets relate to the ability to sell existing and future services to existing customers and have been estimated using the income method. Operating leases relate to favorable operating lease terms based on market conditions that exist on the date of acquisition and are amortized over the remaining term of the leases. The medical insurance coverage as an approved healthcare provider is issued by the medical insurance authority, based on which the hospital can join in the medical insurance network and can be reimbursed by the medical insurance authority for medical services provided to the patients who have been covered by medical insurance included in social insurance or other contribution, which is amortized over the remaining business license period. A radiotherapy permit is a legal license issued by the government for deploying and operating radiotherapy equipment in a hospital and the economic life of this license is assessed to be the estimated remaining useful life of the corresponding radiotherapy equipment. The estimated useful life for the intangible assets is as follows:

	Estimated useful life
Customer relationship	5-16 years
Operating leases	9-16 years
Medical insurance coverage	10 years
Radiotherapy permits	7 years
Software	3-5 year

Prepaid land lease payments

Prepaid land lease payments represent amounts paid for the right to use land in the PRC and are recorded at purchase cost less accumulated amortization. Amortization is provided on a straight line basis over the terms of the land use rights agreement of 50 years.

Impairment of long-lived assets

The Group evaluates its long-lived assets or asset group including acquired intangibles with finite lives for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount of a group of long-lived assets may not be fully recoverable. When these events occur, the Group evaluates the impairment by comparing the carrying amount of the assets to future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Group recognizes an impairment loss based on the excess of the carrying amount of the asset group over its fair value, generally based upon discounted cash flows or market prices.

Impairment loss on long-lived assets of RMB23,125, RMB61,124 and RMB28,600 (US$4,396) was recognized for the years ended December 31, 2015, 2016 and 2017, respectively.

Treasury stock

The Company has share repurchase programs where the shares are acquired and subject to cancellation. Cost of the Group’s shares acquired is treated as a deduction from shareholders’ equity. Upon cancellation, any excess of purchase price over par value is charged directly to additional paid-in capital.

Fair value of financial instruments

The carrying amounts of the Group’s financial instruments, including cash, restricted cash, accounts receivable, balances with related parties and accounts payable approximate fair value because of their short maturities. The carrying amounts of the Group’s short-term and long-term bank and other borrowing and secured borrowings mostly

bear interest at floating rates and therefore approximate the fair value of these obligations. For those bank borrowings with fixed interest rates, management uses the discounted cash flow technique based on market interest rate for similar instruments at the balance sheet date and concludes that the carrying value approximates the fair value. Derivative financial instruments were recognized at fair value at the end of each reporting period with the adjustment in its fair value recognized in profit or loss. The Company, with the assistance of an independent third party valuation firm, determined the estimated fair value of its derivative financial instruments that are recognized in the consolidated financial statements.

Deferred revenue

Deferred revenue arises from upfront cash payment where the related services have not been rendered and the revenue recognition criteria have yet been fulfilled.

Assets held for sale

Assets (disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the long-lived asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets (disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue consists of network and hospital revenue.

(1) Network revenue

The majority of the Group's revenues are derived directly from hospitals that enter into medical equipment lease, management service arrangements, equipment sales and direct financing lease with the Group. To a lesser extent, revenues are generated from stand-alone management service arrangements where a hospital has previously acquired the equipment from the Company or through another vendor or sale of medical equipment.

i. *Lease and management services*

Lease and management service arrangements typically include the purchase and installation of diagnostic imaging and/or radiation oncology system ("medical equipment") at the hospital, and the full-time deployment of a qualified system technician who is responsible for certain management services related to the radiotherapy or diagnostic services being performed by the hospital centers' doctors to their patients.

The Group enters into both leases and management service arrangements with independent hospitals consisting of terms that range from 5 to 20 years. Pursuant to these arrangements, the Group receives a portion of the profit, based on the profit sharing formula as defined in the arrangements, of the hospital unit that delivers the diagnostic imaging and/or radiation oncology services.

Pursuant to ASC 840, the Group determined that the lease and management service arrangements contain a lease of medical equipment. The hospital has the ability and right to operate the medical equipment while obtaining more than a minor amount of the output. The arrangements also contain a non-lease deliverable being the management service element. The arrangement consideration should be allocated between the lease element and the non-lease deliverables on a relative fair value basis, however because all of the consideration is earned through the contingent rent feature discussed below, there is no impact of such allocation.

ASC 840 is applied to the lease elements of the arrangement and ASC 605 ("ASC 605"), *Revenue Recognition* is applied to other elements of the arrangement not within the scope of ASC 840. Revenue not within the scope of ASC 840 is

recognized when there is persuasive evidence of an arrangement, the fee is fixed or determinable, collectability is reasonably assured and the delivery of the medical equipment or services has occurred.

The lease rentals and management service receivable under the lease arrangement are based entirely on a profit sharing formula (“contingent rent feature”). The profitability of the business unit is not only dependent on the medical equipment placed at the hospital, but also the hospital’s ability to manage the costs and appoint doctors and clinical staff to operate the equipment. Certain of the lease and management service arrangements may include a transfer of ownership or bargain purchase option at the end of the lease term. Due to the length of the lease term, the collectability of these minimum lease payments is not considered reasonably predictable and there are also inherent uncertainties regarding the future costs to be incurred by the Group relating to the arrangement. Given these uncertainties, the Group accounts for all of these lease arrangements as operating leases.

As the collectability of the minimum lease rental is not considered predictable, and the remaining rental is considered contingent, the Group recognizes revenue when a lease payment under the arrangement becomes fixed, i.e. when the profit share under the arrangement is determined and agreed upon by both parties to the agreement. Similarly, for the service element of the arrangement, revenue is only considered determinable at the time a payment under the arrangement becomes fixed, i.e. when the profit share under the arrangement is determined and agreed upon by both parties. Revenue is recognized when it is determined that the basic criteria, referred to above, have also been met.

For the years ended December 31, 2015, 2016 and 2017, the revenue from lease and management services amounted to RMB525,208, RMB378,723 and RMB245,434 (US$37,723), respectively.

ii. Management services and technical services

The Group provides stand-alone management services to certain hospitals which are already in possession of radiotherapy and diagnostic equipment and stand-alone technical services to certain hospitals. Management services typically include the provision of diagnosis and treatment techniques, experts support, advertising and promotion as well as comprehensive operational management. Technical services mainly include services related to the maintenance and upgrade of leasing equipment. The fees for management services and technical services are either based on a contracted percentage of monthly revenue generated by the specified hospital unit (“revenue share”) or in limited instances on a fixed monthly fee. Fixed monthly fees are recognized ratably over the service term. The consideration that is based on a revenue share arrangement is recognized when the monthly fees under the arrangement are determined and agreed upon by both parties to the agreement. Fixed monthly fees are recognized ratably over the service term.

For the years ended December 31, 2015, 2016 and 2017, revenue from management services amounted to RMB21,596, RMB27,707 and RMB29,549 (US$4,542), respectively. For the years ended December 31, 2015, 2016 and 2017, the revenue from technical services amounted to RMB21,449, RMB17,543 and RMB9,779 (US$1,503), respectively.

iii. Direct financing lease income

Pursuant to ASC 840, the Group records revenue attributable to direct financing leases so as to produce a constant rate of return on the balance of the net investment in the lease. During the years ended December 31, 2015, 2016 and 2017, the Company had financing lease income of RMB23,259, RMB14,100 and RMB7,554 (US$1,161), net of taxes, respectively.

iv. Consumables sales

Pursuant to the application of ASC 605, the Group records revenue related to consumables sales on a net basis when the equipment is delivered to the customer and the sales price is determinable. During the years ended December 31, 2015, 2016 and 2017 the Company had medical equipment sales of RMB6,234, RMB5,456 and RMB7,005 (US$1,077), respectively.

The Group is subject to sales taxes such as business tax, VAT and goods and service tax on the revenue. The Group has recognized revenues net of these taxes and related surcharges. Such taxes and related surcharges for the years ended December 31, 2015, 2016 and 2017 were approximately RMB22,237, RMB5,854 and RMB2,439 (US$375), respectively. In the event that revenue recognition is deferred to a later period, the related tax and other surcharges are also deferred and will be recognized only upon recognition of the deferred revenue.

(2) Hospital revenue

Hospital revenue consists of medicine income and medical service income. Medicine income includes medicine prescribed to patients during or after treatment by the doctors. Medical service income include revenue generated from outpatients, which mainly consist of activities for physical examinations, treatments, surgeries and tests, as well as that generated from inpatients, which mainly consist of activities for clinical examinations and treatments, surgeries, and other fees such as room charges and nursing care. Revenue is recognized, in accordance with ASC 605, when there is persuasive evidence of an arrangement, the fee is fixed or determinable, collection is reasonably assured, and the medicine or medical services are delivered.

Cost of revenue

Network costs mainly consist of the amortization of acquired intangibles, depreciation of medical equipment purchased, installed and operated in the network of centers and other costs, including salaries and material costs of medical supplies.

(1) Costs relating to lease and management service arrangement

Cost of medical equipment that is leased under an operating lease is included in property, plant and equipment in the balance sheet. The medical equipment is depreciated using the Group’s depreciation policies. The cost of the management service component is recognized as an expense as incurred.

(2) Cost of management services and technical services

Cost of management services and technical services mainly include labor costs, and, where applicable, medical consumables and maintenance expenses which are expensed as incurred.

(3) Cost of consumables sales

Cost of equipment sales, recorded net against the related revenue, includes the cost of the consumables purchased and other direct costs involved in the consumables sales.

Hospital costs mainly include medicine costs, medical consumables, labor costs of doctors, nurses and other staff involved in the care or treatment of patients, depreciation, utilities as well as other related costs incurred in the normal business of a hospital.

Advertising expenditure

Advertising costs are expensed when incurred and are included in selling expenses in the consolidated statements of comprehensive loss. For the years ended December 31, 2015, 2016 and 2017, the advertising expenses were RMB15,205, RMB7,378 and RMB2,910 (US$447), respectively.

Income taxes

The Group follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rate is recognized in tax expense in the period that includes the enactment date of the change in tax rate.

The Group adopted ASC 740, *Income Taxes (*"ASC 740"*),* which clarifies the accounting and disclosure for uncertainty in income taxes. Interests and penalties arising from underpayment of income taxes shall be computed in accordance with the applicable tax laws. The amount of interest expense is computed by applying the applicable statutory rate of interest to the difference between the tax position recognized and the amount previously taken or expected to be taken in a tax return. Interests and penalties recognized in accordance with ASC 740 is classified in the financial statements as a component of income tax expense.

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In accordance with the provisions of ASC 740, the Group recognizes in its financial statements the impact of a tax position if a tax return position or future tax position is "more likely than not" to prevail based on the facts and technical merits of the position. Tax positions that meet the "more likely than not" recognition threshold are measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. The Group's estimated liability for unrecognized tax positions which are included in the "accrued expenses and other liabilities" account and "accrued unrecognized tax benefits and surcharges, non-current portion" accounts are periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The outcome for a particular audit cannot be determined with certainty prior to the conclusion of the audit and, in some cases, appeal or litigation process. The actual benefits ultimately realized may differ from the Group's estimates. As each audit is concluded, adjustments, if any, are recorded in the Group's financial statements. Additionally, in future periods, changes in facts, circumstances, and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur.

