THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **New Century Healthcare Holding Co. Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the licensed bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1518)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 85.0% EQUITY INTEREST OF CHENGDU NEW CENTURY AND RE-ELECTION OF MR. GUO QIZHI AS NON-EXECUTIVE DIRECTOR AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

A letter from the board of directors of New Century Healthcare Holding Co. Limited is set out on pages 1 to 22 of this circular. A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) is set out on page 23 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 57 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at the Meeting Room, Ground Floor, Pediatrics Building, New Century Women's and Children's Hospital, No. 51, Wangjing North Road, Chaoyang District, Beijing, the People s Republic of China on Thursday, January 18, 2018 at 10:00 a.m., is set out on pages 153 to 154 of this circular. Whether or not you are able to attend the extraordinary general meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time of the extraordinary general meeting (i.e. before 10:00 a.m. on Tuesday, 16 January, 2018) or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting in person should you so wish.

Hong Kong, December 29, 2017

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In this circular, the following terms shall have the meanings set out below unless the context requires otherwise:

"2016 Annual Report"	the 2016 annual report of the Company published on April 21, 2017;
"2017 Interim Report"	the 2017 interim report of the Company published on September 19, 2017;
"Accounts Date"	June 30, 2017;
"Acquisition"	the acquisition of the Sale Shares by Jiahua Yihe;
"Articles of Association"	the articles of association of the Company adopted on December 22, 2016 which became effective on January 18, 2017, as amended from time to time;
"BCH"	Beijing Children's Hospital, Capital Medical University (首都醫科大學附屬北京兒童醫院), a connected person of the Company on the subsidiary level only due to its 35.0% interest in BNC Children's Hospital;
"BNC Children's Hospital"	Beijing New Century Children's Hospital Co., Ltd. (北京新世紀兒童醫院有限公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company;
"BNC Harmony Clinic"	Beijing New Century Ronghe Outpatient Service Co., Ltd. (北京新世紀榮和門診部有限公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company;
"BNC Women's and Children's Hospital"	Beijing New Century Women's and Children's Hospital Co., Ltd. (北京新世紀婦兒醫院有限公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company;
"Board"	the board of Directors of the Company;
"Boyu AH"	Anyi Hekang (Tianjin) Investment Partnership L.P. (安怡和康(天津)投資合夥企業(有限合夥)), a limited liability partnership formed in the PRC;

"Business Day"	a day (other than a Saturday or a Sunday) on which banks are open for business in Hong Kong;
"BVI"	the British Virgin Islands;
"CAGR"	compound annual growth rate;
"CDB GJ"	Suzhou Industrial Park Guohe Jiahua Venture Capital L.P. (蘇州工業園區國禾嘉華創業投資企業(有限合夥)), a limited liability partnership formed in the PRC;
"CDH Fuji"	Shanghai Fuji Investment Partnership L.P. (上海孚紀投資合夥企業(有限合夥)), a limited liability partnership formed in the PRC;
"CDH Fuyi"	Shanghai Fuyi Investment Partnership L.P. (上海孚怡投資合夥企業(有限合夥)), a limited liability partnership formed in the PRC;
"CDH Investments I"	collectively, Beijing CDH Weixin Venture Investment Center L.P. (北京鼎暉維鑫創業投資中心(有限合夥)), Beijing CDH Weisen Venture Investment Center L.P. (北京鼎暉維森創業投資中心(有限合夥)) and Tianjin CDH Asana Equity Investment Partnership L.P (天津鼎暉嘉尚股權投資合夥企業(有限合夥));
"Century Star"	Century Star Investment Co., Ltd., a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Zhou;
"Chengdu Women's and Children's Central Hospital"	Chengdu Women's and Children's Central Hospital (成都市婦女兒童中心醫院), a not-for-profit public hospital owned and managed by Chengdu Bureau of Hospitals Administration (成都市醫院管理局), a governmental bureau in Chengdu, the PRC;
"Company"	New Century Healthcare Holding Co. Limited (新世紀醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"Completion"	the completion of the Acquisition;
"Completion Date"	has the meaning ascribed to it under the paragraph headed "Completion" in section 2 of the letter from the Board in this circular;

"connected person(s)"	has the same meaning ascribed to it in the Listing Rules;
"Consideration"	the consideration for the sale of the Sale Shares payable to Jiahua Likang;
"Controlling Shareholders"	Mr. Zhou, JoeCare and Century Star;
"Director(s)"	the director(s) of the Company;
"DR. HE Xin"	Dr. HE Xin (何欣), a non-executive Director of the Company;
"EBITDA"	earnings before interests, taxes, depreciation and amortization;
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Acquisition;
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion;
"Global Offering"	has the meaning ascribed to it in the Prospectus;
"Group", "we", "us" or "our"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKFRSs"	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and the related interpretations issued by the Hong Kong Institute of Certified Public Accountants;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Acquisition;
"Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition;

"Independent Shareholders"	the Shareholders other than those who are required under the Listing Rules to abstain from voting at the EGM in respect of the Acquisition;
"Jiahua Kangming"	Beijing Jiahua Kangming Medical Investment and Management Co., Ltd. (北京嘉華康銘醫療投資管理有限公司), a company incorporated in the PRC with limited liability, which is owned by Ms. Zhao as to 99.0% and Ms. ZHOU Jie (Mr. Zhou's sister) as to 1.0%, and is a connected person of the Company;
"Jiahua Kangyong"	Beijing Jiahua Kangyong Investment and Management Co., Ltd. (北京嘉華康永投資管理有限公司), a company incorporated in the PRC with limited liability, which is owned by Mr. Zhou as to 90.0% and Ms. Zhao as to 10.0%, and is a connected person of the Company;
"Jiahua Likang"	Beijing Jiahua Likang Medical Investment and Management Co., Ltd. (北京嘉華麗康醫療投資管理有限公司), a company incorporated in the PRC with limited liability, which is owned by Jiahua Kangyong as to 41.3%, Zhonghe Qingrun as to 33.7% and CDH Investments I as to 25.0%, and is a connected person of the Company;
"Jiahua Yihe"	Beijing Jiahua Yihe Management and Consulting Co., Ltd. (北京嘉華怡和管理諮詢有限公司), a company incorporated in the PRC with limited liability and wholly-owned by the Company;
"JoeCare"	JoeCare Investment Co., Ltd., a company incorporated in the BVI with limited liability and wholly-owned by Mr. Zhou, and a controlling Shareholder;
"Latest Practicable Date"	December 22, 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
"Mr. WANG Siye"	Mr. WANG Siye (王思業), a non-executive Director of the Company;
"Ms. ZHANG Lan"	Ms. ZHANG Lan (張嵐), a non-executive Director of the Company;

"Mr. Zhou"	Mr. Jason ZHOU, Chairman of the Board, chief executive officer, an executive Director and a controlling Shareholder;
"Ms. Liang"	Ms. LIANG Yanqing (梁艷清), a non-executive Director and a substantial Shareholder;
"Ms. Zhao"	Ms. ZHAO Juan (趙娟), the spouse of Mr. Zhou;
"Muhe Jiaye"	Beijing Muhe Jiaye Property Management Co., Ltd. (北京睦合嘉業物業管理有限公司), a company incorporated in the PRC with limited liability, which is a connected person of the Company;
"percentage ratio(s)"	the percentage ratio(s) set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction;
"PRC"	the People's Republic of China, for the purpose of this circular, not including Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan;
"Prospectus"	the prospectus dated December 30, 2016 issued by the Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale and Purchase Agreement"	the share transfer agreement dated December 6, 2017 entered into between Jiahua Yihe and Jiahua Likang in respect of the Acquisition;
"Sale Shares"	the shares representing 85.0% equity interest of the Target Company;
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) of US$0.0001 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"subsidiary(ies)"	has the same meaning ascribed to it in the Listing Rules;
"substantial shareholder(s)"	has the same meaning ascribed to it in the Listing Rules;
"Target Company" or "Chengdu New Century"	Chengdu New Century Women's and Children's Hospital Co., Ltd. (成都新世紀婦女兒童醫院有限公司), a company incorporated in the PRC with limited liability;
"Tianjin Taiding Investment"	Tianjin Taiding Investment Co., Ltd. (天津泰鼎投資有限公司), a company incorporated in the PRC with limited liability and is owned directly as to 55.0% by Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司) (whose entire issued share capital is held by Mr. WU Shangzhi) and as to 45.0% by Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司) (whose entire issued share capital is held by Mr. JIAO Shuge), and a substantial Shareholder by virtue of its control over CDH Fuji and CDH Fuyi;
"Tier 1 Cities"	Beijing, Shanghai, Guangzhou and Shenzhen or, where the context so requires, any of them;
"Valuation"	has the meaning ascribed to it in section 2 of the letter from the Board in this circular;
"Valuation Date"	has the meaning ascribed to it in section 2 of the letter from the Board in this circular;
"Valuation Report"	has the meaning ascribed to it in section 2 of the letter from the Board in this circular;
"Valuer"	has the meaning ascribed to it in section 2 of the letter from the Board in this circular;
"Victor Gains"	Victor Gains Limited, a company incorporated in the BVI with limited liability and wholly-owned by Ms. Liang, and a substantial Shareholder;
"VIE"	variable interest entity;
"VIE Acquisition"	has the meaning ascribed to it in the VIE Circular;

"VIE Acquisition Agreement"	has the meaning ascribed to it in the VIE Circular;
"VIE Circular"	the circular dated November 3, 2017 of the Company in relation to the VIE Acquisition and the VIE Contracts;
"VIE Contracts"	has the meaning ascribed to it in the VIE Circular;
"Voting Agreement"	an agreement entered into between Mr. Zhou and Ms. Liang on February 18, 2016 with an initial term of three years from the date thereof, pursuant to which Ms. Liang irrevocably agreed to follow Mr. Zhou's voting directions when exercising the voting rights attached to the Shares beneficially owned by her during the term of such agreement;
"WFOE"	wholly-foreign-owned enterprise;
"Zhonghe Qingrun"	Beijing Zhonghe Qingrun Investment Co., Limited (北京眾和清潤投資有限公司), a company incorporated in the PRC with limited liability, which is owned by, among others, Ms. Liang as to 51.0%, and is a connected person of the Company; and
"%"	percent.

The English names of PRC entities are an informal English translation of their respective official Chinese names.

For the purpose of this circular, the conversion of RMB into HK$ is based on the exchange rate of RMB1 to HK$1.18 for illustration purpose only.

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments, and may not add up to the total due to rounding.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1518)

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

Non-executive Directors:
Ms. LIANG Yanqing
Dr. HE Xin
Mr. WANG Siye
Ms. ZHANG Lan

Independent Non-executive Directors:
Mr. WU Guanxiong
Mr. SUN Hongbin
Mr. JIANG Yanfu
Dr. MA Jing

Registered Office:
c/o Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

Headquarter and Principal Place of Business in the PRC:
56 Nanlishi Road
Xicheng District
Beijing
PRC

Principal Place of Business in Hong Kong:
36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

December 29, 2017

Dear Shareholders,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 85.0% EQUITY INTEREST OF CHENGDU NEW CENTURY AND RE-ELECTION OF MR. GUO QIZHI AS NON-EXECUTIVE DIRECTOR AND NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the announcement of the Company dated December 6, 2017.