In accordance with ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, all deferred tax liabilities and assets are classified as noncurrent in the consolidated balance sheets.

Share-based compensation

Share-based awards granted to employees are accounted for under ASC 718, *Compensation-Stock Compensation* ("ASC 718").

In accordance with ASC 718*,* the Company determines whether a share option should be classified and accounted for as a liability award or equity award. All grants of share-based awards to employees classified as equity awards are recognized in the financial statements based on their grant date fair values which are calculated using an option pricing model. The Group has elected to recognize compensation expense using the straight-line method for all share options granted with graded vesting based on service conditions. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards are reversed. Prior to January 1, 2017, forfeitures were estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Share-based compensation expense is recorded net of estimated forfeitures such that expense is recorded only for those share-based awards that are expected to vest.

On January 1, 2017, the Company adopted ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, and elected to account for forfeitures as they occur. The cumulative-effect adjustment to retained earnings of RMB3,123 (US$480) was recorded upon transition, which is measured for outstanding awards based on the

difference between (1) the fair value estimate of awards historically expected to be forfeited and (2) the fair value estimate of awards actually forfeited.

Loss per share

Loss per share is computed in accordance with ASC 260, *Earnings Per Share* ("ASC 260"). Basic loss per ordinary share is computed by dividing loss attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period. Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of the ordinary shares issuable upon the conversion of the share based awards, using the treasury stock method and the ordinary shares issuable upon the conversion of convertible debt instruments, using if-converted method. Ordinary share equivalents are excluded from the computation of diluted per share if their effects would be anti-dilutive.

Comprehensive loss

Comprehensive loss is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220, *Comprehensive Income* ("ASC 220"), requires that all items that are required to be recognized under current accounting standards as components of comprehensive loss be reported in a financial statement that is displayed with the same prominence as other financial statements. During the periods presented, the Group's comprehensive loss includes net loss and foreign currency translation adjustments and is presented in the consolidated statements of comprehensive loss.

Derivative Instruments

ASC topic 815 ("ASC 815"), *Derivatives and Hedging*, requires all contracts which meet the definition of a derivative to be recognized on the balance sheet as either assets or liabilities and recorded at fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in earnings or in other comprehensive income (loss) depending on the use of the derivative and whether it qualifies for hedge accounting. Changes in fair values of derivatives not qualified as hedges are reported in earnings. The estimated fair values of derivative instruments are determined at discrete points in time based on the relevant market information. These estimates are calculated with reference to the market rates using industry standard valuation techniques.

Segment reporting

In accordance with ASC 280, *Segment Reporting* (“ASC 280”), the Group’s chief operating decision maker (“CODM”) has been identified as the Chief Executive Officer, who is also the executive chairman of the board of directors. The Group’s CODM evaluates segment performance based on revenues and profit by the network and hospital segments.

Recent accounting pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09 ("ASU 2014-09"), *Revenue from Contracts with Customers*. ASU 2014-09 supersedes the revenue recognition requirements in ASC 605, and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is originally effective for the annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. ASU 2015-14, Revenue from Contracts with Customers, defers the effective date of ASU 2014-09 by one year. As a result, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017 and interim periods therein. Early adoption is permitted to the original effective date. The Company plans to adopt the new standard on January 1, 2018, using the modified retrospective method. The cumulative effect of initially applying the guidance will be recognized at the date of initial application. The Company has substantially completed the assessment over the impact of adopting this new guidance and does not expect the adoption will have significant impact on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01 ("ASU 2016-01"), *Financial Instruments*. ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. An entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. ASU 2016-01 also simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02 ("ASU 2016-02"), *Leases*. ASU 2016-02 specifies the accounting for leases. For operating leases, ASU 2016-02 requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. ASU 2016-02 is effective for public business entities for annual reporting periods and interim periods within those years beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13 ("ASU 2016-13"), *Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. The standard will replace "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. For available-for-sale debt securities, entities will be required to

record allowances rather than reduce the carrying amount, as they do today under the other-than-temporary impairment model. The standard is effective for public business entities for annual periods beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. We are evaluating the effect that this guidance will have on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15 (“ASU 2016-15”), *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”). ASU 2016-15 reduces the existing diversity in practice in financial reporting across all industries by clarifying certain existing principles in ASC 230, *Statement of Cash Flows*, (“ASC 230”) including providing additional guidance on how and what an entity should consider in determining the classification of certain cash flows. In addition, in November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash* (“ASU 2016-18”). ASU 2016-18 clarifies certain existing principles in ASC 230, including providing additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. These ASUs will be effective for the Company’s fiscal year beginning December 1, 2018 and subsequent interim periods. Early adoption is permitted. The adoption of ASU 2016-15 and ASU 2016-18 will modify the Company's current disclosures and classifications within the consolidated statement of cash flows but they are not expected to have a material effect on the Company’s consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying Definition of a Business* (“ASU 2017-01”). ASU 2017-01 clarifies the framework for determining whether an integrated set of assets and activities meets the definition of a business. The revised framework establishes a screen for determining whether an integrated set of assets and activities is a business and narrows the definition of a business, which is expected to result in fewer transactions being accounted for as business combinations. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. This update is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted for transactions that have not been reported in previously issued (or available to be issued) financial statements. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation – Stock Compensation: Scope of Modification Accounting*. This standard provides clarity and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation-Stock Compensation, to a change to the terms or conditions of a share based payment award. The updated guidance is effective for interim and annual periods beginning after December 15, 2017. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

3. CONCENTRATION OF RISKS

Concentration of credit risk

Assets that potentially subject the Group to significant concentration of credit risk primarily consist of cash, restricted cash, accounts receivable and advances made to suppliers and hospital customers. The maximum exposure of such assets to credit risk is their carrying amounts as of the balance sheet dates.

As of December 31, 2017, substantially all of the Group's cash and restricted cash were deposited in financial institutions located in the PRC, Hong Kong, United States of America and in Singapore, which management believes are of high credit quality.

Accounts receivable are typically unsecured and are derived from revenue earned from hospitals in the PRC. The risk with respect to accounts receivable is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring of outstanding balances.

Advances made to suppliers are typically unsecured and arise from deposits paid in advance for future purchases of medical equipment. Due to the Group's concentration of advances made to a limited number of suppliers and the significant prepayments that are made to them, any negative events or deterioration in financial strength with respect to the Group's suppliers may cause material loss to the Group and have a material adverse effect on the Group's financial condition and results of operations. The risk with respect to advances made to suppliers is mitigated by credit evaluations that the Group performs on its suppliers prior to making any advances and the ongoing monitoring of its suppliers' performance.

With respect to advances made to hospital customers, the Group conducts periodic credit evaluation of its customers but does not require collateral or other security from its hospital customers.

Concentration of customers

The Group currently generates a substantial portion of its revenue from a limited number of customers. As a percentage of revenues, the top five customers accounted for 25%, 28% and 32% for the years ended December 31, 2015, 2016 and 2017, respectively. The loss of revenue from any of these customers would have a significant negative

impact on the Group’s business. However, arrangements with customers are mostly long-term in nature. Due to the Group’s dependence on a limited number of customers and the profit sharing received by the Group depends on the performance of the hospitals that the Group does not control, any negative events with respect to the Group’s customers may cause material fluctuations or declines in the Group’ revenue and have a material adverse effect on the Group’s financial condition and results of operations.

Concentration of suppliers

A significant portion of the Group’s medical equipment is sourced from its five largest suppliers who collectively accounted for 94%, 72% and 95% of total medical equipment purchases of the Group for the years ended December 31, 2015, 2016 and 2017, respectively. Failure to develop or maintain the relationships with these suppliers may cause the Group not able to identify other suppliers timely in order to expand its business with new hospitals. Any disruption in the supply of medical equipment to the Group may adversely affect the Group’s business, financial condition and results of operations.

Current vulnerability due to certain other concentrations

The Group’s operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the PRC government has been pursuing economic reform policies for more than 20 years, no assurance can be given that the PRC government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption or unforeseen circumstances affecting the PRC’s political, economic and social conditions. There is also no guarantee that the PRC government’s pursuit of economic reforms will be consistent or effective.

The Group transacts most of its business in RMB, which is not freely convertible into foreign currencies. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the People’s Bank of China (the “PBOC”). However, the unification of the exchange rates does not imply that the RMB may be readily convertible into United States dollars or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers’ invoices, shipping documents and signed contracts.

Additionally, the value of the RMB is subject to changes in central government policies and international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market.

A medical-related business is subject to significant restrictions under current PRC laws and regulations. Currently, the Group conducts its operations in China through contractual arrangements entered into with hospitals in the PRC. The relevant regulatory authorities may find the current contractual arrangements and businesses to be in violation of any existing or future PRC laws or regulations. If so, the relevant regulatory authorities would have broad discretion in dealing with such violations.

Foreign currency exchange rate risk

The Company's exposure to foreign currency exchange rate risk primarily relates to cash and restricted cash denominated in the US$. On June 19, 2010, the People's Bank of China announced the end of the RMB's de facto peg to US$, a policy which was instituted in late 2008 in the face of the global financial crisis, to further reform the RMB exchange rate regime and to enhance the RMB exchange rate flexibility. On April 16, 2012, the People's Bank of China announced a policy to expand the maximum daily floating range of RMB trading prices against the U.S. dollar in the inter-bank spot foreign exchange market from 0.5% to 1%. On March 17, 2014, the People's Bank of China announced a policy to further expand the maximum daily floating range of RMB trading prices against the U.S. dollar in the inter-bank spot foreign exchange market to 2. The depreciation (appreciation) of the RMB against US$ was 4.4%, 7.2% and (6.3%) during the years ended December 31, 2015, 2016 and 2017, respectively. In the long term, the RMB may appreciate or depreciate more significantly in value against the U.S. dollar or other foreign currencies, depending on the market supply and demand with reference to a basket of currencies.

4. ACQUISITIONS AND DISPOSALS

<u>For the year ended December 31, 2015</u>

Acquisition of CHS

As part of the Group's business expansion strategy to expand into hospital services abroad, on April 6, 2015, the Company, through its wholly owned subsidiary Concord Medical Services (International) Pte. Ltd., purchased 100% equity interest of Fortis Surgical Hospital from Fortis Healthcare International Pte. Ltd. (the "Seller"), a subsidiary of Fortis Healthcare Ltd., for a total cash consideration of SGD55,000 (in equivalent of RMB253,499). Fortis Surgical Hospital is a private facility in Singapore that was established in July 2012, currently with 31 bed patient capacity, the Group changed the name of the acquired hospital to Concord Healthcare Singapore Pte. Ltd. ("CHS") after the acquisition.

The Company has completed the valuations necessary, with the assistance of an independent third party valuation firm, to assess the fair values of the tangible and intangible assets acquired and liabilities assumed, resulting from which a gain from bargain purchase was determined and recognized as of the acquisition date. The valuation utilized generally accepted valuation methodologies including the income, market and cost approaches. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of April 6, 2015, the date of acquisition:

	RMB
Purchase consideration	253,499
Current assets	9,578
Property and equipment, net	260,321
Intangible assets	3,094
Current liabilities	(8,528)
Deferred tax assets	2,452
Deferred tax liabilities	(588)
Gain on bargain purchase	(12,830)

The Seller, an Indian listed company, intended to improve its financial gearing ratio so as to focus on India domestic market, and thus accepted a purchase price lower than the fair value of the net assets for the disposal of CHS which is an investment outside India. The Group performed a comprehensive reassessment of the procedures it used to identify and measure the assets acquired and liabilities assumed, and measure the consideration transferred to verify that all of those measurements are appropriate and reasonable. A gain on bargain purchase of RMB12,830 was recorded as “other income” in the consolidated statements of comprehensive loss for the year ended December 31, 2015.

The following unaudited supplemental pro forma consolidated financial information for the years ended December 31, 2014 and 2015 are presented as if the acquisition had occurred at the beginning of the periods presented. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what the combined company’s operating results would have been had the acquisition actually taken place on January 1, 2014, nor do they project the future results of operations of the combined company. The actual results of operations of the combined company may differ significantly from the pro forma adjustments reflected here due to many factors.

	Unaudited Supplemental Pro Forma	
	For the year ended December 31,	
	2014	2015
	RMB	RMB
Net revenues	643,764	625,479
Net income	25,119	165,626

The results of operations of CHS since the acquisition date included in the consolidated statement of comprehensive loss of the Company for the year ended December 31, 2015 is as follows:

	For the Years Ended December 31,
	2015
	RMB
Net revenues	18,739
Net loss	(39,628)

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Disposal of Beijing Allcure Medical Technology Ltd. ("JWYK")

On June 30, 2015, the Group entered into a share exchange agreement with Beijing Allcure Medical Information Technology Co., Ltd. ("Allcure Information"), a newly established third-party company, pursuant to which, the Group exchanged 100% equity interest of JWYK for 20% of Allcure Information's equity interest. The disposal of JWYK was completed on July 24, 2015 and did not meet the criteria of discontinued operations in accordance with ASC 205.

The breakdown of assets and liabilities as of July 24, 2015 (the date of disposal), are as follows:

	RMB
Current assets	5,335
Property, plant and equipment, net	2,470
Current liabilities	(2,026)
Net assets disposed	5,779

The Group, with the assistance of an independent third party valuation firm, determined the fair value of the 20% equity interest of Allcure Information based on a discounted cash flow model. The 20% equity interest in Allcure Information is accounted for as a cost method investment of the Group (note 14). As a result of the disposal of JWYK, the Group recognized a gain of RMB16,381 as "gain on disposal of subsidiaries" as summarized below:

	RMB
Consideration (20% of Allcure Information)	22,160
Disposition of net assets	5,779
Gain on disposal of JWYK	16,381

For the year ended December 31, 2016

Acquisition of Beijing Century Friendship and BPMC

On December 18, 2007, the Group entered into a framework agreement with Chang'an Information Industry (Group) Co., Ltd. (“Chang’an Information”) and China-Japan Friendship Hospital to set up Beijing Proton Medical Center Co., Ltd. (“BPMC”), a proton treatment center in Beijing. Pursuant to the framework agreement, the Group paid a deposit of RMB29,600 to Beijing Century Friendship Science & Technology Development Co., Ltd. (“Beijing Century Friendship”), an entity set up by Chang'an Information, to be used for the construction of the proton treatment center. BPMC was legally set up on July 6, 2012. On May 24, 2015, the Group entered into a transfer agreement with Chang’an Information to acquire 100% equity interest of Beijing Century Friendship at a cash consideration of RMB70,000. The closing of the acquisition of Beijing Century Friendship is subject to the condition that Beijing Century Friendship obtains 55% interest of BPMC. The Group fully paid the consideration of RMB70,000 and paid an additional RMB1,000 for the future operations of BPMC as of December 31, 2015. However, as Beijing Century Friendship did not obtain 55% equity interest in BPMC until January 27, 2016, the deposit of RMB70,000 paid by the Group was recorded as “deposit for non-current assets” in the consolidated balance sheets as of December 31, 2015.

The acquisition was completed on January 27, 2016 when Beijing Century Friendship obtained 55% equity interest in BPMC, at a total consideration of RMB100,600. Upon the completion, the Group holds 100% equity interests of Beijing Century Friendship and indirectly holds 80% equity interest of BPMC. The transaction did not meet the definition of a business acquisition and was accounted for as an asset acquisition under ASC 805. The purpose of the acquisition is to obtain the license to operate the proton treatment center from the Ministry of Health of China upon the completion of construction of the proton treatment center in BPMC. The major asset acquired was the prepayment for operating license of RMB99,851 (US$14,382), with other insignificant financial assets acquired and financial liabilities assumed.

For the year ended December 31, 2017

Disposal of Beijing Century Friendship and BPMC

On April 6, 2017, Guofu Huimei, an equity method investee of the Group, made a capital injection of RMB388,500 (note 1) in cash to Beijing Century Friendship to obtain 78.31% of its equity interest. Before the capital injection, Beijing Century Friendship was a wholly owned subsidiary of the Group and held 55% equity interest in BPMC. Upon the the capital injection from Guofu Huimei, the Group's effective interest in Beijing Century Friendship was diluted to 42.1% with a direct interest of 21.69% held by two subsidiaries of the Company and an indirect interest of 20.41% through Guofu Huimei. The Group lost control in Beijing Century Friendship and BPMC on April 6, 2017 and accounted for it as a deemed disposal and recognized a gain of RMB58,854 (US$9,046) in accordance with ASC 810-10-40. The gain was measurued as the difference between the fair value of the retained noncontrolling interest at the date of deconsolidation and the carrying amount of the former subsidiaries' net assets. The direct interest held in Beijing Century Friendship and BPMC by the Group was accounted for as equity method investment (note 14).

The carrying value of assets and liabilities of Beijing Century Friendship and BPMC as of April 6, 2017 (the date of disposal), are as follows:

	RMB	US$
Current assets	18,035	2,772
Deposit for operating license	109,581	16,842
Other non-current assets	45	7
Current liabilities	(35,152)	(5,403)
Non-controlling interests	(8)	(1)
Net assets disposed	92,501	14,217

The Group with the assistance of an independent third party valuation firm, determined the fair value of the retained noncontrolling interest of Beijing Century Friendship and BPMC based on a discounted cash flow model. As a result of the disposal, the Group recognized a gain on the deemed disposal of Beijing Century Friendship and BPMC as summarized below:

	RMB	US$
Fair value of retained noncontrolling investment	151,355	23,263
Disposition of net assets	92,501	14,217
Gain on disposal of Beijing Century Friendship and BPMC	58,854	9,046

Disposal of Allcure Medical Holdings Ltd. (BVI) ("Allcure BVI")

On October 18, 2017, the Group entered into a share transfer agreement with Bluestone Holdings Limited ("Bluestone"), a related party controlled by a director of the Company, to transfer 100% interest of a subsidiary, Allcure BVI with its subsidiary Beijing Allcure Medical Technology Ltd. at consideration of RMB3 (US$ nil). A disposal gain of RMB59 (US$9) was recognized in consolidated financial statements of comprehensive loss for the year ended December 31, 2017.

5. ACCOUNTS RECEIVABLE

	As at December 31,		
	2016	2017	2017
	RMB	RMB	US$
Accounts receivable	189,646	144,921	22,274
Allowance for doubtful accounts	(57)	(12,969)	(1,993)
Accounts receivable, net	189,589	131,952	20,281

The movement in the allowance for doubtful accounts were as follows:

	For the Years Ended December 31,			
	2015	2016	2017	2017
	RMB	RMB	RMB	US$
Balance at the beginning of the year	2,281	1,781	57	9
Acquisition of CHS	167	—	—	—
Provisions for the year	2,925	1,066	14,840	2,281
Reversal of provisions from prior periods due to subsequent cash collection during the year	(749)	—	—	—
Amounts written off during the year	(2,843)	(2,790)	(1,928)	(297)
Balance at the end of the year	1,781	57	12,969	1,993

Provisions for allowance for doubtful debts are recorded in "general and administrative expenses" in the consolidated statements of comprehensive loss.

Accounts receivable with carrying value of RMB34,850 and RMB13,164 (US$2,023) were used to secure bank borrowings of RMB45,400 and RMB20,100 (US$3,089) as at December 31, 2016 and 2017, respectively (note 17).

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6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consist of the following:

	Notes	As at December 31, 2016 RMB	2017 RMB	2017 US$
Prepayments to ZR Guofu	i)	53,141	—	—
Due from suppliers	ii)	11,148	23,243	3,572
Due from hospitals	iii)	21,274	1,179	181
Loan receivables	iv)	43,503	114,456	17,592
Advances to employees	v)	6,354	4,383	674
Receivables from disposal of medical equipment	vi)	12,668	90,324	13,883
Deferred expenses		1,637	111	17
Interest receivable		9,571	5,100	784
Dividend receivable		766	766	118
Others		6,548	29,959	4,603
		166,610	269,521	41,424
Reserve for unrecoverable deposits	ii)	(4,798)	(4,798)	(737)
		161,812	264,723	40,687

Provisions are recorded in "general and administrative expenses" in the consolidated statements of comprehensive loss.

i) Prepayments to ZR Guofu represented the prepayment made for the annual interest expense and consultation expense as of December 31, 2016 (note 1).

ii) Amounts due from suppliers represent prepayments made for orders and returnable deposits of cancelled orders. The risk of loss arising from non-performance by or bankruptcy of suppliers is assessed prior to the order of the equipment. The Group has provided reserve amounting to RMB4,798 and RMB4,798 (US$737) on amounts due from suppliers as at December 31, 2016 and 2017, respectively.

iii) Amounts due from hospitals represent interest-free advances to hospitals and the compensation to be received from hospitals for early termination. The Group has assessed the impact of such advances on revenue recognition at the outset of the arrangement and has concluded that they do not affect revenue recognition. The risk of loss arising from any failure of hospital customers to fulfill their financial obligations is assessed prior to making the advances and is monitored for recoverability on a regular basis by management.

iv) Loan receivables represented the loans to others parties, including loans to related parties such as the Xi'an JiangyuanAndike Ltd. ("JYADK"), Allcure Information of total amount of RMB13,658 and RMB13,658 (US$2,099) as at December 31, 2016 and 2017, respectively. Besides, the loan to JYADK contributed to interest receivable of RMB370 (US$53) and RMB221 (US$34) as at December 31, 2016 and 2017, respectively (note 24).

v) The advances to employees represent interest-free advance held by the Company's employees to cover expenses of hospital customers. The risk of loss is assessed prior to making the advances and is monitored on a regular basis by management. Historically, the Group has not experienced any loss of such advances.

vi) Receivables from disposal of medical equipment represented the consideration to be received from several hospitals, which the Group entered into termination contracts with and disposed all leasing equipment to.