On December 6, 2017, the Company announced that Jiahua Yihe (as the purchaser) and Jiahua Likang (as the seller) entered into the Sale and Purchase Agreement, pursuant to which Jiahua Yihe has conditionally agreed to purchase, and Jiahua Likang has conditionally agreed to sell, the Sale Shares for a cash consideration of RMB200.0 million (equivalent to approximately HK$236.0 million). According to the Sale and Purchase Agreement, Jiahua Yihe may elect to nominate a wholly-owned subsidiary to take up the Sale Shares.

The purpose of this circular is (i) to provide you with (A) further information regarding the details of the Acquisition; (B) the financial and other information of the Group; (C) the financial information of the Target Company; and (D) the unaudited pro forma financial information of the Enlarged Group; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) to provide you with further information regarding Mr. Guo Qizhi, who was appointed as a non-executive Director on November 23, 2017 with effect from January 1, 2018 and is subject to re-election at the EGM; and (v) to give the Shareholders the notice of the EGM and other information as required under the Listing Rules.

The Board's view on the Acquisition and its recommendation to the Independent Shareholders as to voting at the EGM in respect of the Acquisition are set out in section 7 of this letter.

2. THE ACQUISITION

Date

December 6, 2017 (after trading hours)

Parties

(1) Jiahua Yihe as the purchaser

(2) Jiahua Likang as the seller

As at the date of this circular, Mr. Zhou, an executive Director and a controlling shareholder of the Company, who is a connected person of the Company, holds (together with his spouse) approximately 41.3% equity interest of Jiahua Likang. At the same time, Ms. Liang, a non-executive Director and a substantial shareholder of the Company, who is a connected person of the Company, holds approximately 33.7% equity interest of Jiahua Likang. As such, Jiahua Likang is an associate of Mr. Zhou and Ms. Liang and a connected person of the Company pursuant to the Listing Rules.

Subject of the Acquisition

Subject to the terms and conditions of the Sale and Purchase Agreement, Jiahua Yihe has conditionally agreed to purchase, and Jiahua Likang has conditionally agreed to sell, the Sale Shares for a cash consideration of RMB200.0 million (equivalent to approximately HK$236.0 million).

Consideration

The Consideration of RMB200.0 million (equivalent to approximately HK$236.0 million) was determined after arm's length negotiation between Jiahua Yihe and Jiahua Likang after taking into account, (i) the price-to-sales multiples of comparable transactions in the China hospital services sector; and (ii) the historical performance of the business and future prospects of the Target Company.

Price-to-sales multiples of comparable transactions

In determining the Consideration, the Board has taken into account the price-to-sales multiples (the "**P/S Multiples**") of five comparable transactions which involved sale or disposal of target companies in medical industry in the PRC.

The P/S Multiples of the comparable transactions are calculated based on the actual or implied valuation for the 100% equity interest in the target company divided by the available trailing-twelve-month revenue of the target company prior to the announcement of the respective comparable transactions.

The Board considers it is fair and reasonable to select those comparable transactions and use the P/S Multiples for comparison and assessment purposes for the following reasons:

- those comparable transactions involved loss-making target companies in medical industry and they are comparable to the Acquisition in this regard;

- those comparable transactions are relatively recent transactions whose transaction particulars are available; and

- both price-to-earnings, price-to-book and other earnings multiples of the comparable transactions would not provide meaningful comparison in assessing the fairness and reasonableness of the Consideration because of the loss-making situation.

The P/S Multiples of the comparable transactions ranged from approximately 2.7 times to 15.0 times, with an average of approximately 9.3 times. The implied P/S Multiple of the Acquisition of approximately 2.7 times is lower than the average of the P/S Multiples of comparable transactions.

Details of the comparable transactions are set out as below:

Date	Purchaser/Vendor	Target company	Principal activities of target company	Percentage acquired/ disposed	Value	Implied P/S Multiples
					(RMB million)	*(times)*
October 24, 2017	Ningbo Sanxing Medical Electric Co., Ltd (stock code in Shanghai stock exchange: 601567)	Zhejiang Mingzhou Rehabilitation Hospital Co., Ltd (浙江明州康復醫院有限公司)	Hospital management	80.0%	256.0	17.0
April 18, 2017	Vigor Online Offshore Limited (the controlling shareholder of China Medical & Healthcare Group Limited (stock code in the Stock Exchange: 383)	China Medical	Provision of medical and aesthetic services	27.6%	2,117.6 *(Note 1)*	2.7
January 18, 2017	Starmap Medicine and Technology Co., Ltd (stock code in Shenzhen stock exchange: 300143)	Hangzhou Zhongwei Chinese Medicine Tumor Hospital (杭州中衛中醫腫瘤醫院)	A China based hospital specialising in tumor treatment	100.0%	52.8	8.3
December 1, 2016	Guizhou YiBai Pharmaceutical Co. Ltd (stock code in Shenzhen Stock Exchange: 600594)	Shanghai Vogyion Medical Investment Management Co., Ltd	Medical equipment investment, equipment leasing and medical project acquisition	53.6%	106.7	15.0
September 26, 2016	Hua Xia Healthcare Holdings Limited (stock code in the Stock Exchange: 8143)	Beijing Tongji Hospital Co., Limited (北京同濟醫院有限公司)	A composite hospital in Beijing	99.9%	127.1 *(Note 1)*	3.4
					Average	9.3
					Maximum	15.0
					Minimum	2.7
		The Acquisition		**85.0%**		**2.7** *(Note 2)*

Source: Stock Exchange filings and the respective companies' announcements.

Notes:

1. For illustration purpose, the conversion of HK$ into RMB is based on the exchange rate of HK$1 to RMB0.85 and the conversion of US$ into RMB is based on the exchange rate of US$1 to RMB6.6 respectively.

2. The implied P/S Multiple of the Acquisition of approximately 2.7 times is calculated based on the implied Consideration for the 100% equity interest in Chengdu New Century of approximately RMB235.3 million divided by the trailing-twelve-month revenue of Chengdu New Century for the twelve months ended June 30, 2017 of approximately RMB87.4 million. The P/S Multiple of the Target Company was calculated using their respective trailing-twelve-month revenue as the Board is of the view that it best reflects the Target Company's most recent financial performance.

Historical performance and future prospects of the Target Company

When determining the Consideration, the Board has also taken into account the historical performance and future prospects of the Target Company.

(a) Historical performance

Set out below are certain operating data and related revenue information of the Target Company for the three years ended December 31, 2016 and for the six months ended June 30, 2016 and 2017 respectively:

	For the six months ended June 30,		For the year ended December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
Inpatients					
Inpatient visits	1,192	816	2,075	751	39
Average inpatient spending per visit *(RMB)*	18,540	14,682	15,850	15,550	15,000
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	22,100	11,980	32,888	11,678	585
Outpatients					
Outpatient visits	24,256	16,200	41,357	11,274	586
Average outpatient spending per visit *(RMB)*	703	948	913	1,168	1,355
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	17,063	15,356	37,759	13,165	794

Set out below is a summary of the financial performance of the Target Company for the three years ended December 31, 2016 and for the six months ended June 30, 2016 and 2017 respectively, prepared in accordance with HKFRSs:

	Six months ended June 30,		Year ended December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Unaudited)			
Revenue	42,261	28,585	73,769	25,909	1,447
Cost of revenue	(44,548)	(40,089)	(86,821)	(53,752)	(21,630)
Gross loss	(2,287)	(11,504)	(13,052)	(27,843)	(20,183)
Selling expenses	(5,305)	(6,639)	(11,218)	(9,405)	(1,373)
Administrative expenses	(15,225)	(14,467)	(31,389)	(18,299)	(11,588)
Other income	2	73	246	4	7
Other losses – net	(4)	–	–	–	–
Operating loss	(22,819)	(32,537)	(55,413)	(55,543)	(33,137)
Finance income	2	4	9	8	16
Loss before income tax	(22,817)	(32,533)	(55,404)	(55,535)	(33,121)
Income tax income	(28,621)	–	–	–	–
Profit/(Loss) for the year/period	5,804	(32,533)	(55,404)	(55,535)	(33,121)

As can be seen from the above-mentioned operating data and financial information of the Target Company, its inpatient and outpatient businesses both underwent rapid growth in 2014, 2015, 2016 and the six months of 2017 which resulted in significant revenue growth. As a result, the gross losses, operating losses and the losses before income tax of the Target Company have been decreasing since 2015. In particular:

- starting from 2015, the revenue had a significant growth, rising from approximately RMB25.9 million for the year ended December 31, 2015 to approximately RMB73.8 million for the year ended December 31, 2016, representing a growth rate of approximately 184.7%; the revenue for the year ended December 31, 2014 was insignificant as the Target Company only commenced its operation in the second half of 2014;

- the growing trend continued for the six months ended June 30, 2017 as the revenue rose to approximately RMB42.3 million, representing an increase of approximately RMB13.7 million or approximately 47.9% from that in the corresponding period ended June 30, 2016;

- the total inpatient visits jumped from 751 for the year ended December 31, 2015 to approximately 2,075 for the year ended December 31, 2016, representing an increase of approximately 176.3%;

- the total outpatient visits surged from 11,274 for the year ended December 31, 2015 to 41,357 for the year ended December 31, 2016, representing an approximately 2.7 times year-on-year growth; and

- the number of inpatient visits and outpatient visits continued to rise, recording 1,192 and 24,256 visits respectively for the six months ended June 30, 2017, which were approximately 46.1% and 49.7% higher than those for the corresponding six-month period in 2016.

Based on the above, the Board is of the view that the historical operating data and revenue growth trend of the Target Company have demonstrated a healthy and improving historical performance of the Target Company.

(b) Future prospects

Based on the in-depth industry expertise of the management of the Company and their years of experience in operating BNC Children's Hospital, BNC Women's and Children's Hospital and BNC Harmony Clinic, the Company is well aware of the investment circle of a medical institution. A typical women and children's hospital takes normally three to four years to achieve breakeven or start generating profit since its establishment. Although the Target Company is still in operating-loss position, the Company is optimistic on the future business prospects of the Target Company principally based on the following reasons:

(i) Positive industry outlook

In December 2015, the State Council issued the Decision on Implementing the Universal Two-Child Policy and Reforming and Improving the Management of Family Planning Services (關於實施全面兩孩政策改革完善計劃生育服務管理的決定), which abolishes the previous one-child policy and allows each married couple to have up to two children. Frost & Sullivan, an independent market research and analysis firm, expects the birth rate in the PRC to rise, which will increase demand for pediatric, obstetric and gynecologic services. On the supply side, however, they also expect the PRC to continue in experiencing a shortage of pediatricians.

According to the National Bureau of Statistics of China, the average healthcare related spending per PRC citizen had recorded an average annual growth of approximately 14.67% per annum over the period from 2010 to 2015, evidencing the increase in personal spending power in healthcare services. The rise in spending power of PRC residents is expected to continue in driving the growth of demand for private pediatric and obstetric and gynecologic markets, especially in the mid- to high-end segment of which the Target Company operates.