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7. INVENTORIES

	As at December 31,		
	2016	2017	2017
	RMB	RMB	US$
Medicine	1,101	4,103	631
Medical equipment	47	104	16
Low-value consumables	4,775	2,077	319
	5,923	6,284	966

8. ASSETS HELD FOR SALE

During the year ended December 31, 2016 and 2017, the Group received termination notices from several hospitals to early terminate the equipment leasing arrangements with the Group. Pursuant to the cooperation agreements, the hospitals should acquire the medical equipment from the Group upon early termination. Property, plant and equipment, with carrying amounts of RMB70,073 and RMB27,100 (US$4,165) were classified as assets held-for-sale on the consolidated balance sheet as of December 31, 2016 and 2017, respectively, which are expected to be disposed within one year. Impairment loss of nil, nil and RMB6,526 (US$1,003) were recognized for the years ended December 31, 2015, 2016 and 2017, respectively.

9 PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

	As at December 31,		
	2016	2017	2017
	RMB	RMB	US$
Buildings	227,196	230,273	35,392
Medical equipment	899,281	668,169	102,696
Electronic and office equipment	15,804	16,864	2,592
Motor vehicles	2,621	2,361	363
Leasehold improvement and building improvements	7,277	14,771	2,270
Construction in progress	122,635	329,259	50,606
Total	1,274,814	1,261,697	193,919
Less: accumulated depreciation	(432,884)	(407,964)	(62,703)
	841,930	853,733	131,216
Impairment charges	(66,592)	(60,162)	(9,246)
	775,338	793,571	121,970

Depreciation expenses were RMB138,075, RMB117,051 and RMB83,224 (US$12,791) for the years ended December 31, 2015, 2016 and 2017, respectively. Impairment loss of RMB23,125, RMB47,827 and RMB21,476 (US$3,301) were recognized for the years ended December 31, 2015, 2016 and 2017, respectively. Impairment charges mainly include impairment provided for medical equipment in several low performance centers as well as idle assets.

For the years ended December 31, 2015, 2016 and 2017, nil, RMB4,360 and RMB27,906 (US$4,289) impairment was written off upon the disposal of medical equipment.

As at December31, 2016 and 2017, certain of the Group's property, plant and equipment with a total net book value of RMB111,728 and RMB37,481 (US$5,761) were pledged as collaterals for bank borrowings of RMB78,445 and RMB29,725 (US$4,569), respectively (note17).

As at December 31, 2016 and 2017, certain of the Group's construction in progress with a total net book value of nil and RMB206,244 (US$31,699) were pledged to secure other borrowings of nil and RMB280,459 (US$43,105), respectively (note 17) and mandatorily redeemable noncontrolling interest of nil and RMB396,281 (US$60,907) (note 1), respectively.

As at December 31, 2016 and 2017, the Group held equipment under operating lease contracts with customers with an original cost of RMB812,207 and RMB519,426 (US$79,834) and accumulated depreciation of RMB354,207 and RMB312,853 (US$48,085), respectively.

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10. PREPAID LAND LEASE PAYMENTS

	As at December 31,		
	2016	2017	2017
	RMB	RMB	US$
Prepaid land lease payments	445,444	456,823	70,212
Less: accumulated amortization	(3,634)	(8,890)	(1,366)
Net carrying value	441,810	447,933	68,846

The additions of prepaid land lease payments in 2017 represented the deed tax of RMB11,379 (US$1,749) while SHC register the land use right information and obtained the land use right certificate in July 2017. Amortization expenses for the years ended December 31, 2015, 2016 and 2017 were RMB1,090, RMB1,195 and RMB5,256 (US$808), respectively.

As at December 31, 2016 and 2017, certain of the Group's prepaid land lease payments with a total net book value of nil and RMB48,273 (US$7,419) were pledged to secure other borrowings of nil and RMB280,459 (US$43,105), respectively (note 17) and mandatorily redeemable noncontrolling interest of nil and RMB396,281 (US$60,907) (note 1), respectively.

The estimated annual amortization expenses for the prepaid land leases for each of the five succeeding years are as follows:

	Amortization	
	RMB	US$
2018	9,164	1,408
2019	9,164	1,408
2020	9,164	1,408
2021	9,164	1,408
2022	9,164	1,408

11. INTANGIBLE ASSETS, NET

Intangible assets consist of the following:

Others	Total

	Customer relationship intangibles	Operating lease intangibles		
	RMB	RMB	RMB	RMB
Intangible assets, net at January 1, 2016	39,484	1,682	2,287	43,453
Addition of software	—	—	960	960
Disposal of centers	(6,655)	—	—	(6,655)
Amortization expenses	(9,191)	(424)	(1,145)	(10,760)
Intangible asset impairment	(9,353)	(457)	—	(9,810)
Intangible assets, net at December 31, 2016	14,285	801	2,102	17,188
Addition of software	—	—	749	749
Disposal of centers	(3,117)	(194)	—	(3,311)
Amortization expenses	(4,399)	(301)	(1,529)	(6,229)
Intangible asset impairment	(598)	—	—	(598)
Intangible assets, net at December 31, 2017	6,171	306	1,322	7,799
Intangible assets, net at December 31, 2017, in US$	948	48	203	1,199
At December 31, 2017				
Intangible assets, cost	71,043	14,732	13,747	99,522
Less: accumulated amortization	(64,274)	(14,426)	(12,425)	(91,125)
Less: Intangible asset impairment	(598)	—	—	(598)
Intangible assets, net at December 31, 2017	6,171	306	1,322	7,799

i) Amortization expenses for intangibles were RMB19,176, RMB10,760 and RMB6,229 (US$957) for the years ended December 31, 2015, 2016 and 2017, respectively. Impairment loss on intangible assets was nil, RMB9,810 and RMB598 (US$92) for the years ended December 31, 2015, 2016 and 2017, respectively. The estimated annual amortization expenses for the above intangible assets for each of the five succeeding years are as follows:

	Amortization	
	RMB	US$
2018	2,438	375
2019	1,288	198
2020	923	142
2021	923	142
2022	264	41

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12. DEPOSITS FOR NON-CURRENT ASSETS

Deposits for non-current assets consist of the following:

	As at December 31,		
	2016	2017	2017
	RMB	RMB	US$
Deposits for purchases of property, plant and equipment*	196,731	297,040	45,654
Deposit for operating license**	102,876	—	—
	299,607	297,040	45,654
Reserve for unrecoverable deposits	(30,860)	(30,860)	(4,743)
	268,747	266,180	40,911

* The amount represented interest-free non-refundable partial payments to suppliers of medical equipment to be delivered to Group's customers. The remaining contractual obligations associated with these purchase contracts are approximately RMB81,664 and RMB426,293 (US$65,520) as at December 31, 2016 and 2017 respectively, which are included in the amount disclosed as purchase commitments in note 26.

** The amount represented the deposit paid for the operating license in BPMC, which was deconsolidated and became an equity method investee in 2017.

13. NET INVESTMENT IN DIRECT FINANCING LEASES

The Group operates as a lessor in direct financing lease agreements for medical equipment, with hospitals and other companies that engage in ongoing cooperation agreements with hospitals. These leases have terms ranging generally from three to ten years. Net investment in direct financing leases is comprised of the following:

	As at December 31,		
	2016	2017	2017
	RMB	RMB	US$
Total minimum lease payments to be received	94,341	88,973	13,675
Initial direct cost	3,963	86	13
	98,304	89,059	13,688
Unearned income	(12,054)	(16,107)	(2,475)
Net investment in direct finance leases	86,250	72,952	11,213
Current	59,060	18,900	2,905
Non-current	27,190	54,052	8,308
Total	86,250	72,952	11,213

Net investment in financing leases with carrying value of RMB75,506 and RMB24,224 (US$3,723) were pledged as collaterals for bank borrowings of RMB47,931 and RMB9,242 (US$1,420) as of December 31, 2016 and 2017, respectively (note 17).

The future minimum lease payments to be received from such non-cancelable direct financing leases are as follows:

	Future minimum lease payments	
	RMB	**US$**
2018	19,897	3,058
2019	19,946	3,066
2020	15,809	2,430
2021	14,691	2,258
2022	13,573	2,086
Above 5 years	5,143	790

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14. EQUITY METHOD INVESTMENTS

As of December 31, 2017, the network business of the Group had the following equity method investments:

	Notes	Equity interest owned by the Group			
		As of December 31,			
		2016		2017	
Xi’an JiangyuanAndike Ltd. (“JYADK”)		33	%	33	%
PTC	i)	59.51	%	59.51	%
Suzhou Chorus Medical Technologies Co., Ltd. (“Suzhou Chorus’)	ii)	36	%	36	%
Global Oncology One, Inc. (“Global Oncology”)	ii)	46.9	%	46.9	%
Guofu Huimei	iii)	-		26.07	%
ProMed	iv)	-		35.20	%
Wuxi Meizhongjiahe Cancer Center (“Wuxi MZJH”)	v)	-		10	%
BPMC	vi)	-		25	%
Beijing Century Friendship	vi)	-		21.69	%
Suzhou Shengshan Huiying Venture Capital Investment LLP. (“Suzhou Shengshan”)	vii)	-		8.13	%

i) On December 28, 2012, the Group acquired 44.55% limited partner interests of PTC, a limited partnership in Texas, U.S.A., and 45% legal interest of PTC GP Management LLC, a limited liability company registered in Texas, U.S.A and the sole general partner of PTC with 1% interest of PTC, with a consideration of RMB201,176 in cash. On July 31, 2015, the Group acquired additional 14.34% limited partner interests of PTC and additional 17.07% legal interest of PTC GP Management LLC, with a consideration of RMB30,063 in cash. After the additional investments, the Group owned 59.51% interests of PTC which ultimately holds 45.41% legal ownership interests of the University of Texas MD Anderson Cancer Center Proton Therapy Center (“MDA Proton”), a proton treatment center in Texas, U.S.A.

In accordance with PTC GP Management LLC’s regulation, the Group is only entitled to designate two out of the five managers and simply majority (more than 50%) amongst the managers is required to pass any resolution. Furthermore the regulation can only amended at the request by managers or super majority (more than 2/3) of member interest. Thus the Group is not able to control PTC GP Management LLC.

According to the partnership agreements, the Group has significant influence over PTC which can demonstrate control over MDA Proton by acting as the sole general partner. The Group accounts for its investment in PTC, and ultimately MDA Proton, under the equity method of accounting. The Group’s share of the net profit or loss of PTC, after

accounting for the effect of the difference between the cost basis of the equity method investment and the underlying assets of the investee, was a gain of RMB5,572, RMB127 and RMB17,697 (US$2,720) for the years ended December 31, 2015, 2016 and 2017 respectively. Total cash distribution received by the Group from PTC was RMB24,316, RMB9,357 and RMB6,227 (US$957) for the years ended December 31, 2015, 2016 and 2017, respectively.