In line with relaxation in population control policy and the increase in the overall wealth of PRC citizens and spending power, the pediatric and obstetric and gynecologic healthcare markets in the PRC had continued to demonstrate strong sentiment in its growth. With reference to the National Health and Family Planning Commission of the PRC, the PRC pediatrics healthcare market had increased from approximately RMB53.7 billion in 2012 to approximately RMB81.1 billion in 2015, representing a CAGR of approximately 14.7%. The obstetrics and gynecology healthcare market had also demonstrated a similar growth trend, increasing from approximately RMB138.3 billion in 2012 to approximately RMB214.0 billion in 2015, representing a CAGR of approximately 15.7%. In particular, obstetrics and gynecology healthcare market in Chengdu recorded a CAGR of approximately 19.5% in the same period.

According to a report prepared by Shanghai Renxi Management Consulting Co., Ltd. (上海仁汐管理諮詢有限公司), an independent healthcare market consultant, amongst other major cities in the PRC, Chengdu saw some of the fastest growth rate in total number of new born child with CAGR of approximately 9.0% during the 4-year period from 2012 to 2016 and it is forecasted to have a CAGR of approximately 9.5% for the 5-year period from 2016 to 2021. In addition, it cited that Chengdu obstetric and gynecologic healthcare market was expected to have a CAGR of approximately 24.4% during the 4-year period from 2017 to 2021.

In view of the factors mentioned above, the Board considers that the outlook of the mid- to high-end segments of both private pediatric and obstetric and gynecologic healthcare markets in the PRC, including Chengdu, is generally positive.

(ii) Promotion of two additional lines of business

In response to the increasing demand for services from the division of general medicine of pediatric department, the management of the Target Company has promoted and enhanced its pneumology and gastroenterology service lines since October 2017 which are targeted at chronic disease. The pneumology and gastroenterology services are extensions of service scope under the pediatric department of the Target Company. In this respect, the Target Company has recruited a medical team which is specialized in pneumology and gastroenterology and widely recognized in the PRC. The Company expected the promotion of the two additional service lines would bring in additional source of revenue to the Target Company.

(iii) Projected revenue growth

The Company expects significant growth in revenue of the Target Company in the coming few years, particularly in 2018 and 2019. Revenue of the Target Company is expected to increase by approximately 18%, 53%, 30% and 20% for the years ending December 31, 2017, 2018, 2019 and 2020 through 2022 respectively. The CAGR of revenue of the Chengdu for the aforesaid six years will be approximately 26%. Such growth rate is generally in line with the forecasted CAGR in revenue of the mid- to high-end segment of the PRC private pediatric healthcare market and the PRC private obstetric and gynecologic health market between 2014 and 2020 of approximately 24% and 26% respectively as set out in the section headed "Industry Overview" of the Prospectus.

The anticipated growth in the revenue of the Target Company is expected to be primarily driven by projected increase in the number of the patient visits for both outpatient and inpatient.

(iv) Healthy and improving historical performance

As analyzed above, the historical operating data and revenue growth trend of the Target Company have demonstrated a healthy and improving historical performance which lays a solid foundation for the future growth of its businesses.

Valuation

The Company also engaged an independent valuer D&P China (HK) Limited (the "**Valuer**") to prepare a valuation report (the "**Valuation Report**") which is set out in Appendix V to this circular and sets out an independent valuation on the 85% equity interest of the Target Company (the "**Valuation**") as at June 30, 2017 (the "**Valuation Date**") for acquisition reference. The Valuation was primarily based on the market approach which refers to valuation by comparing the Target Company with companies listed on Shenzhen stock exchange, Shanghai stock exchange and the Stock Exchange whose principal activities are healthcare services providers.

Directors' view on the Consideration

In view of the basis set out above, the Directors are of the view that the Consideration for the Acquisition is fair and reasonable, on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Funding of Consideration and change in use of proceeds

The Consideration shall be payable in accordance with the terms and conditions of the Sale and Purchase Agreement and will be funded by the portion of the net proceeds from the Global Offering which has been allocated for the purpose of acquiring hospitals and clinics.

As disclosed in the announcement of the Company dated December 6, 2017, the Board resolved on December 6, 2017 to change the proposed use of portion of the net proceeds from the Global Offering which has been allocated for the purpose of acquiring hospitals and clinics as follows:

Intended Use of Proceeds	**Revised Intended Use of Proceeds**
• HK$315.5 million (representing 40.0% of the net proceeds) will be used for acquiring one hospital and five clinics in Tier 1 Cities including Beijing	HK$315.5 million (representing 40.0% of the net proceeds) will be used for acquiring hospital(s) and clinic(s) in Tier 1 Cities and other major cities in the PRC

As disclosed in the Company's 2017 Interim Report published on September 19, 2017, to further expand the Group's medical network as it grows, the Group is exploring opportunities in other major cities in the PRC.

Based on the Board's continuing assessment on and monitoring over the Group's development plans and having regard to various factors including the rapidly changing competition landscape and market conditions, overall acquisition costs and expenses of hospitals and clinics in different cities, the availability of suitable hospitals and clinics on sale, government policy, consumer spending power in the local market and the need for further growing its business, the Board considers it appropriate to explore opportunities in other major cities and therefore resolved to make the change in use of proceeds as detailed above.

Directors' view on change in use of proceeds

The Board believes that such change will enable the Group to explore more suitable opportunities and optimize the use of the Group's financial resources and meet the Group's strategic business planning and operational needs more effectively and efficiently. The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considers that the above proposed change in the use of proceeds is in the best interests of the Company and its Shareholders as a whole.

Conditions precedent

Completion is conditional upon the satisfaction (or, if applicable, the written waiver) of certain conditions precedent, which are set out below:

(1) the Sale and Purchase Agreement and the new articles of association of the Target Company having been duly and effectively signed by Jiahua Yihe and the necessary authorizations and/or approvals for signing such documents, including all the required internal authorizations and government approvals (including but not limited to competent governmental authority of commerce, if applicable) and shareholder approvals, having been obtained;

(2) approval having been obtained from the Independent Shareholders at the EGM in accordance with the Listing Rules and the Articles of Association for the Sale and Purchase Agreement and the transaction contemplated thereunder;

(3) the Sale and Purchase Agreement and all necessary transactional documents having been duly and effectively signed by Jiahua Likang and the necessary authorizations and/or approvals for signing such documents, including all the required internal authorizations and government approvals, having been obtained;

(4) no change, event or circumstance having occurred which has or may be reasonably foreseen to have a material adverse effect on the financial position, business, assets, liabilities, prospect or operation of the Target Company;

(5) the representations and warranties made by Jiahua Likang remaining to be true, complete and accurate;

(6) Jiahua Likang having performed and complied with, in all respects, the agreements, obligations and conditions under the Sale and Purchase Agreement that must be performed or complied with on or before the Completion Date;

(7) the Target Company and each of the employees listed in the Appendix III to the Sale and Purchase Agreement having entered into the employment contract with a term of not less than three years and non-competition agreements;

(8) the Target Company having not distributed any dividends or adjusted the remuneration of its employees since the Accounts Date; and

(9) all materials provided by Jiahua Likang and the Target Company remaining to be true, accurate and complete and there being no misleading statement or material omission, and any representations, warranties and undertakings that will be made between the signing date of the Sale and Purchase Agreement and the Completion Date remaining to be true and valid.

Save for conditions (1), (2) and (3) above, all conditions above are capable of being waived by Jiahua Yihe.

As at the date of this circular, save for condition (3), none of the other conditions have been fulfilled or waived.

Completion

Jiahua Likang and the Target Company shall complete the registration procedure with respect to the Acquisition with the relevant industrial and commercial administration authority of the PRC and obtain the new business licence of the Target Company (the date of obtaining the new business licence being the "**Completion Date**") within twenty days after all the conditions precedent are fulfilled and confirmed by Jiahua Yihe in writing or, if applicable, waived by it in writing. According to the Sale and Purchase Agreement, Jiahua Yihe may elect to nominate a wholly-owned subsidiary to take up the Sale Shares.

Upon Completion, the Company will indirectly hold 85.0% equity interest of the Target Company and the Target Company will become a non-wholly-owned subsidiary of the Company.

Termination

Jiahua Yihe shall be entitled to terminate the Sale and Purchase Agreement by giving notice to Jiahua Likang with immediate effect upon occurrence of any of the following events:

(1) any material breach by Jiahua Likang which seriously affect the interest reasonably contemplated by Jiahua Yihe under the Sale and Purchase Agreement; or

(2) any representations or warranties made by Jiahua Likang being untrue in any material respect and causing significant loss to Jiahua Yihe.

3. FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Company will indirectly hold 85.0% equity interest of the Target Company and the Target Company will become a non-wholly-owned subsidiary of the Company, so the assets, liabilities and financial results of the Target Company will accordingly be consolidated into the financial statements of the Group.

Effect on assets and liabilities

As at June 30, 2017, the Group had unaudited total assets, total liabilities and net assets of approximately RMB1,401.3 million, RMB194.6 million and RMB1,206.7 million respectively. As set out in Appendix IV to this circular, on the assumption that Completion had taken place on June 30, 2017, the Group's unaudited pro forma total assets and total liabilities would have increased to approximately RMB1,694.5 million and RMB491.2 million respectively, while its unaudited net assets would have decreased to approximately RMB1,203.2 million.

Further details of the unaudited pro forma financial information of the Enlarged Group are set out in Appendix IV to this circular.

Effect on earnings

As set out in Appendices II and III to this circular, the Target Company had been loss-making for the three years ended December 31, 2016, but had begun to record profit for the six months ended June 30, 2017. The Target Company's operating loss had decreased from the year ended December 31, 2015 through the year ended December 31, 2016 and more significantly from the six months ended June 30, 2016 through the six months ended June 30, 2017. Therefore, the Acquisition will have moderate effect on the earnings of the Group as the financial results of the Target Company will be consolidated with those of the Group upon Completion.

Effect on liquidity

Subject to the conditions of the Target Company after Completion, the Enlarged Group may possibly need to provide financial support to the Target Company so as to support its business operation. In particular, in the event that the settlement of the amounts due to related parties of approximately RMB250.7 million is entirely funded by the Enlarged Group's internal resources, the cash position of the Enlarged Group of approximately RMB435.5 million may reduce as a result. However, the Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Enlarged Group (including the Group's internally generated funds and the effect of the Acquisition), the Enlarged Group will have sufficient working capital for at least 12 months from the date of this circular. Having considered the above, the Directors considered the Acquisition will not result in significant illiquidity of the Enlarged Group.

4. REASONS FOR AND BENEFITS OF THE TRANSACTION AND BUSINESS DELINEATION

Reasons for and Benefits of the Acquisition

While the Group still intends to expand in Tier-1 Cities as contemplated in the Prospectus, it has also been exploring opportunities in other major cities in the PRC. The Group's slight adjustments to its business expansion strategies are primarily driven by the rapidly changing competition landscape and market conditions, government policy and the need for further growing its business. In particular:

- Since the listing of the Company on the Stock Exchange, the Company has been actively looking for suitable acquisition targets in Tier-1 Cities and have approached quite a few targets for preliminary commercial discussions. Based on the Company's experience, most of the Tier-1 Cities hospitals on sale are loss-making hospitals or with very limited profit but are offered to sell at an overly high price, which is primarily due to the increasing demand for profitable medical institutions and limited supply.

- The price-to-sales multiples (calculated based on the actual or implied valuation for the 100% equity interest in the target company divided by the available trailing-twelve-month revenue of the target company) of the target hospitals that the Company has assessed typically range from 7 times to 40 times. Based on its industry expertise and operation experience, the Company considered that such acquisitions would be uneconomical. In contrast, the implied price-to-sales multiple of the Acquisition is only approximately 2.7 times which represents a fair and reasonable price.

- At the same time, a few non Tier-1 major cities in China continue to attract State support and show huge development potential. For example, Chongqing, Tianjin, Chengdu, Zhengzhou and Wuhan are all approved by the State Council to be National Centre Cities (國家中心城市). The National Centre Cities are a group of cities missioned to be in charge of leading, developing, and performing tasks in political, economic, and cultural aspects.

- It is the Group's mission to become a world-class healthcare group that focuses on the provision of high-quality healthcare services to children and women, therefore it needs to quickly expand its hospital network in a cost-efficient way. As mentioned above, the suitable acquisition targets in Tier-1 Cities are very limited and therefore expanding into other major cities becomes an alternative.

Due to the above-mentioned reasons, since August this year, the Group has been exploring opportunities in non Tier-1 major cities in the PRC to expand its network. The Board confirms that the Group will continue to expand in Tier-1 Cities as contemplated in the Prospectus, primarily by opening new medical institutions and by acquisitions whenever desire opportunities arise.

Based on the Board's continuing assessment on and monitoring over the Group's development plans and having regard to above-mentioned factors including the rapidly changing competition landscape and market conditions, overall acquisition costs and expenses of hospitals and clinics in different cities, the availability of suitable hospitals and clinics on sale, government policy, consumer spending power in the local market and the need for further growing its business, the Board considers it appropriate to explore opportunities in other major cities and is of the view that its slight adjustments to its business expansion strategies are fair and reasonable and are in the interests of the Company and the Shareholders as whole.

In October 2017, the 19th National Congress of the Communist Party of China was held in Beijing. One of the goals set out in its report is to create networks of cities and towns based on city clusters, enabling the coordinated development of cities of different sizes and small towns. The initiative of developing Chengdu-Chongqing city cluster as a new economic power engine in the country's inland areas is expected to further drive the economic development of these areas. As the provincial capital of Sichuan Province and one of the most important economic, financial, commercial, cultural, transportation and communication centers in Western China, Chengdu expects to continue its rapid economic development which will further increase the consumer spending power of the city.

While the Target Company does not completely meet one of the prescribed criteria for acquisition of hospitals as set out in the Prospectus, the revenue/profit factor is one of many factors that the Company takes into account when acquiring a hospital. The other factors, as disclosed in the Prospectus, include consumer spending power in the local market, location of the hospital and its proximity to large community, the existing clinical departments, operational scale and quality of medical professionals of the target, the target's professional reputation and its compatibility with the corporate culture and exiting medical institutions of the Group.

The Target Company is located in Chengdu, the PRC. The Acquisition represents a good opportunity for the Company to expand its medical network into the central city in Western China. The Target Company will become the regional center of the Group in Western China, which will be used by the Group as the base for exploring into more suitable cities in Western China in future.

The Target Company is a joint venture and the local partner Chengdu Women's and Children's Central Hospital is a well-known public hospital in Chengdu. The acquisition of the Target Company will also bring in more potential business and clinical cooperation between the Group and Chengdu Women's and Children's Central Hospital and offers opportunities for the Group to tap into the pool of seasoned physicians and other medical professionals of the local partner.

Furthermore, in light of the management capabilities, historical financial performance and business growth potential of the Target Company, the Directors are optimistic on the business prospects of the Target Company, the further details of which are set out in section 2 of the letter from the Board in this circular.

Based on the above, the Board considers that the Acquisition is beneficial to the Group in the long run and is in the interests of the Company and the Shareholders as a whole.

Business Delineation

As disclosed in the Prospectus, before the listing of the Company, the Group did not acquire the Target Company primarily due to (i) the then business expansion strategy of the Group; and (ii) the minority shareholders of Jiahua Likang who enjoyed veto rights decided not to sell.

In light of the slight adjustments to the business expansion strategies of the Group as detailed above, the historical performance and future prospects of the Target Company and the fair and reasonable price, the Board considers this a good opportunity for the Group to acquire a hospital in a major city in Western China.

As at the Latest Practicable Date, save for the Target Company, none of Jiahua Likang and the Controlling Shareholders (collectively the "**Restricted Persons**") operates any medical institutions in Chengdu, the PRC where the Target Company operates. Furthermore, to safeguard the Group from any potential competition with the Restricted Persons, the Restricted Persons have undertaken to the Company that, on and after Completion, none of them will operate any medical institution whose business primarily involves in, directly or indirectly, the provision of pediatric, obstetric and/or gynecologic services in Chengdu, the PRC, unless prior written consent of the Company is obtained.

According to the non-competition deed as set out in the Prospectus, unless with the prior written consent of the Company, none of Jiahua Likang and the Controlling Shareholders will operate any medical institution whose business primarily involves in, directly or indirectly, the provision of pediatric, obstetric and/or gynecologic services in any Tier-1 Cities in the PRC.

Based on the above, it is clear that the Group and Jiahua Likang and the Controlling Shareholders will not compete in any same city in the PRC at the same time. Therefore, the Board is of the view that there has been and remains clear business delineation between the Group and Jiahua Likang and the Controlling Shareholders.

The Board confirmed that, as at the Latest Practicable Date, save for the Acquisition, each of the Company, Jiahua Likang and the Controlling Shareholders had no intention, arrangement, agreement, understanding or negotiation (concluded or otherwise) on any material acquisition of the existing businesses and/or operation assets of Jiahua Likang and/or the Controlling Shareholders.

5. GENERAL INFORMATION

Information on the Target Company

The Target Company, a limited liability company incorporated in the PRC, was jointly established by Jiahua Likang and Chengdu Women's and Children's Central Hospital in 2010 and has since then been owned by Jiahua Likang as to 85.0% and Chengdu Women's and Children's Central Hospital as to 15.0%.

The Target Company operates a children's and women's hospital in Chengdu, the PRC which commenced its operation in the second half of 2014. The Target Company is principally engaged in the provision of medical services in pediatrics, obstetrics and gynecology for children and women in Sichuan, the PRC.

As at June 30, 2017, the Target Company had 104 beds in operation and 423 full-time staff, including 255 medical professionals. The medical professionals comprise of a team of 68 physicians, including 16 chief physicians (主任醫生), 17 associate-chief physicians (副主任醫生); 41 attending physicians (主治醫生), 4 resident physicians (住院醫生), 154 nurses and 33 other medical professionals.

The Target Company is expected to continue to generate revenue primarily from the provision of specialized pediatric, obstetric and gynecologic medical services as part of the Enlarged Group. In addition, the Target Company has promoted its development in the pneumology and gastroenterology service lines since October 2017 which are targeted at chronic disease.

After Completion, the Target Company also plans to leverage the Company's brand and reputation to further develop its businesses, including further improvement of its existing specialized pediatric, obstetric and gynecologic medical services, utilization of remote diagnostic platform to utilize the Group's medical resources and expertise, introduction of complex pediatric surgeries and promotion of the Group's Doctor Panda membership program.

As at the date of this circular, the Board does not have any commitment to inject any capital into the Target Company.

As at June 30, 2017, based on the audited accounts of the Target Company for the six months ended June 30, 2017, prepared in accordance with HKFRSs, the audited total assets of the Target Company amounted to approximately RMB165.7 million and the audited net deficit amounted to approximately RMB125.5 million.

Set out below is the financial performance of the Target Company for the three years ended December 31, 2016 and the six months ended June 30, 2016 and 2017 respectively, prepared in accordance with HKFRSs:

	Financial year ended December 31,			**Six months ended June 30,**	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
				(Unaudited)	
Revenue	1.4	25.9	73.8	28.6	42.3
EBITDA	(26.0)	(42.5)	(41.0)	(25.4)	(15.1)
Net (loss) before taxation	(33.1)	(55.5)	(55.4)	(32.5)	(22.8)
Net profit/(loss) after taxation	(33.1)	(55.5)	(55.4)	(32.5)	5.8

For more details on the operating data and key financial information of the Target Company, please refer to section 2 of the letter from the Board in this circular.

Information on the Group and Jiahua Yihe

The Group is principally engaged in provision of pediatrics and obstetrics and gynecology specialty services in Beijing, the PRC. Jiahua Yihe is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company and is principally engaged in investments holding.

Information on Jiahua Likang

Jiahua Likang is a limited liability company incorporated in the PRC. Jiahua Likang is an investment holding company focusing on investments in medical institutions in the PRC.

6. LISTING RULES IMPLICATIONS

Major transaction and connected transaction

Mr. Zhou is a connected person of the Group by virtue of him being the controlling Shareholder and executive Director of the Company. Ms. Liang is a connected person of the Group by virtue of her being the non-executive Director of the Company.

As at the date of this circular, Jiahua Likang is held, among others, (i) as to 41.3% by Jiahua Kangyong, which is held as to 90.0% by Mr. Zhou and therefore is an associate of Mr. Zhou pursuant to Rule 14A.12(1) of the Listing Rules; and (ii) as to 33.7% by Zhonghe Qingrun, which is held as to 51.0% by Ms. Liang and therefore is an associate of Ms. Liang pursuant to Rule 14A.12(1) of the Listing Rules. Therefore Jiahua Likang is a connected person of the Group by virtue of it being an associate of Mr. Zhou and Ms. Liang pursuant to Rule 14A.12(1) of the Listing Rules.

As the Acquisition and the transactions contemplated under the VIE Acquisition Agreement and the VIE Contracts are conducted within a 12-month period prior to the date of the Sale and Purchase Agreement, pursuant to Rules 14.22 and 14A.81 of the Listing Rules, the Acquisition and the transactions contemplated under the VIE Acquisition Agreement and the VIE Contracts shall be aggregated and treated as one transaction. As the highest applicable percentage ratio in respect of the Acquisition and the transactions contemplated under the VIE Acquisition Agreement and the VIE Contracts exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction and connected transaction of the Company, and is subject to the annual reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Mr. Zhou and his associates (including his investment holding companies JoeCare and Century Star), CDH Fuji, CDH Fuyi, Boyu AH, CDB GJ and Unicorn Best, being shareholders of the Company materially interested in the Acquisition, will abstain from voting at the EGM in respect of the Acquisition. In light of the Voting Agreement, Ms. Liang and her associates (including her investment holding company Victor Gains) will also abstain from voting at the EGM in respect of the Acquisition. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, save as disclosed above, no other Shareholder (or its associates) has any material interest in the Acquisition and is required to abstain from voting in respect of the ordinary resolution to approve the Acquisition at the EGM by way of poll.