The differences between the carrying value of the investment in PTC and the underlying equity in the net assets of PTC was RMB107,139 and RMB34,206 on December 28, 2012 and July 31, 2015, respectively, which were mainly arisen from the identified intangibles in the purchase price allocation and are amortized in the remaining useful life..

The amount of the Group’s underlying equity in the net assets of PTC was RMB73,570 and RMB19,658 on December 28, 2012 and July 31, 2015, respectively.

ii) In 2015, the Group entered into two share transfer agreements with JWYK, which was controlled by one of the Group's directors. Pursuant to the agreements, JWYK would acquired 36% equity interest in Suzhou Chorus and 100% interest in China Medstar, an oversea subsidiary of the Company who holds 46.9% equity interest in Global Oncology from the Group, at a consideration of RMB4,320 (US$622) and RMB8,679 (US$1,250) respectively. On April 25, 2016 and November 10, 2016, the Group received full payments from JWYK. As of December 31, 2017, the changes in registration of shareholders have not been completed and the consideration received was recorded in accrued expenses and other liabilities on the consolidated balance sheets (note 18).

iii) In April 2017, the Group completed the capital injection and obtained 26.07% in Guofu Huimei (note 1) with a total subscribed capital of RMB262,999 (US$40,422).

The following tables set forth the summarized financial information of Guofu Huimei:

	As at December 31,		
	2016	2017	2017
	RMB	RMB	US$
Current assets	—	1,201,344	184,643
Non-current assets	—	930,412	143,002
Current liabilities	—	1,170,841	179,955
Non-current liabilities	—	—	—
Noncontrolling interests	—	—	—

	For the Years Ended December 31,			
	2015	2016	2017	2017
	RMB	RMB	RMB	US$
Total revenues	—	—	—	—

Gross profit	—	—	—	—
Net income	—	—	53,261	8,186
Net income attributable to the Group	—	—	13,896	2,136

iv) In May 2017, the Group through its subsidiary Aohua Technology, acquired 31.64% equity interest of ProMed at a consideration of RMB105,119 (US$16,156) from the original shareholder. In December 2017, the Group, through its subsidiary CHMG, further acquired 3.56% equity interest of ProMed at a consideration of RMB11,820. Upon the completion of changes in registration, the Group hold 35.20% equity interest of ProMed.

v) On July 20, 2017, the Company through MHM, and an associate of the Group, Tianjin Jiatai, established Wuxi MZJH for the operations of hospital business. The registered capital of Wuxi MZJH is RMB3,000, of which RMB2,700 and RMB300 were contributed by Tianjin Jiatai and MHM, respectively, for 90% and 10% equity interests held by Tianjin Jiatai and MHM, respectively. As at December 31, 2017, Wuxi MZJH has received RMB3,000 cash injection as mentioned.

vi) In April 2017, Guofu Huimei injected RMB388,500 to Beijing Century Friendship which holds 55% of BPMC, leading to the dilution of the Group's interest and loss in control of Beijing Century Friendship and BPMC to 21.69% and 25%, respectively (note 4). Beijing Century Friendship and BPMC were deconsolidated from the Group and are accounted for as investments under equity method. As at December 31, 2017, the Group's shares in Beijing Century Friendship with a total net book value of RMB100,614 (US$15,464) were pledged to secure other borrowings of RMB280,459 (US$43,105), respectively (note 17) and mandatorily redeemable noncontrolling interest of RMB396,281 (US$60,907) (note 1).

vii) In July 2017, JKSY, a subsidiary of the Company, entered into a partnership agreement to subscribe for 8.13% interest in Suzhou Shengshan, a partnership engaged in equity and capital investment, with a subscription amount of RMB10,000. According to the partnership agreement, JKSY acts as a limited partner and has significant influence over Suzhou Shengshan’s daily operations.

The following tables set forth the aggregated summarized financial information of all equity investees:

	As at December 31,		
	2016	2017	2017
	RMB	RMB	US$
Current assets	139,963	1,490,408	229,072
Non-current assets	379,408	2,184,471	335,747
Current liabilities	171,317	1,382,880	212,545
Non-current liabilities	550,344	561,201	86,255

	For the Years Ended December 31,			
	2015	2016	2017	2017
	RMB	RMB	RMB	US$
Total revenues	286,021	247,327	277,192	42,604
Gross profit	101,820	56,074	63,998	9,836
Net income	58,373	18,379	14,631	2,249

Net income (loss) attributable to the Group	(5,572)	616	1,454	223

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15. COST METHOD INVESTMENT

As of December 31, 2017, the Group had the following cost method investment:

	Note	Equity interest owned by the Group As of December 31, 2016		2017	
Allcure Information	i)	20	%	20	%

i) 20% equity interest of Allcure Information with a carrying amount of RMB22,160 (US$3,406) was obtained through the disposal of JWYK in 2015. There was no impairment indicator for the cost method investment as of December 31, 2017.

16. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

	As at December 31, 2016 RMB	2017 RMB	2017 US$
Deferred costs	1,120	1,066	164
Deposits – long-term*	23,238	20,747	3,189
Others**	15,368	8,579	1,318
	39,726	30,392	4,671

* On June 21, 2011, the Group provided interest-free financing amounting to RMB23,608 to Changhai Hospital, a third party, for the purchase of a robotic radiosurgery system. As at December 31, 2017, the outstanding balance was RMB11,527 (US$1,772), of which RMB10,252 (US$1,576) will be collected from 2019 to 2027 in 9 installments and thus classified as non-current. The balance also included deposit refundable each year for the secured borrowings amounting to RMB81,000 (US$12,449) (note 19).

** For the years ended December 31, 2016 and 2017, impairment loss of RMB3,487 and nil were provided for the balance, respectively.

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17. BANK AND OTHER BORROWINGS

	As at December 31,		
	2016	2017	2017
	RMB	RMB	US$
Total bank and other borrowings	860,675	993,945	152,767
Comprised of:			
Short-term	562,372	512,222	78,727
Long-term, current portion	82,632	197,139	30,300
	645,004	709,361	109,027
Long-term, non-current portion	215,671	284,584	43,740
	860,675	993,945	152,767

Certain bank borrowings are secured by equipment with a net carrying value of RMB111,728 and RMB37,481 (US$5,761) (note 9), accounts receivable with a carrying value of RMB34,850 and RMB13,164 (US$2,023) (note 5), net investment in financing leases with carrying value of RMB75,506 and RMB24,224 (US$3,723) (note 13), and restricted cash of RMB568,494 and RMB563,986 (US$86,683) (note 2), as of December 31, 2016 and 2017, respectively.

As at December 31, 2016 and 2017, the short-term bank borrowing bore a weighted average interest of 2.72 % and 2.45% per annum, and the long-term bank and other borrowings bore a weighted average interest of 7.44% and 12.16% per annum, respectively. As at December 31, 2017, bank and other borrowings amounting to RMB546,519 (US$83,998) (2016: RMB583,538) and RMB447,426 (US$68,768) (2016: RMB277,136) were denominated in US$ and RMB, respectively.

As of December 31, 2017, the maturity profile of these long-term bank and other borrowings are as follows:

	RMB	US$
Within one year	197,139	30,300
Between one and two years	4,125	634
Between two and three years	—	—
Between three and four years	280,459	43,106
	481,723	74,040

As of December 31, 2017, the Company had unutilized short-term bank credit lines totaling RMB7,485 (US$1,150).

IFC convertible loan

On February 18, 2014, the Group borrowed from International Finance Corporation ("IFC") a loan with principal amount of US$20,000 which is repayable by two equal installments on October 15, 2018 and April 15, 2019. The loan gives IFC the right to convert the loan in whole or in part, at any time prior to the fifth anniversary of the date of the disbursement of the loan, into ADSs of the Company at the conversion price in effect at such time. The conversion price is initially set at US$6.90 per ADS subject to adjustments as set forth in the loan agreement. The conversion and other features (i.e. the redemption option upon certain contingencies, step down interest feature), which are not clearly and closely related to the debt host contract, are bifurcated and accounted for as a compound derivative. The compound derivative is accounted for as a liability at fair value for each reporting period (note 19).

The IFC convertible loan was initially recorded as long-term bank borrowing of US$14,149 which equal to the US$20,000 proceeds received net of the fair value of the bifurcated compound derivative of US$5,851 on the issuance date. The host debt instrument is accreted to the redemption value on the maturity date using of the effective interest method.

On October 12, 2015, the Group entered into a repayment agreement with IFC pursuant to which, principle of US$10,000 will be repaid by December 31, 2015 and the remaining US$10,000 will be repaid on February 29, 2016 and May 31, 2016 in two equal installments. The amendment on repayment term is accounted for under extinguishment accounting. In accordance with ASC 470, *Debt*, for the extinguishments of debt, the difference between the reacquisition price (which includes any premium) and the net carrying amount of the debt being extinguished (which includes any deferred debt issuance costs) should be recognized as a gain or loss when the debt is extinguished. A loss on debt extinguishment of RMB36,648 was recognized in the consolidated statement of comprehensive income (loss) for the year ended December 31, 2015. The outstanding balance of the IFC loan amounted to RMB64,804 was reclassified to "long-term bank and other borrowings, current portion" in the consolidated balance sheet as of December 31, 2015 and was repaid in February 2016. The compound derivative liability was extinguished upon the repayment of the IFC C loan.

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Other borrowings-Gopher (a related party)

In June 2015, the Group entered into a long-term loan agreement with Gopher Asset Management (“Gopher”), an entity controlled by a director of the Company (note 24), to borrow a loan of US$25,000 which matures in June 2018 at an interest rate of 9.0% per annum for its working capital. This loan is secured by the shares in a subsidiary, CCM(HK). As of December 31, 2017, the loan principal balance and accrued interest were RMB162,297 (US$24,945) and RMB5,523 (US$849) (note 24), respectively.

Other borrowings-Guofu Huimei (a related party)

In January 2017, the Group entered into a long-term loan agreement with Guofu Huimei, an equity method investee of the Group, to borrow a loan with a principal of RMB300,000 (US$46,109) which matures in January 2021 at an interest rate of 15.0% per annum for its hospital construction (note 24). The loan is secured by shares in Beijing Century Friendship of carrying value of RMB100,614 (US$15,464) (note 14), certain construction in progress of carrying value of RMB206,244 (US$31,699) (note 9) and certain prepaid land lease payments of carrying value of RMB48,273 (US$7,419) (note 10).

18. ACCRUED EXPENSES AND OTHER LIABILITIES

The components of accrued expenses and other liabilities are as follows:

	As at December 31,		
	2016	2017	2017
	RMB	RMB	US$
Accrued expenses	30,862	24,537	3,770
Salaries and welfare payable	7,590	8,183	1,258
Business and other taxes payable	5,730	12,253	1,883
Secured borrowing, current (note 19)	79,613	85,106	13,081
MD Anderson consulting fee payable	2,794	13,642	2,097
Acquisition payable for investment in ProMed	13,182	116,922	17,971
Consideration advance from JWYK (note 14)	12,999	12,453	1,914
Advance from customers	2,410	2,095	322
Deferred revenue, current	214	3	—
Other accruals	122,004	110,725	17,017
	277,398	385,919	59,313

19. Secured borrowing

On December 8, 2015, the Company issued RMB417,000 of secured borrowings with an annual interest rate from 5.0% to 6.0% to third party investors through an underwriter, HengTai Securities Co., Ltd. (“HengTai”). The borrowings have maturity terms ranged from one to five years and are secured by the Group’s future leasing revenue from 14 network hospitals. The Company received net proceeds of RMB404,000, which was net of the refundable security deposit of RMB13,000 paid to HengTai. The Company incurred issuance cost of RMB7,506 which was capitalized as deferred expense and will be recognized as interest expense based on effective interest rate.