Directors' abstention from decision-making process

Mr. Zhou and Ms. Liang, being an executive Director and a non-executive Director respectively and taking into account their respective deemed interest in the Target Company, have abstained from voting on the Board resolution with respect to the Acquisition. Dr. HE Xin, Mr. WANG Siye and Ms. ZHANG Lan have also abstained from voting on a voluntary basis. Save as disclosed above, none of the Directors has any material interest in the Acquisition and therefore none of the other Directors has abstained from voting on such Board resolution.

Independent Board Committee

The Board has established the Independent Board Committee comprising all the independent non-executive Directors to review, consider and recommend the Acquisition and to advise the Independent Shareholders in respect thereof. The Company has also appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

7. RECOMMENDATION

After taking into account the view of the Independent Board Committee as set out in this circular and the reasons for and benefits of the Acquisition, the Directors (including all the independent non-executive Directors) are of the view that the Acquisition is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the ordinary resolution in respect of the Acquisition.

8. RE-ELECTION OF MR. GUO QIZHI AS NON-EXECUTIVE DIRECTOR

Reference is also made to the announcement of the Company dated November 23, 2017, which disclosed, among other things, that as reviewed and approved by the Board, Mr. GUO Qizhi had been appointed as a non-executive Director of the Company and a member of the Audit Committee of the Board with effect from January 1, 2018 to succeed Dr. HE Xin who intended to retire from the Board on January 1, 2018 by reason of her desire to focus on her other work commitments.

Pursuant to Article 112 of the Articles of Association, Mr. GUO Qizhi shall hold office only until the first general meeting of the Company (i.e. the EGM) after his appointment and be subject to re-election at such meeting (i.e. the EGM).

Particulars of Mr. GUO Qizhi are set out in Appendix VII to this circular in accordance with the relevant requirements of the Listing Rules.

9. EGM

A notice convening the EGM to be held at the Meeting Room, Ground Floor, Pediatrics Building, New Century Women's and Children's Hospital, No. 51, Wangjing North Road, Chaoyang District, Beijing, the People s Republic of China on Thursday, January 18, 2018 at 10 a.m., is set out on pages 153 to 154 of this circular. At the EGM, (i) an ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the Acquisition; and (ii) an ordinary resolution will also be proposed for the Shareholders to re-elect Mr. Guo Qizhi as a non-executive Director. The ordinary resolutions proposed at the EGM will be determined by way of poll.

Mr. Zhou and his associates (including his investment holding companies JoeCare and Century Star), CDH Fuji, CDH Fuyi, Boyu AH, CDB GJ and Unicorn Best, being shareholders of the Company materially interested in the Acquisition, will abstain from voting at the EGM in respect of the Acquisition. In light of the Voting Agreement, Ms. Liang and her associates (including her investment holding company Victor Gains) will also abstain from voting at the EGM in respect of the Acquisition. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, save as disclosed above, no Shareholder (or its associates) has any material interest in the Acquisition.

As at the Latest Practicable Date, (i) Mr. Zhou and his associates JoeCare and Century Star were interested in, controlled and were entitled to exercise control over 158,076,713 Shares, representing approximately 32.3% of the issued share capital of the Company, (ii) Ms. Liang and her associate Victor Gains were interested in, controlled and were entitled to exercise control over 57,740,181 Shares, representing approximately 11.8% of the issued share capital of the Company, and (iii) CDH Fuji, CDH Fuyi, Boyu AH, CDB GJ and Unicorn Best, in aggregate, were interested in, controlled and were entitled to exercise control over 135,183,106 Shares, representing approximately 27.6% of the issued share capital of the Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, save as disclosed above, no Shareholder (or its associates) has any material interest in the appointment and re-election of Mr. GUO Qizhi and is required to abstain from voting in respect of the ordinary resolution to re-elect Mr. GUO Qizhi as a non-executive Director.

A form of proxy for use in connection with the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. before 10 a.m. on Tuesday, January 16, 2018) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

10. CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, January 15, 2018 to Thursday, 18 January, 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, January 12, 2018.

11. GENERAL

Your attention is drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser, the additional information set out in the appendices to this circular and the notice of the EGM. You should consider carefully all the information set out in this circular before making a decision about the Acquisition.

Yours faithfully,
By Order of the Board
New Century Healthcare Holding Co. Limited
Jason ZHOU
Chairman, Executive Director and Chief Executive Officer

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1518)

December 29, 2017

Dear Independent Shareholders,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 85.0% EQUITY INTEREST OF CHENGDU NEW CENTURY

We refer to the circular dated December 29, 2017 of the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you regarding the fairness and reasonableness of the Acquisition. Somerley Capital Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Having considered the terms of the Sale and Purchase Agreement, and having taken into account the principal factors and reasons considered by, and the opinion of the Independent Financial Adviser, as stated in its letter dated December 29, 2017, we consider that the Acquisition is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolution proposed at the EGM in respect of the Acquisition.

We draw the attention of the Independent Shareholders to (i) the letter from the Board; (ii) the letter from the Independent Financial Adviser; and (iii) the appendices to the Circular.

Yours faithfully,
Independent Board Committee
WU Guanxiong **SUN Hongbin** **JIANG Yanfu** **MA Jing**
Independent Non-executive Directors

Set out below is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

December 29, 2017

To: The Independent Board Committee and the Independent Shareholders of New Century Healthcare Holding Co. Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 85.0% EQUITY INTEREST OF CHENGDU NEW CENTURY

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Acquisition. Details of the Sale and Purchase Agreement are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated December 29, 2017 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On December 6, 2017, Jiahua Yihe and Jiahua Likang entered into the Sale and Purchase Agreement, pursuant to which Jiahua Yihe has conditionally agreed to purchase, and Jiahua Likang has conditionally agreed to sell, the Sale Shares representing 85.0% equity interest of Chengdu New Century for a cash consideration of RMB200.0 million (the "**Consideration**"). Upon Completion, the Company will indirectly hold 85.0% equity interest of Chengdu New Century and Chengdu New Century will become a non-wholly owned subsidiary of the Company.

Mr. Zhou is a connected person of the Company by virtue of him being the controlling shareholder of the Company. Ms. Liang is a connected person of the Company by virtue of her being the non-executive Director of the Company. Jiahua Likang is held as to 41.3% by Jiahua Kangyong, which is held as to 90.0% by Mr. Zhou and therefore is an associate of Mr. Zhou pursuant to the Listing Rules, and as to 33.7% by Zhonghe Qingrun, which is held as to 51% by Ms. Liang and therefore is an associate of Ms. Liang pursuant to the Listing Rules. Jianghua Likang is therefore a connected person of the Company by virtue of it being an associate of Mr. Zhou and Ms. Liang pursuant to the Listing Rules.

As the Acquisition and the transactions contemplated under the VIE Acquisition Agreement and the VIE Contracts are conducted within a 12-month period prior to the date of the Sale and Purchase Agreement, pursuant to the Listing Rules, the Acquisition and the transactions contemplated under the VIE Acquisition Agreement and the VIE Contracts shall be aggregated and treated as one transaction. As the highest applicable percentage ratio in respect of the Acquisition and the transactions contemplated under the VIE Acquisition Agreement and the VIE Contracts exceeds 25% but all of the applicable percentage ratios are less than 100%, the Acquisition constitutes a major and connected transaction of the Company and is subject to, among other things, the reporting, announcement, circular and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wu Guanxiong, Mr. Sun Hongbin, Mr. Jiang Yanfu and Dr. Ma Jing, has been established to advise the Independent Shareholders on the Acquisition and to make recommendation as to voting. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

During the past two years, we have been engaged as an independent financial adviser to the Company in respect of the discloseable and connected transactions and continuing connected transactions in relation to the VIE Acquisition and VIE Contracts, details of which can be referred to the Company's circular dated November 3, 2017. The past appointment was limited to providing independent advisory services to the independent board committee and independent shareholders of the Company for which we received normal professional fees. Accordingly, we do not consider such past appointment would give rise to any conflicts of interest for us in acting as the Independent Financial Adviser under the current appointment.

Save as disclosed above, we are not associated with the Company, Jiahua Yihe, Jiahua Likang, Chengdu New Century, Jiahua Kangyong, Zhonghe Qingrun, Mr. Zhou and Ms. Liang or any of its/his/her close associates, associates or core connected persons (all as defined in the Listing Rules) and accordingly we are considered eligible to give independent advice on the above matters. Apart from normal professional fee payable to us in connection with this or similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, Jiahua Yihe, Jiahua Likang, Chengdu New Century, Jiahua Kangyong, Zhonghe Qingrun, Mr. Zhou and Ms. Liang or any of its/his/her close associates, associates or core connected persons.

In formulating our opinion and recommendation, we have reviewed, among other things, the Sale and Purchase Agreement, the interim report of the Company for the six months ended June 30, 2017 (the "**2017 Interim Report**"), the annual report of the Company for the year ended December 31, 2016 (the "**2016 Annual Report**"), the accountants' report of Chengdu New Century set out in Appendix II to the Circular, the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, the report (the "**Valuation Report**") issued by D&P China (HK) Limited (the "**Independent Valuer**"), the independent valuer, in relation to the market valuation of 85.0% equity interest in Chengdu New Century as at June 30, 2017 (the "**Valuation**") set out in Appendix V to the Circular and the information as set out in the Circular. We have also discussed with the management of the Group about Chengdu New Century and the future prospects of the Enlarged Group and performed a site visit to the Chengdu Hospital (as defined below). We have also interviewed and discussed with the Independent Valuer regarding the Valuation.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group and Chengdu New Century, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Background and business of the Group

The Group is principally engaged in the provision of paediatrics and obstetrics and gynecology specialty services in Beijing, the PRC. The Group operates three medical institutions, namely BNC Children's Hospital, BNC Women's and Children's Hospital and BNC Harmony Clinic. In 2006, the Group started operating BNC Children's Hospital which offers a broad range of paediatric services and deals with complicated paediatric diseases. In 2008, BNC Harmony Clinic was established to provide paediatric services covering common paediatric diseases and gynecologic services. In 2012, BNC Women's and Children's Hospital was established to provide comprehensive obstetric and gynecologic services. In November 2017, the Company completed the VIE Acquisition, pursuant to which the Company acquired the remaining economic interests of the entity holding BNC Women's and Children's Hospital and BNC Harmony Clinic not already owned by the Company. As at the Latest Practicable Date, the Company held 65% equity interest in BNC Children's Hospital and the entire economic interests in both BNC Women's and Children's Hospital and BNC Harmony Clinic.

The Company recognised itself as the leading paediatric healthcare provider in Beijing. The Company was listed on the Main Board of the Stock Exchange in January 2017. Following the listing, the Company began expanding its medical network and scope of hospital consulting services to other tier-1 cities in the PRC.

Set out below is a summary of the Group's financial performance for the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 (the "**Review Period**").

	For the six months ended June 30,		For the year ended December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
Revenue					
Paediatrics	185.3	172.9	366.8	247.1	244.4
Obstetrics and gynecology	36.4	37.7	88.6	4.4	–
Hospital consulting services	18.9	13.1	29.2	1.8	–
Others	2.6	2.8	6.3	4.9	4.6
	243.2	226.5	490.9	258.2	249.0
Segment results					
Paediatrics	72.5	59.9	134.7	96.6	96.5
Obstetrics and gynecology	1.1	4.2	16.6	(1.6)	–
Hospital consulting services	7.8	6.6	11.8	1.5	–
Others	–	1.0	0.8	2.5	2.7
	81.4	71.7	163.9	99.0	99.2
Unallocated income	16.9	0.4	54.1	0.6	2.8
Unallocated cost	(11.8)	(24.2)	(43.9)	(7.6)	(1.4)
Income tax expense	(19.6)	(16.9)	(37.2)	(24.8)	(26.3)
Non-controlling interests	(19.0)	(16.6)	(38.3)	(26.3)	(27.6)
Profit attributable to owners of the Company	47.9	14.4	98.6	40.9	46.7

The Group's revenue was primarily generated from providing paediatric services and obstetric and gynecologic services and hospital consulting services. The revenue contributed by the provision of paediatric services accounted for more than 70% of the total revenue of the Group for the year ended December 31, 2016 and for the six months ended June 30, 2017.

The revenue from the provision of paediatrics services recorded a growth during the Review Period, rising from approximately RMB244.4 million for the year ended December 31, 2014 to approximately RMB366.8 million for the year December 31, 2016, representing a CAGR of approximately 22.5%. Accordingly, the profit attributable to the owners of the Company increased from approximately RMB46.7 million for the year ended December 31, 2014 to approximately RMB98.6 million for the year ended December 31, 2016, representing a CAGR of approximately 45.3%. The improvement in the Company's performance was mainly attributable to the increases in inpatient and outpatient visits of the Group during the Review Period. The total inpatient visits increased from 4,928 for the year ended December 31, 2014 to approximately 8,306 for the year ended December 31, 2016, representing a CAGR of 29.8%. The total outpatient visits increased from 87,643 for the year ended December 31, 2014 to 181,674 for the year ended December 31, 2016, representing a CAGR of approximately 44.0%.

The Group's gross profit margins were approximately 57.8%, 54.4% and 49.5% for the three years ended December 31, 2014, 2015 and 2016 respectively. The fall in gross profit margin was primarily due to the acquisition of BNC Women's and Children's Hospitals in November 2015 which had lower gross profit margin because it has been ramping up since its establishment in 2012. Despite the decrease in gross profit margin, the Group recorded an increase in profit attributable to the owners of the Company of RMB98.6 million for the year ended December 31, 2016, representing an increase by approximately 111.1% as compared with the same for the year ended December 31, 2014, or a CAGR of approximately 45.3%.

For the six months ended June 30, 2017, the Group recorded an increase in revenue, which was mainly attributable to the year-on-year increase in business volume of medical service provided to both outpatients and inpatients by approximately 3.3% and 3.0% respectively. The profit attributable to the owners of the Company increased from approximately RMB14.4 million for the six months ended June 30, 2016 to approximately RMB47.9 million for the six months ended June 30, 2017, representing an increase of approximately 2.3 times. The significant increase was mainly attributable to the increase in revenue and the fair value gains of convertible preferred shares and all other non-current liabilities of approximately RMB14.4 million arising from the conversion from the convertible preferred shares to ordinary shares upon the initial public offering of the Company in January 2017.

Set out below is a summary of the financial position of the Group as at June 30, 2017, December 31, 2016, 2015 and 2014.

	As at June 30, 2017	As at December 31, 2016	2015	2014
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*
ASSETS				
Non-current assets				
Property, plant and equipment	102.5	106.5	114.4	19.0
Intangible assets	247.5	250.0	255.4	1.3
Others	26.0	28.8	36.2	–
	376.0	385.3	406.0	20.3
Current assets				
Structured deposits	303.0	–	–	–
Cash and cash equivalents	634.4	189.0	81.2	120.6
Others	87.9	62.4	44.9	14.5
	1,025.3	251.4	126.1	135.1
Total assets	1,401.3	636.7	532.1	155.4
LIABILITIES				
Current liabilities				
Trade and other payables	121.1	136.7	117.2	43.5
Borrowings	–	20.0	10.0	–
Others	36.0	57.5	38.3	14.4
	157.1	214.2	165.5	57.9
Net current assets/(liabilities)	868.2	37.2	(39.4)	77.2

	As at June 30, 2017	As at December 31, 2016	2015	2014
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*
Non-current liabilities				
Convertible preference shares	–	169.7	–	–
Borrowings	–	–	20.0	–
Others	37.5	118.3	379.0	–
	37.5	288.0	399.0	–
Net assets/(liabilities)	1,206.7	134.5	(32.4)	97.5
EQUITY				
Capital and reserves attributable to owners of the Company	1,165.2	79.2	(43.5)	63.1
Non-controlling interests	41.5	55.3	11.1	34.4
	1,206.7	134.5	(32.4)	97.5

As at June 30, 2017, total assets of the Group were approximately RMB1,401.3 million, representing an increase of approximately 120.1% from that as at December 31, 2016. The significant increase in total assets was mainly attributable to net cash proceeds of approximately HK$857.2 million raised from the Company's initial public offering in January 2017. Apart from structured deposits and cash and cash equivalents, the Group's intangible assets accounted for approximately 17.7% of the total assets as at June 30, 2017, which mainly represented the medical licenses acquired and the related goodwill in the acquisition of 70% equity interest in BNC Women's and Children's Hospital. Net asset value ("**NAV**") attributable to the owners of the Company was approximately RMB1,165.2 million as at June 30, 2017.

2. Reasons for and benefits of the Acquisition

(a) Reasons for and benefits of the Acquisition

As stated in the letter from the Board in the Circular, while the Group still intends to expand in Tier-1 Cities as contemplated in the Prospectus, it has also been exploring opportunities in other major cities in the PRC. The Group's slight adjustments to its business expansion strategies are primarily driven by the rapidly changing competition landscape and market conditions, government policy and the need for further growing its business. Based on the Board's assessment and having considered the factors above, the Board considers it appropriate to explore opportunities in other major cities.

The Board also considers the bright future economic prospect of Chengdu, at which the Chengdu Hospital is located, and the Acquisition represents a good opportunity for the Company to expand its medical network into the central city in Western China. The Target Company will become the regional center of the Group in Western China, which will be used by the Group as the base for exploring into more suitable cities in Western China in future.

Furthermore, the acquisition of the Target Company will also bring in more potential business and clinical cooperation between the Group and Chengdu Women's and Children's Central Hospital and offers opportunities for the Group to tap into the pool of seasoned physicians and other medical professionals of the local partner.

Last but not least, in light of the management capabilities, historical financial performance and business growth potential of the Target Company, the Directors are optimistic on the business prospects of the Target Company.

For the detailed reasons for and benefits of the Acquisition, please refer to the sub-section headed "Reasons for and benefits of the Acquisition" in the letter from the Board in the Circular.

(b) Business delineation

According to the non-competition deed as set out in the Prospectus, unless with the prior written consent of the Company, none of Jiahua Likang and the Controlling Shareholders will operate any medical institution whose business primarily involves in, directly or indirectly, the provision of paediatric, obstetric and/or gynecologic services in any Tier-1 Cities in the PRC.

To safeguard the Group, including the Target Company, from any potential competition with Jiahua Likang and the Controlling Shareholders after Completion, Jiahua Likang and the Controlling Shareholders have undertaken to the Company that, on and after Completion, none of them will operate any medical institution whose business primarily involves in, directly or indirectly, the provision of paediatric, obstetric and/or gynecologic services in Chengdu, the PRC, unless prior written consent of the Company is obtained.

Given the aforesaid undertaking, it is considered that a reasonable measure is in place to protect the interests of the Group and the Shareholders from any material competition with Jiahua Likang and the Controlling Shareholders after Completion.

3. Industry outlook

(a) Implementation of two-child policy

In December 2015, State Council of the PRC announced that the Universal Two-Child Policy and Reforming and Improving the Management of Family Planning Services (關於實施全面兩孩政策改革完善計劃生育服務管理的決定) would become effective in replacement of the one-child policy introduced in 1979. The new policy allows each married couple to have up to two children and it is expected to help addressing the aging population issue in the PRC. Frost & Sullivan, an independent market consultant commissioned by the Company, stated in the Prospectus that they estimated the total number of children under the age of 14 to experience an accelerated growth in the near future in light of the implementation of the two-child policy, thus leading to greater demand for paediatric services. On the supply side, however, they also expected the PRC to continue in experiencing a shortage of paediatricians.

(b) Increased spending in healthcare markets

According to the National Bureau of Statistics of China, the average healthcare related spending per PRC citizen had recorded an average annual growth of approximately 14.67% per annum over the period from 2010 to 2015, evidencing the increase in personal spending power in healthcare services. Moreover, we noted in the 2016 Annual Report that the paediatric and obstetric and gynecologic healthcare markets in the PRC were expected to reach RMB184 billion and RMB560 billion, respectively, in terms of total revenue, with private healthcare providers accounting for approximately 6.6% and 13.5% respectively. The rise in spending power of PRC residents is expected to continue in driving the growth of demand for private paediatric and obstetric and gynecologic markets, especially in the mid-to-high-end segment in which the Company operates.

The PRC central government operates public welfare schemes such as public medical insurance programs, which mainly provides coverage for basic healthcare services. In recent years, the PRC central government has started to encourage the commercial medical insurance sector to provide differentiated and more comprehensive insurance coverage. With reference to the China Insurance Regulatory Commission, medical insurance total payouts had been consistently increasing from 2013 to 2016 with a simple average of approximately 35.4% per year, amounting to approximately RMB100 billion in 2016. In addition, the rapid economic development in recent years and the increasing number of middle class have further added to the demand for higher quality medical and healthcare services.

(c) Market growth of paediatric and obstetric and gynecologic healthcare markets

Coupled with the relaxation in population control policy and the increases in the overall wealth of the PRC citizens and spending power, the paediatric and obstetric and gynecologic healthcare markets in the PRC had continued to demonstrate strong sentiment in its growth. The Company has engaged Shanghai Renxi Management Consulting Co., Ltd.* (上海仁汐管理諮詢有限公司) ("**Shanghai Renxi**"), an independent market consultant, to conduct an analysis of, and to report on, the historical and forecasted growths of PRC paediatric and obstetric and gynecologic healthcare markets. Based on the report of Shanghai Renxi, the PRC paediatrics healthcare market had increased from approximately RMB53.7 billion in 2012 to approximately RMB81.1 billion in 2015, representing a CAGR of approximately 14.7%. The obstetrics and gynecologic healthcare market had also demonstrated a similar growth trend, increasing from approximately RMB138.3 billion in 2012 to approximately RMB214.0 billion in 2015, representing a CAGR of approximately 15.7%. In particular, obstetrics and gynecologic healthcare market in Chengdu recorded a CAGR of approximately 17.7% in the same period. In addition, we noted from the listing document of the Company that Frost & Sullivan forecasted the growth of mid-to-high-end PRC paediatric and obstetric and gynecologic healthcare markets to have a CAGR of approximately 25.9% and 26.7% respectively during the 3-year period from 2017 to 2020.