For the year ended December 31, 2017, secured borrowing of RMB81,000 (US$12,449) was repaid and security deposit of RMB2,156 (US$331) was refunded by HengTai.

During 2017, as 2 of 14 networks was terminated and cannot generate future leasing revenue, the Company further provided a security deposit of RMB22,557 (US$3,467) to HengTai, which was recorded in “prepayments and other current assets” on the consolidated balance sheets as of December 31, 2017.

Secured borrowing due within one year of RMB79,613 and RMB85,106 (US$13,081) (note18) was recorded in “accrued expenses and other liabilities” as of December 31, 2016 and 2017, respectively, and the remaining of RMB248,604 and RMB163,498 (US$25,129) was recorded as “long-term secured borrowing” on the consolidated balance sheets as of December 31, 2016 and 2017, respectively.

As of December 31, 2017, the maturity profile of these secured borrowings is as follows:

	RMB	US$
Within one year	85,106	13,081
Between two and three years	81,602	12,542
Between three and four years	81,896	12,587
	248,604	38,210

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20. SHAREHOLDERS’ EQUITY

Share repurchase program

On August 10, 2015, the Board of Director approved a share repurchase program pursuant to which, the Company is authorized to repurchase up to US$20,000 of its outstanding ADSs at a price not exceeding US$7.99 per ADS. During the year ended December 31, 2015 and 2016, the Company repurchased 614,033 and 967,408 ADSs, representing 1,842,099 and 2,902,224 ordinary shares, with a total consideration of US$3,111 and US$4,542 respectively. No ADS was repurchased in 2017.

Special dividend

On December 11, 2015, the Board of Directors declared a special cash dividend of US$0.33 per ordinary share based on the number of ordinary shares outstanding as of September 30, 2015. The total amount of the special dividend was approximately RMB288,157, of which RMB285,829 has been paid in 2016. No special dividend was declared in 2016 and 2017.

No other dividend has been declared for the years ended December 31, 2015, 2016 and 2017.

21. RESTRICTED NET ASSETS

The Company’s ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Group’s PRC subsidiaries only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company’s subsidiaries.

In accordance with the PRC Regulations on Enterprises with Foreign Investment and their articles of association, a foreign invested enterprise established in the PRC is required to provide certain statutory reserves, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the enterprise’s PRC statutory accounts. A foreign invested enterprise is required to allocate at least 10% of its annual after-tax profit to the general reserve until such reserve has reached 50% of its respective registered capital based on the enterprise’s PRC statutory accounts. Appropriations to the enterprise expansion fund and staff welfare and

bonus fund are at the discretion of the board of directors for all foreign invested enterprises. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. Additionally, in accordance with the company law of the PRC, a domestic enterprise is required to provide at least 10% of its annual after-tax profit to the statutory common reserve until such reserve has reached 50% of its respective registered capital based on the enterprise's PRC statutory accounts. A domestic enterprise is also required to provide discretionary surplus reserve, at the discretion of the board of directors, from the profits determined in accordance with the enterprise's PRC statutory accounts.

As a result of these PRC laws and regulations that require annual appropriations of 10% of after-tax income to be set aside prior to payment of dividends as general reserve fund, the Company's PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to the Company.

In addition, foreign exchange and other regulation in the PRC may further restrict the Company's PRC subsidiaries from transferring funds to the Company in the form of dividends, loans and advances. The amount of net assets restricted was RMB1,859,425 (US$285,788) as of December 31, 2017.

22. TAXATION

Enterprise income tax:

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands, subsidiaries in British Virgin Islands are not subject to tax on income or capital gains. In addition, upon payments of dividends by these companies to their shareholders, no British Virgin Islands withholding tax will be imposed.

United States

US Proton is incorporated in the State of Delaware, U.S.A. in 2011. The entity is subject to U.S. Federal and state Income Tax (graduated income tax rate up to 35%) on its taxable income under the current laws of the United States of America. The company's activities are located solely in the state of Texas as such it is subject to Texas, as such it is subject to Texas Franchise Tax. CMS (USA) is incorporated in the State of Texas, U.S.A. in 2013 and does not conduct any substantive operations of its own. The amount of current income tax for federal and state for US Proton was nil, nil and nil for the years ended December 31, 2015, 2016, and 2017. While we believe we were able to make reasonable estimates of the impact of the Tax Cuts and Jobs Act in these financial statements, the amounts recorded are provisional and the final impact may differ from these estimates due to, among other things, changes in our interpretations and assumptions and additional guidance that may be issued by regulatory authorities.

Singapore

China Medstar is incorporated in Singapore and does not conduct any substantive operations of its own. CHS, incorporated in Singapore, was acquired in April 2015 and was in a loss position since its establishment. No provision for Singapore profits tax has been made in the consolidated financial statements as the companies have no assessable profits for the years ended December 31, 2015, 2016 and 2017. In addition, upon payments of dividends by China Medstar and CHS to its shareholder, no Singapore withholding tax will be imposed.

Hong Kong

Subsidiaries in Hong Kong do not conduct any substantive operations of their own.

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Company has no assessable profits for the year presented. In addition, upon payment of dividends by these companies to their shareholders, no Hong Kong withholding tax will be imposed.

China

The applicable rate for China entities is subject to the PRC EIT at the rate of 25% for the period since 2012.

Dividends paid by PRC subsidiaries of the Group out of the profits earned after December 31, 2007 to non-PRC tax resident investors would be subject to PRC withholding tax. The withholding tax would be 10%, unless a foreign investor’s tax jurisdiction has a tax treaty with China that provides for a lower withholding tax rate and the foreign investor is qualified as a beneficial owner under the relevant tax treaty.

In general, for circumstances not being tax evasion, the PRC tax authorities will conduct examinations of the PRC entities’ tax filings of up to five years. Accordingly, the PRC entities’ tax years from 2012 to 2017 remain subject to examination by the tax authorities.

Loss before income taxes consists of:

	For the Years Ended December 31,			
	2015	2016	2017	2017
	RMB	RMB	RMB	US$
Non – PRC	(81,559)	(141,602)	(193,212)	(29,696)
PRC	76,305	(62,996)	(60,683)	(9,327)
	(5,254)	(204,598)	(253,895)	(39,023)

The current and deferred components of the income tax expense appearing in the consolidated statements of comprehensive loss are as follows:

	For the Year Ended December 31,			
	2015	2016	2017	2017
	RMB	RMB	RMB	US$
Current tax expense	92,693	25,617	5,105	785
Deferred tax expense (benefit)	(18,668)	34,869	26,684	4,101
	74,025	60,486	31,789	4,886

A reconciliation of the differences between the statutory tax rate and the effective tax rate for EIT is as follows:

	For the Years Ended December 31,			
	2015	2016	2017	2017
	RMB	RMB	RMB	US$
Loss before income taxes	(5,254)	(204,598)	(253,895)	(39,023)
Income tax computed at the tax rate of 25%	(1,314)	(51,150)	(63,474)	(9,756)
Effect of different tax rates in different jurisdictions	9,718	10,400	23,554	3,620
Non-deductible expenses	4,682	6,942	13,872	2,132
Non-taxable income	(2,580)	—	(1,942)	(298)
Unrecognized tax positions	9,041	1,467	(2,942)	(452)
Changes of valuation allowance	11,889	73,847	48,089	7,391
Withholding tax	42,589	18,980	15,624	2,401
Effect of tax rate change	—	—	(992)	(152)
	74,025	60,486	31,789	4,886

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The reconciliation of the beginning and ending amount of unrecognized tax benefits excluding the penalty and interest is as follows:

	For the Years Ended December 31,		
	2016	2017	2017
	RMB	**RMB**	**US$**
Balance at the beginning of year	36,090	38,420	5,905
Additions based on tax positions related to the current year	9,507	4,263	655
Additions related to prior year tax position	2,308	3,658	562
Reversal related to prior year tax position	(3,743)	(1,207)	(186)
Reversal from prior year withholding tax	(4,069)	—	—
Decrease relating to expiration of applicable statute of limitation	(1,673)	(3,079)	(473)
Foreign currency translation	—	(697)	(107)
Balance at the end of year	38,420	41,358	6,356

As of December 31, 2016 and 2017, the Group had recorded RMB65,284 and RMB70,992 (US$10,911) as an accrual for unrecognized tax benefit and related interest and penalties, respectively. At December 31, 2016 and 2017, there were RMB21,300 and RMB18,381 (US$2,825) of unrecognized tax benefits that if recognized would affect the annual effective tax rate.

The final outcome of the tax uncertainty is dependent upon various matters including tax examinations, interpretation of tax laws or expiration of statute of limitations. However, due to the uncertainties associated with the status of examinations, including the protocols of finalizing audits by the relevant tax authorities, there is a high degree of uncertainty regarding the future cash outflows associated with these tax uncertainties. However, an estimate of the range of the possible change cannot be made at this time.

The bases for interest and penalties are 0.05% per day and 50% respectively of the relevant income tax liabilities of the PRC subsidiaries. The Company recognized an increase amounting to RMB9,041, RMB1,467, RMB2,770 (US$426) in interest and penalties during the years ended December 31, 2015, 2016 and 2017, respectively. As of December 31, 2016 and 2017, the Company recognized RMB26,864 and RMB29,634 (US$4,555), respectively of interest and penalties.

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The components of deferred taxes are as follows:

	As at December 31,		
	2016	2017	2017
	RMB	RMB	US$
Deferred tax asset			
Net operating loss*	69,261	122,651	18,851
Depreciation and amortization	22,673	4,807	739
Property, plant and equipment impairment	16,853	17,395	2,674
Deposits for non-current assets	6,400	6,400	984
Allowance for net investment in financing lease	4,518	4,518	694
Allowance for doubtful accounts	1,088	1,004	154
Deferred revenue	1,061	1	—
Long term receivables	1,303	3,942	606
Intangible assets	795	795	122
Accrued expenses	980	5,434	835
Capital allowances	542	—	—
Others	1,321	495	76
Total deferred tax assets	126,795	167,442	25,735
less: Valuation allowance**	(114,561)	(157,876)	(24,265)
Net deferred tax assets	12,234	9,566	1,470
Deferred tax liabilities			
Withholding tax for PRC entities	(42,970)	(50,876)	(7,819)
Aohua Technology transfer Tianjin Concord Medical loss	(5,632)	(5,632)	(866)
Equity investment	(5,159)	(8,317)	(1,278)
Property, plant and equipment	(2,456)	(2,681)	(412)
Disposal of JWYK/Beijing Century Friendship	(2,282)	(13,758)	(2,115)
Deferred costs	(67)	(67)	(10)
Intangible assets	(1,768)	(733)	(113)
Revenue generated from financing lease	(863)	(731)	(112)
Long-term deferred assets	(695)	(348)	(54)
Total deferred tax liabilities	(61,892)	(83,143)	(12,779)
Deferred tax assets, net***	—	—	—
Deferred tax liabilities, net***	(49,658)	(73,577)	(11,309)

* As of December 31, 2017, the Company had net operating losses from several of its PRC and oversea entities of RMB253,895 (US$39,023),which can be carried forward to offset future taxable profit. The net operating loss carry

forwards as of December 31, 2017 will expire in years 2018 to 2022 if not utilized.