(d) High growth in Chengdu market

We also noted from Shanghai Renxi's report that, amongst major cities in the PRC, Chengdu saw some of the fastest growth rate in total number of new born child with a CAGR of approximately 9.0% during the 4-year period from 2012 to 2016 and it was forecasted to have a CAGR of approximately 9.5% for the 5-year period from 2016 to 2021. In addition, it cited that Chengdu obstetric and gynecologic healthcare market was expected to have a CAGR of approximately 24.4% during the 4-year period from 2017 to 2021.

In view of the factors mentioned above, the outlook of the mid-to-high-end segments of both private paediatric and obstetric and gynecologic healthcare markets in the PRC, including Chengdu, is generally positive.

4. **Principal terms of the Sale and Purchase Agreement**

Date

December 6, 2017

Parties

(1) Jiahua Yihe as the purchaser

(2) Jiahua Likang as the seller

Subject of the Acquisition

Subject to the terms and conditions of the Sale and Purchase Agreement, Jiahua Yihe conditionally agreed to purchase, and Jiahua Likang conditionally agreed to sell, the Sale Shares representing 85.0% equity interest of Chengdu New Century for a cash consideration of RMB200.0 million (equivalent to approximately HK$236.0 million).

Consideration

The Consideration of RMB200.0 million was determined after arm's length negotiation between Jiahua Yihe and Jiahua Likang after taking into account, (i) the price-to-sales multiples of comparable transactions in the China hospital services sector; and (ii) the historical performance of the business and future prospects of the Target Company.

The Consideration shall be payable in cash by Jiahua Yihe to Jiahua Likang as follows:

(i) RMB60.0 million within 5 business days following the satisfaction (or waiver, if applicable) of all conditions precedent to the Sale and Purchase Agreement;

(ii) RMB120.0 million within 5 business days following the Completion Date; and

(iii) the remaining balance of RMB20.0 million within 30 business days following the payment in (ii) above.

The Consideration will be funded by the portion of the net proceeds from the Global Offering which has been allocated for the purpose of acquiring hospitals and clinics.

Conditions precedent

Completion is conditional upon the satisfaction (or, if applicable, the written waiver) of certain conditions precedent. Set out below are the principal conditions precedent:

(i) the Sale and Purchase Agreement and the new articles of association of the Target Company having been duly and effectively signed by Jiahua Yihe and the necessary authorisations and/or approvals for signing such documents, including all the required internal authorisations and government approvals (including but not limited to competent governmental authority of commerce, if applicable) and shareholder approvals, having been obtained;

(ii) approval having been obtained from the Independent Shareholders at the EGM in accordance with the Listing Rules and the Articles of Association for the Sale and Purchase Agreement and the transaction contemplated thereunder;

(iii) the Sale and Purchase Agreement and all necessary transactional documents having been duly and effectively signed by Jiahua Likang and the necessary authorisations and/or approvals for signing such documents, including all the required internal authorisations and government approvals, having been obtained; and

(iv) the Target Company and each of the employees listed in the Appendix III to the Sale and Purchase Agreement having entered into the employment contract with a term of not less than three years and non-competition agreements.

Save for conditions precedent (i), (ii) and (iii) above, all conditions precedent above are capable of waiver by Jiahua Yihe. As at the Latest Practicable Date, other than condition (iii) which has been fulfilled, none of the above conditions have been fulfilled or waived.

Completion

Jiahua Likang and the Target Company shall complete the registration procedure with respect to the Acquisition with the relevant industrial and commercial administration authority of the PRC and obtain the new business licence (the date of obtaining the new business licence being the "**Completion Date**") within twenty days after all the conditions precedent are fulfilled and confirmed by Jiahua Yihe in writing or, if applicable, waived by it in writing. Depending on the structural considerations, Jiahua Yihe may elect to nominate a wholly-owned subsidiary to take up the Sale Shares.

Upon Completion, the Company will indirectly hold 85.0% equity interest of the Target Company and the Target Company will become a non-wholly-owned subsidiary of the Company.

Termination

Jiahua Yihe shall be entitled to terminate the Sale and Purchase Agreement by giving notice to Jiahua Likang with immediate effect upon occurrence of any of the following events:

(i) any material breach by Jiahua Likang which seriously affect the interest reasonably contemplated by Jiahua Yihe under the Sale and Purchase Agreement; or

(ii) any representations or warranties made by Jiahua Likang being untrue in any material respect and causing significant loss to Jiahua Yihe.

5. Information on Chengdu New Century

(a) Business

Chengdu New Century is a limited liability company established in the PRC and operates a children's and women's hospital in Chengdu, Sichuan Province, the PRC (the "**Chengdu Hospital**"). Chengdu New Century is owned by Jiahua Likang as to 85.0% and Chengdu Women's and Children's Hospital as to 15.0%. Chengdu New Century was established in 2010 and is principally engaged in the provision of medical services in paediatrics, obstetrics and gynecology for children and women in Sichuan Province, the PRC. The Chengdu Hospital started its operation in second half of 2014 and is a designated hospital for provincial medical insurance program in the PRC. As at June 30, 2017, the Chengdu Hospital had 104 beds in operation and 423 full-time staff, including 255 medical professionals. The medical professionals comprised a team of 68 physicians, including 16 chief physicians (主任醫生), 17 associate-chief physicians (副主任醫生), 41 attending physicians (主治醫生) and 4 resident physicians (住院醫生), 154 nurses and 33 other medical professionals. Based on our discussion with the management of the Target Group, the customers of the Chengdu Hospital were largely residents at Chengdu.

Set out below are certain operating data and related revenue of the Chengdu Hospital for the three years ended December 31, 2016 and for the six months ended June 30, 2017 and June 30, 2016:

	For the six months ended June 30,		For the year ended December 31,		
	2017	**2016**	**2016**	**2015**	**2014**
Inpatients					
Inpatient visits	1,192	816	2,075	751	39
Average inpatient spending per visit *(RMB)*	18,540	14,682	15,850	15,550	15,000
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	22,100	11,980	32,888	11,678	585
Outpatients					
Outpatient visits	24,256	16,200	41,357	11,274	586
Average outpatient spending per visit *(RMB)*	703	948	913	1,168	1,355
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	17,063	15,356	37,759	13,165	794

(b) Financial information

Set out below is a summary of the financial performance of Chengdu New Century for the three years ended December 31, 2016 and for the six months ended June 30, 2017 and June 30, 2016 (the "**Track Record Period**") prepared in accordance with Hong Kong Financial Reporting Standards as extracted from the accountants' report of Chengdu New Century in Appendix II to the Circular.

	Six months ended June 30,		Year ended December 31,		
	2017	2016	2016	2015	2014
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
		(Unaudited)			
Revenue	42,261	28,585	73,769	25,909	1,447
Cost of revenue	(44,548)	(40,089)	(86,821)	(53,752)	(21,630)
Gross loss	(2,287)	(11,504)	(13,052)	(27,843)	(20,183)
Selling expenses	(5,305)	(6,639)	(11,218)	(9,405)	(1,373)
Administrative expenses	(15,225)	(14,467)	(31,389)	(18,299)	(11,588)
Other income	2	73	246	4	7
Other losses – net	(4)	–	–	–	–
Operating loss	(22,819)	(32,537)	(55,413)	(55,543)	(33,137)
Finance income	2	4	9	8	16
Loss before income tax	(22,817)	(32,533)	(55,404)	(55,535)	(33,121)
Income tax income	(28,621)	–	–	–	–
Profit/(Loss) for the year/period	5,804	(32,533)	(55,404)	(55,535)	(33,121)

Similar to the Group, Chengdu New Century's revenue was primarily generated from providing paediatric service and obstetric and gynecologic service. The revenue from the provision of obstetrics and gynecology services accounted for the majority of the revenue of Chengdu New Century throughout the Track Record Period.

The revenue for the year ended December 31, 2014 was insignificant as the Chengdu Hospital only commenced its operation in the second half of 2014. Starting from 2015, the revenue had a significant growth, rising from approximately RMB25.9 million for the year ended December 31, 2015 to approximately RMB73.8 million for the year ended December 31, 2016, representing a growth rate of approximately 184.7%. The growing trend continued for the six months ended June 30, 2017 as the revenue rose to approximately RMB42.3 million, representing an increase of approximately RMB13.7 million or approximately 47.9% from that in the corresponding period ended June 30, 2016. The aforesaid revenue growth was mainly attributable to the overall increases in both the inpatient and outpatient visits to the Chengdu Hospital during the Track Record Period. The total inpatient visits jumped from 751 for the year ended December 31, 2015 to approximately 2,075 for the year ended December 31, 2016, representing an increase of approximately 176.3%. The total outpatient visits surged from 11,274 for the year ended December 31, 2015 to 41,357 for the year ended December 31, 2016, representing an approximately 2.7 times year-on-year growth. The number of inpatient visits and outpatient visits continued to rise, recording 1,192 and 24,256 visits respectively for the six months ended June 30, 2017, which were approximately 46.1% and 49.7% higher than those for the corresponding six-month period in 2016. Outpatients, in general, contributed the majority of the revenue of the Chengdu Hospital during the Track Record Period.

Despite the continuous improvement in both operating metrics and revenue, Chengdu New Century recorded gross losses, operating losses and losses before tax throughout the Track Record Period. The losses were mainly attributable to the initial set up costs and trial run expenses in the early stage of operation of Chengdu New Century. The gross losses, operating losses and the losses before income tax had been decreasing since the financial year ended December 31, 2015 as a result of the improvement in the number of patient visit and the revenue during the Track Record Period.

Set out below is a summary of the financial position of Chengdu New Century as at 30 June 2017 and 31 December 2016, 2015 and 2014.

	As at June 30,		**As at December 31,**	
	2017	**2016**	**2015**	**2014**
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*
ASSETS				
Non-current assets				
Property, plant and equipment	125.7	131.8	134.4	139.5
Deferred income tax assets	28.6	–	–	–
Other non-current assets	1.4	1.5	2.1	1.6
	155.7	133.3	136.5	141.1

	As at June 30, 2017 (RMB million)	As at December 31, 2016 (RMB million)	2015 (RMB million)	2014 (RMB million)
Current assets				
Inventories	2.8	2.5	1.5	0.6
Trade receivable	4.1	1.6	1.1	–
Cash and bank balances	1.2	4.6	1.9	0.3
Other current assets	1.9	1.3	1.0	0.9
	10.0	10.0	5.5	1.8
Total assets	165.7	143.3	142.0	142.9
LIABILITIES				
Current liabilities				
Amounts due to Jiahua Likang	207.5	180.0	138.4	81.8
Accruals, other payables and provisions	34.2	46.7	43.4	56.5
Trade payables	5.1	5.6	3.0	1.0
Other current liabilities	44.4	42.3	33.1	23.9
	291.2	274.6	217.9	163.2
Net current liabilities	281.2	264.6	212.4	161.4
Net liabilities	125.5	131.3	75.9	20.3
EQUITY				
Paid in capital	30.0	30.0	30.0	30.0
Accumulated loss	(155.5)	(161.3)	(105.9)	(50.3)
Net liabilities	(125.5)	(131.3)	(75.9)	(20.3)

The majority of the assets of Chengdu New Century as at June 30, 2017 consisted of property, plant and equipment, accounting for approximately 75.8% of the total assets held by Chengdu New Century, which mainly comprised leasehold improvements and medical equipment of the Chengdu Hospital. Chengdu New Century leased the hospital buildings of the Chengdu Hospital from Chengdu Women's and Children's Central Hospital (i.e. the 15.0% shareholder of Chengdu New Century) with a term to 2030.