** The Group records a valuation allowance on its deferred tax assets that is sufficient to reduce the deferred tax assets to an amount that is more likely than not to be realized. Future reversal of the valuation allowance will be recognized either when the benefit is realized or when it has been determined that it is more likely than not that the benefit in future earnings will be realized.

*** As at December 31, 2016 and 2017, deferred tax assets of approximately RMB12,234 and RMB9,566 (US$1,470) have been offset against deferred tax liabilities relating to a particular tax-paying component of an enterprise and within a particular tax jurisdiction, respectively.

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The movement of valuation allowance is as follows:

	For the Year Ended December 31,		
	2016	2017	2017
	RMB	RMB	US$
Balance at the beginning of year	(40,714)	(114,561)	(17,608)
Change of valuation allowance in the current year	(73,847)	(43,315)	(6,657)
Balance at the end of year	(114,561)	(157,876)	(24,265)

Under the Corporate Income Tax ("CIT") Law and its implementation rules, a withholding tax of 10%, unless reduced by a double tax treaty or arrangement, is applied on dividends distributed to non-PRC-resident corporate investors from PRC-resident enterprises. The Company's total distributable earnings from PRC entities are RMB571,963 (US$87,909) as of December 31, 2017, among which RMB63,208 (US$9,715) pre-2008 earnings are not subject to withholding tax under prevailing tax law. Related withholding tax of RMB50,876 (US$7,819) was quantified and accrued.

Undistributed earnings of the Company's subsidiaries in the U.S.A. that are available for distribution are considered to be transferred to the parent entity under ASC 740, *Income Taxes*, and accordingly, provision has been made for taxes that would be payable upon the distribution of those amounts to any entity within the Group outside the U.S.A. The cumulative amount of such retained earnings are nil (2016: nil) and the related provision for withholding tax is nil (2016: nil) as at December 31, 2017.

Value-added taxes ("VAT")

Revenue earned from the provision of leasing and technical services was subject to 5% business tax prior to the pilot of VAT reform (e.g. Shanghai starts the VAT pilot on January 1, 2012). The final stage of VAT reform has come into effect on 1 May 2016, the pilot program of the collection of VAT in lieu of business tax has been promoted nationwide in a comprehensive manner.

Under the current VAT regulation, for the contracts signed prior to the pilot of VAT reform or the movable property acquired prior to the pilot of VAT reform for operating leasing, the relevant rental income from leasing arrangement of movable property could adopt the simple tax calculation method and be subject to 3% VAT levy rate. Other than the above, if the contracts signed after the pilot of VAT reform, the rental income derived from movable property leasing arrangement is subject to VAT at 17% and the technical service income is subject to VAT at 6%.

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23. SHARE-BASED AWARDS

On October 16, 2008, the Board of Directors adopted the 2008 Share Incentive Plan (the “2008 Share Incentive Plan”). The 2008 Share Incentive Plan provides for the granting of options, share appreciation rights, or other share based awards to key employees, directors or consultants, which was subsequently amended on November 17, 2009 and November 26, 2011 to increase the number of ordinary shares available for grant under the plan. The total number of the Company’s ordinary shares that may be issued under the 2008 Share Incentive Plan is up to 13,218,000 ordinary shares.

Share options

On February 18, 2014, the Company granted options to purchase 3,479,604 ordinary shares to its employees at an exercise price of $2.04 per share that have a contractual life of eight years and vest over four equal installments on the first, second, third, and fourth anniversary of the grant date. The Company recognizes the compensation expense on a straight-line basis over the requisite service period for the entire award. The Company calculated the estimated grant date fair value of the share options granted on February 18, 2014, using a Binomial Tree Model, with key assumptions as follows.

	February 18, 2014	
Risk-free interest rate	2.33	%
Dividend yield	5	%
Exercise multiple	2.5	
Expected volatility range	39.03	%

The risk-free rate was based on the US Treasury bond yield curve in effect at the time of grant for periods corresponding with the expected term of the option. The dividend yield was estimated based on the average of historical dividend yields of the Company. The volatility assumption was estimated based on the historical price volatility of ordinary shares of comparable companies in the health care industry. Forfeiture rate is estimated based on the historical and future expectation of employee turnover rate and will be adjusted to reflect future change in circumstances and facts, if any.

The following table summarizes employee share options activities for the year ended December 31 2017:

Share Options Granted to Employees	Number of Shares	Weighted-Average	Weighted Average	Weighted Average	Aggregate Intrinsic

		Exercise Price	Grant-date Fair Value	Remaining Contractual Term (Years)	Value
Outstanding, January 1, 2017	7,459,046	US$ 2.98	US$ 0.72	5.74	—
Granted	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	(4,241,959)	US$ 1.37	US$ 0.65	0.13	—
Outstanding, December 31, 2017	3,217,087	US$ 5.11	US$ 0.81	13.13	—
Expected to vest, December 31, 2017	3,217,087	US$ 5.11	US$ 0.81	13.13	—
Exercisable at December 31, 2017	2,991,291	US$ 5.11	US$ 0.81	13.13	—

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the fair value of the Company's shares that would have been received by the option holders if all in-the-money options had been exercised on the issuance date.

There were no options exercised for the years ended December 31, 2015, 2016 and 2017.

As of December 31, 2017, unrecognized share-based compensation cost related to share options was RMB444 (US$68) which was expected to be recognized over a weighted-average vesting period of years. To the extent the actual forfeiture rate is different from original estimate, actual share-based compensation costs related to these awards may be different from the expectation.

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Restricted shares

On February 18, 2014, July 1, 2014 and August 1, 2014, the Company granted 1,370,250, 21,132 and 69,564 restricted shares of the Company ("Restricted Shares") to the employees of the Company, respectively. The Restricted Shares have a service condition where the grantees can remove restriction on 25% of total number of restricted shares on annual basis over a four year period ending the fourth anniversary of the grant date.

The Group did not grant any Restricted Shares in 2015 and 2016.

On August 7, 2017, August 8, 2017 and September 13, 2017, the Company granted 1,453,950, 3,319,200 and 45,000 Restricted Shares to the employees of the Company, respectively. The Restricted Shares have a service condition where the grantees can remove restriction on 25% of total number of restricted shares on annual basis over a four year period ending the fourth anniversary of the grant date.

Grant Date	Number of Awards	Fair Value per Share at the Grant date (US$)
February 18, 2014	1,370,250	1.93
July 1, 2014	21,132	2.35
August 1, 2014	69,564	2.44
August 7, 2017	1,453,950	1.33
August 8, 2017	3,319,200	1.34
September 13, 2017	45,000	1.33

The Company recognizes the compensation expense on a straight-line basis over the requisite service period for the entire award. Restricted shares activity for the year ended December 31, 2017 was as follows:

	Numbers of shares	Weighted average grant date fair value
	RMB	US$
Outstanding, January 1, 2017	1,271,085	1.97
Granted	4,818,150	1.48
Forfeited	(47,388)	1.93
Outstanding, December 31, 2017	6,041,847	1.17
Expected to vest, December 31, 2017	6,041,847	1.17

As of December 31, 2017, unrecognized share-based compensation cost related to restricted shares was RMB39,624 (US$6,090) which was expected to be recognized over a weighted-average vesting period of years.

The share-based compensation expense of the share options and restricted shares granted to employees for the years ended December 31, 2015, 2016 and 2017 is as follows:

	For the Years ended December 31,			
	2015	2016	2017	2017
	RMB	RMB	RMB	US$
General and administrative expenses	7,304	7,573	10,099	1,552
Selling expenses	780	827	1,542	237
	8,084	8,400	11,641	1,789

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24. RELATED PARTY TRANSACTIONS

a) Related parties

Name of Related Parties	**Relationship with the Group**
JYADK	Equity investee of the Group
Gopher	An entity controlled by a director of the Company
Beijing Nai'ensi Technology Limited ("Nai'ensi")	An entity controlled by a director of the Company
Allcure Information	An entity controlled by a director of the Company
JWYK	An entity controlled by a director of the Company
ProMed	Equity method investee of the Group
Guofu Huimei	Equity method investee of the Group
Tianjin Jiatai	Entity held by an equity method investee of the Group
Beijing Century Friendship	Equity method investee of the Group

b) The Group had the following related party transactions for the years ended December 31, 2015, 2016 and 2017.

	For the Years ended December 31,			
	2015	2016	2017	2017
	RMB	RMB	RMB	US$
Loan to:				
JYADK	3,173	1,485	—	—
Allcure Information	—	9,000	—	—
	3,173	10,485	—	—
Interest income from:				
JYADK	148	370	221	34
Loan from:				
Gopher	161,945	—	—	—
Tianjin Jiatai	—	—	91,855	14,118
Beijing Century Friendship	—	—	218,104	33,522
ProMed	—	—	41,010	6,303
Guofu Huimei	—	—	300,000	46,109
	161,945	—	650,969	100,052
Interest expense to:				
Gopher	6,705	15,073	14,639	2,250
Guofu Huimei	—	—	31,716	4,875
	6,705	15,073	46,355	7,125
Management service income from:				
Tianjin Jiatai	—	7,988	6,577	1,011
ProMed	—	—	4,118	633
	—	7,988	10,695	1,644
Consultation service income from:				
JWYK	113	70	—	—

Finance lease income from:				
Nai'ensi	252	—	—	—

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c) The balances between the Company and its related parties as of December 31, 2016 and 2017 are listed below.

	As at December 31,		
	2016	2017	2017
	RMB	RMB	US$
Due from related parties, current:			
JYADK	5,028	4,879	750
Allcure Information	—	9,000	1,383
Tianjin Jiatai	8,468	7,029	1,080
ProMed	—	4,396	676
	13,496	25,304	3,889
Due to related parties, current			
Gopher (note 17)	5,894	167,820	25,793
Due to related parties, non-current			
Gopher (note 17)	172,575	—	—
Tianjin Jiatai*	—	91,855	14,118
Beijing Century Friendship*	—	218,104	33,522
ProMed *	—	41,010	6,303
Guofu Huimei (note 17)	—	280,459	43,105
	172,575	631,428	97,048

* As at December 31, 2017, the balances due to Tianjin Jiatai, Beijing Century Friendship and ProMed amounted to RMB350,969 (US$53,943) in total are recorded in “Amounts due to related parties, non-current portion” on the consolidated balance sheet.

25. EMPLOYEE DEFINED CONTRIBUTION PLAN

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the PRC subsidiaries of the Group make contributions to the government for these benefits based on certain percentages of the employees’ salaries. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were RMB12,677 and RMB13,078 and RMB13,348 (US$2,052) for the years ended December 31, 2015, 2016 and 2017, respectively.

Obligations for contributions to defined contribution retirement plans for full-time employees in Singapore are recognized as expense in the statements of comprehensive loss as incurred. The total amounts for such employee benefits were approximately RMB181, RMB265 and RMB399 (US$59) for the years ended December 31, 2015, 2016 and 2017, respectively.

26. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

Future minimum payments under non-cancelable operating leases with initial terms in excess of one year consist of the following at December 31, 2017:

	RMB	US$
2018	15,252	2,344
2019	12,460	1,915
2020	12,418	1,909
2021	8,113	1,247
2022	4,100	630
Thereafter	48,175	7,404
	100,518	15,449

Payments under operating leases are expensed on a straight-line basis over the periods of their respective leases. The terms of the leases do not contain material rent escalation clauses or contingent rents. For the years ended December 31, 2015, 2016 and 2017, total rental expenses for all operating leases amounted to RMB15,805, RMB17,765 and RMB16,436 (US$2,526) respectively.

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Purchase commitments

The Group has commitments to purchase certain medical equipment of RMB426,293 (US$65,520) at December 31, 2017, which are scheduled to be paid within following years.

Income taxes

As of December 31, 2017, the Group has recognized approximately RMB70,992 (US$10,911) as an accrual for unrecognized tax positions. The final outcome of the tax uncertainty is dependent upon various matters including tax examinations, interpretation of tax laws or expiration of status of limitation. However, due to the uncertainties associated with the status of examinations, including the protocols of finalizing audits by the relevant tax authorities, there is a high degree of uncertainty regarding the future cash outflows associated with these tax uncertainties.

27. SEGMENT REPORTING

For the years ended December 31, 2015, 2016 and 2017, the Group had two operating segments, including network and hospital. The operating segments also represented the reporting segments. The Group’s CODM assess the performance of the operating segments based on the measures of revenues costs and gross profit (loss) by the network and hospital segment. Other than the information provided below, the CODM does not use any other measures by segments.

Summarized information by segments for the years ended December 31, 2015, 2016 and 2017 is as follows:

	For the year ended December 31, 2017			
	Network	Hospital	Total	
	RMB	RMB	RMB	US$
Revenues from external customers	299,321	31,656	330,977	50,870
Cost of sales	(166,407)	(66,572)	(232,979)	(35,807)
Gross profit (loss)	132,914	(34,916)	97,998	15,063

For the year ended December 31, 2016

	Network	Hospital	Total
	RMB	RMB	RMB
Revenues from external customers	443,601	11,441	455,042
Cost of sales	(247,510)	(39,033)	(286,543)
Gross profit (loss)	196,091	(27,592)	168,499

	For the year ended December 31, 2015		
	Network	Hospital	Total
	RMB	RMB	RMB
Revenues from external customers	597,746	18,739	616,485
Cost of sales	(321,285)	(32,051)	(353,336)
Gross profit (loss)	276,461	(13,312)	263,149

Segment Assets

	As at December 31,		
	2016	2017	2017
	RMB	RMB	US$
Segment assets			
Network	2,227,718	2,113,756	324,878
Hospital	1,000,885	1,351,634	207,744
Total segment assets	3,228,603	3,465,390	532,622

Major Customers

No single customer represented 10% or more of total net revenue for the years ended December 31, 2015 and 2016. Changhai Hospital represented 12.5% of total net revenue for the year ended December 31, 2017.

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Geographic Information

Net revenue by country is based upon the sales location that predominately represents the customer location.

	For the Years Ended December 31,			
	2015	2016	2017	2017
	RMB	RMB	RMB	US$
Revenues from PRC	597,746	443,601	302,304	46,463
Revenues from Singapore	18,739	11,441	28,673	4,407
Total revenues	616,485	455,042	330,977	50,870

Total long-lived assets excluding financial instruments and deferred tax assets by country were as follows:

	As at December 31,		
	2016	2017	2017
	RMB	RMB	US$
PRC	677,402	789,320	121,317
Singapore	281,757	279,615	42,976
Total long-lived assets	959,159	1,068,935	164,293

28. LOSS PER SHARE

Basic and diluted loss per share for each of the periods presented is calculated as follows:

	For the Years Ended December 31,			
	2015	2016	2017	2017
	RMB	RMB	RMB	US$
Numerator:				
Net loss attributable to ordinary shareholders used in calculating loss per ordinary share – basic and diluted	(78,304)	(261,867)	(284,320)	(43,699)
Denominator:				
Weighted average number of ordinary shares outstanding used in calculating loss per share – basic and diluted	134,546,772	130,631,867	130,091,977	130,091,977
Loss per share – basic and diluted	(0.58)	(2.00)	(2.19)	(0.34)

The effects of share options have been excluded from the computation of diluted loss per share for the years ended December 31, 2015, 2016 and 2017 as their effects would be anti-dilutive.

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29. PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

Condensed balance sheets

	As at December 31,		
	2016	**2017**	**2017**
	RMB	RMB	US$
ASSETS			
Current assets:			
Cash	22,218	3,104	477
Amounts due from subsidiaries	269,270	414,692	63,737
Total current assets	291,488	417,796	64,214
Non-current assets:			
Investment in subsidiaries	2,309,225	2,027,530	311,626
Deferred cost, non-current	854	800	123
Total assets	2,601,567	2,446,126	375,963
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank borrowings	410,963	512,221	78,727
Accrued expenses and other liabilities	34,986	16,871	2,593
Amounts due to subsidiaries	989,440	982,985	151,082
Total current liabilities	1,435,389	1,512,077	232,402
Total liabilities	1,435,389	1,512,077	232,402
Shareholders' equity:			
Ordinary shares (par value of US$0.0001 per share; authorized shares –500,000,000; issued shares –142,353,532 as of December 31, 2016 and 2017; outstanding shares –130,091,977 as of December 31, 2016 and 2017)	105	105	16
Treasury stock (12,261,555 shares as of December 31, 2016 and 2017)	(8)	(8)	(1)
Additional paid-in capital	1,852,245	1,860,763	285,994
Accumulated other comprehensive loss	(87,968)	(47,418)	(7,288)
Accumulated deficit	(598,196)	(879,393)	(135,160)
Total shareholders' equity	1,166,178	934,049	143,561
Total liabilities and shareholders' equity	2,601,567	2,446,126	375,963

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Condensed statements of comprehensive loss

	For the Years Ended December 31,			
	2015	2016	2017	2017
	RMB	RMB	RMB	US$
Revenues	—	—	—	—
Cost of revenues	—	—	—	—
General and administrative expenses	(21,623)	(22,843)	(24,431)	(3,755)
Selling expenses	(797)	(825)	(1,802)	(277)
Operating loss	(22,420)	(23,668)	(26,233)	(4,032)
Equity in loss of subsidiaries	(40,120)	(219,201)	(250,696)	(38,531)
Interest income	1,043	—	—	—
Interest expense	(20,619)	(19,326)	(7,554)	(1,161)
Change in fair value of derivatives	34,455	713	—	—
Loss on debt extinguishment	(36,648)	—	—	—
Foreign exchange gain	6,006	3,138	163	25
Net loss	(78,303)	(258,344)	(284,320)	(43,699)
Other comprehensive (loss) income, net of tax of nil				
foreign currency translation adjustments	(27,923)	(41,394)	40,550	6,232
Total other comprehensive (loss) income	(27,923)	(41,394)	40,550	6,232
Comprehensive loss	(106,226)	(299,738)	(243,770)	(37,467)

Condensed statements of cash flows

	For the Years Ended December 31,			
	2015	2016	2017	2017
	RMB	RMB	RMB	US$
Net cash used in operating activities	(29,140)	(5,230)	(89,751)	(13,794)
Net cash (used in) generated from investing activities	(354,246)	785,513	(21,452)	(3,297)
Net cash generated from (used in) financing activities	196,366	(748,076)	127,106	19,535
Exchange rate effect on cash	13,663	(11,757)	(35,021)	(5,383)
Net (decrease) increase in cash	(173,357)	20,450	(19,118)	(2,939)
Cash at beginning of the year	175,125	1,768	22,218	3,415
Cash at end of the year	1,768	22,218	3,100	476

Basis of presentation

For the presentation of the parent company only condensed financial information, the Company records its investment in subsidiaries under the equity method of accounting as prescribed in ASC 323, *Investments — Equity Method and Joint Ventures*. Such investment is presented on the balance sheet as “Investment in subsidiaries” and the subsidiaries profit or loss as “Equity in loss of subsidiaries” on the statements of comprehensive income (loss). The parent company only financial statements should be read in conjunction with the Company’s consolidated financial statements.

30. FAIR VALUE MEASUREMENTS

The Group applies ASC Topic 820, *Fair Value Measurements and Disclosures* (“ASC 820”), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 — Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

In accordance with ASC 820, the Group measured the derivative liability in connection with the IFC convertible loan at fair value as of December 31, 2015, on a recurring basis using a valuation model with significant inputs that are directly or indirectly observable in the marketplace (Level 2). The convertible IFC loan was settled in February 2016. The Company had no assets or liabilities measured or disclosed at fair value on a recurring basis using significant unobservable inputs (Level 3) as of December 31, 2016 and 2017.

The following table summarizes the nonrecurring fair value measurements for each class of assets as of and for the year ended December 31, 2017.

	Fair Value Measurement at the End of the Reporting Period Using				
	As of December 31, 2017	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significance Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total losses**
	RMB	**RMB**	**RMB**	**RMB**	**RMB**
Description					
Nonrecurring fair value measurements:					
Long-lived assets held and used	632	—	—	632	(1,507)

In accordance with ASC 360, long-lived assets held and used with a carrying amount of RMB2,138 (US$329) were written down to their fair value of RMB632 (US$97), resulting in an impairment charge of RMB1,507 (US$232), which was included in the caption of "impairment of long-lived assets" in the consolidated statements of comprehensive loss. The fair value of long-lived assets is measured using the discounted cash flow approach, based on a discounted rate of 14% and expected remaining lives of such assets.

The Group measures certain financial assets, including cost and equity method investments, at fair value on a nonrecurring basis only if an impairment charge were to be recognized. The Group's non-financial assets, such as intangible assets, goodwill and fixed assets, would be measured at fair value only if they were determined to be impaired.

31. SUBSEQUENT EVENTS

On April 8, 2018, the Company entered into an agreement with CICC Capital Management Company Limited ("CICC Capital"), a wholly-owned subsidiary of China International Capital Corporation Limited ("CICC"). Pursuant to the agreement, CICC Capital through its investment institutions, will make a strategic investment in the Company's subsidiary, MHM, with total investment amount ranged from RMB1,500,000 to RMB1,800,000. After completion of the investment, CICC Capital will hold approximately 37.5% to 41.9% of the equity interests in MHM.