As for the liabilities, approximately RMB207.5 million of the current liabilities represented the amounts due to Jiahua Likang, which were interest-free, unsecured and repayable on demand and mainly represented the financial and business support provided by Jiahua Likang for the Chengdu Hospital's day-to-day operation. Having considered the financial position and the financial performance of Chengdu New Century and subject to the conditions of Chengdu New Century after Completion, the Enlarged Group may possibly need to provide financial assistance to Chengdu New Century so as to support its business operation.

Due to the historical losses, Chengdu New Century was still in net liability position as at June 30, 2017.

(c) Future prospect

(i) Similar patterns to profit

As mentioned in the section headed "4. Reasons for and benefits of the Acquisition" in the letter from the Board in the Circular, the Directors are optimistic on the business prospect of the Target Company and considered the Acquisition would be beneficial to the Group in the long run. As advised by the management of the Group and based on their industry experience, a typical women's and children's hospital normally takes three to four years since establishment to achieve breakeven or start generating profit. Although the Target Company is still in operating-loss position, given the management capabilities and historical financial performance of the Group and the Target Company and the business growth potential of the Target Company, the management of the Group is confident in achieving positive operating profit of the Target Company in future.

Given the significant initial set up costs and recruitment expenses, it may take a number of years for a hospital to attain breakeven or generate profit. To assess the management's expectation in achieving positive operating profit of the Target Company in future, we obtained the historical financial information of the BNC Women's and Children's Hospital and noted that the BNC Women's and Children's Hospital recorded profit after tax for the year ended December 31, 2015, which was approximately 3 years after the commencement of operation of the hospital. In addition, we also reviewed the operating performance of the hospitals of Harmonicare Medical Holdings Limited ("**Harmonicare**") (stock code: 1509, a company listed on the Stock Exchange), which considered itself as the largest private obstetrics and gynecology specialty hospital in the PRC. As set out in the Harmonicare's prospectus dated June 25, 2015, among the then 12 specialty hospitals of Harmonicare, 10 of them achieved net profit as the date of the Harmonicare's prospectus and the number of years taken to achieve net profit by those 10 specialty hospitals ranged from 1 to 3 years.

(ii) Promotion of two branch business lines and expansion of services

As advised by the management of the Group, in response to the increasing demand for services from the division of general medicine of paediatric department, the management of the Chengdu Hospital has promoted and enhanced its pneumology and gastroenterology service lines, which are targeted at chronic disease, since October 2017. The pneumology and gastroenterology services are extensions of service scope under the paediatric department of the Chengdu Hospital. In this respect, the Chengdu Hospital has recruited a medical team which is specialised in pneumology and gastroenterology and widely recognised in Sichuan Province, the PRC. The management of the Group expected the promotion of these two branch service lines would bring in additional source of revenue to the Chengdu Hospital.

After Completion, the Target Company also plans to leverage the Company's brand and reputation to further develop its businesses, including further improvement of its existing specialised paediatric, obstetric and gynecologic medical services, utilisation of remote diagnostic platform to utilise the Group's medical resources and expertise, introduction of complex paediatric surgeries and promotion of the Group's Doctor Panda membership program.

(iii) Projected revenue growth

The management of the Group anticipates significant growth in revenue of the Chengdu Hospital in the coming few years, particularly in 2018 and 2019. Revenue of the Chengdu Hospital is expected to increase by approximately 18%, 53%, 30% and 20% for the years ending December 31, 2017, 2018, 2019 and 2020 through 2022 respectively. The CAGR of revenue of the Chengdu Hospital for the aforesaid six years will be approximately 26%. Such growth rate is generally in line with the forecasted CAGR in revenue of the mid-to-high-end segment of the PRC private paediatric healthcare market and the PRC private obstetric and gynecologic health market between 2014 and 2020 of approximately 24% and 26% respectively as set out in the section headed "Industry Overview" of the Prospectus.

The anticipated growth in the revenue of the Chengdu Hospital is expected to be primarily driven by projected increase in the number of the patient visits for both outpatient and inpatient.

For outpatient visits, the management of the Group anticipates growth rates will be approximately 11%, 74% and 19% for the years ending December 31, 2017, 2018, 2019 respectively. The projected increases, particularly in 2018, are chiefly attributable to the promotion of the development in the pneumology and gastroenterology service as mentioned above. Furthermore, the Chengdu Hospital suspended one of the high-end business lines in the obstetrics department in the second quarter of 2017 as the Chengdu Hospital intends to expand the scope of services to be provided by the external service provider from general inspection to a comprehensive package, including services such as postpartum rehabilitation and special investigations. However, the previous service provider was not capable in satisfying the Chengdu Hospital's requirements which had led to the suspension of its service, and hence the growth of total number of outpatient visits in 2017 is expected to be temporarily slowed down. According to our discussion with the management of the Target Company, we noted they are currently in discussion with other external service providers and they expect the provision of such services to resume in the first quarter of 2018. In addition, the expected high growth in the number of new born child in Chengdu and the surge in the demand for the obstetric and gynecologic healthcare service in the PRC as discussed in the section 3 headed "Industry overview" in this letter, which are expected to grow at approximately 9.5% and 24.4% during the periods from 2016 to 2021 and 2017 to 2021 respectively, provide another driving force to the Chengdu Hospital's services. The average outpatient spending per visit is projected to rebound in the three years ending December 31, 2019 as the two branch business lines, which are specialised services, will be charged at higher rates as compared to other services of the Chengdu Hospital.

For inpatient visits, the management of the Group expects that growth rates will be approximately 18%, 45% and 21% for the years ending December 31, 2017, 2018, 2019 respectively. Similar to the outpatient visits, the projected increases, particularly in 2018, are largely attributable to the promotion of two branch business lines in paediatric department as well as the general rising demand for the paediatric and obstetric and gynecologic healthcare services in the PRC as mentioned above. The utilisation rate of the beds in operation is also expected to increase. The average inpatient spending per visit is anticipated to stay at similar levels to that for the six months ended June 30, 2017.

Furthermore, we have compared Chengdu New Century's revenue and numbers of inpatients and outpatients visits for the eleven months ended 30 November 2017 against that for the same period in 2016, which they represented growth rates of approximately 18%, 20% and 18% respectively and we noted that these actual growth rates are generally in line with the Company's projections.

(iv) Contained cost structure

Majority of the cost of revenue of the Chengdu Hospital comprise staff costs, pharmaceutical costs, medical consumables and depreciation and amortisation expenses. The management of the Group expects that the ratio of cost of revenue to revenue will gradually decrease when the business of the Chengdu Hospital expands as certain costs, mainly the staff costs, are generally fixed in nature.

The overall cost of revenue to revenue ratio is expected to be approximately 70%, 63% and 59% for the year ending December 31, 2018, 2019 and 2020, respectively. The cost of revenue will decrease to approximately 55% of the revenue for the year ending December 31, 2021 and onwards. As advised by the management of the Group, although cost of revenue is expected to increase amid the operations scale up, the overall cost ratio is anticipated to gradually decrease as the Chengdu Hospital will optimise the workforce and better utilise the existing staff to improve productivity.

The medical and non-medical staff cost accounted for approximately 80% of the revenue for the year ended December 31, 2016. Despite the introduction of the two branch service lines as mentioned above, the staff cost of medical staff is expected to decrease slightly by 2% for the year ending December 31, 2017 and further decrease by 1% for the year ending December 31, 2018 as the management of the Chengdu Hospital intends to optimise the existing workforce and does not have immediate plan to recruit additional medical staff. As for non-medical staff, the staff cost is expected to grow slightly of approximately 3% for the year ending December 31, 2017 and drop by approximately 21% for the year ending December 31, 2018 as the management of the Chengdu Hospital plans to optimise the workforce and reduce non-core staff costs.

Furthermore, as advised by the management of the Group, the Chengdu Hospital has been actively recruiting medical professionals and ramping up its capacity in view of the expected increasing demand for its services. The newly-recruited medical professionals are expected to enhance operating efficiency as the business grows. The average patient visits per physician per working day (based on approximately 250 working days per year), which is calculated based on the total patient visits of 43,432 recorded by the Chengdu Hospital for the year ended December 31, 2016 divided by

68 physicians of the Chengdu Hospital, was approximately 2.6 for the year ended December 31, 2016, which was higher than the corresponding ratio of approximately 0.9 for the year ended December 31, 2015. Despite such improvement, the utilisation rate and operating efficiency of the medical professionals of the Chengdu Hospital were still low and below those achieved by the BNC Women's and Children's Hospital given the Chengdu Hospital's early stage of operation. With the business ramping up, we concur with the management of the Group that there is still room for optimising the cost structure and gradually reducing the overall cost ratio of the Chengdu Hospital in future.

The pharmaceutical cost and medical consumables accounted for approximately 17% of the revenue for the year ended December 31, 2016. The pharmaceutical cost and medical consumables are expected to account for 17% and 18% to the revenue for the years ending December 31, 2017 and 2018 respectively as they are expected to be consistently proportionate to the revenue.

Independent Shareholders are reminded that the projected revenue growth and projected cost structure breakdown above are based on the management's estimate on a best effort basis having considered all relevant information available. The actual revenue and costs are subject to a number of factors which are beyond the management's control. For the avoidance of doubt, the above projections do not constitute any commitment on the Target Company's performance of the management of the Group. Independent Shareholders are advised to exercise caution when interpreting the relevant projections.

6. Analysis of the Consideration

(a) Business valuation

(i) Introduction

As discussed in the letter from the Board in the Circular, the Consideration of RMB200.0 million was determined after arm's length negotiation between Jiahua Yihe and Jiahua Likang after taking into account, (i) the price-to-sales multiples of comparable transactions in the China hospital services sector; and (ii) the historical performance of the business and future prospects of the Target Company. The Company engaged the Independent Valuer to prepare the Valuation Report, which sets out a market valuation on the 85% equity interest in the Target Company (the "**Valuation**") as at June 30, 2017 (the "**Valuation Date**"). The full text of the Valuation Report is set out in Appendix V to the Circular. The Valuation Report has been prepared with reference to the International Valuation Standards issued by the International Valuation Standards Council.

Independent Shareholders' attention is drawn to the range of appraised value of the 85% equity interest in the Target Company between RMB161.0 million and RMB230.0 million as set out in the Valuation Report. The Consideration for the 85% equity interest in the Target Company of RMB200.0 million represents a range between a discount of approximately 13.0% to and a premium of approximately 24.2% over the appraised value.

We have reviewed the Valuation Report and interviewed the relevant staff members of the Independent Valuer with particular attention to (i) the Independent Valuer's terms of engagement with the Company; (ii) the Independent Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Valuer in performing the Valuation. From our review of the engagement letter between the Company and the Independent Valuer, we are satisfied that the terms of engagement between the Company and the Independent Valuer are appropriate to the opinion the Independent Valuer is required to give. The Independent Valuer has confirmed that it is independent from the Company and Jiahua Yihe, Jiahua Likang and the Target Company and its related parties. We further understand that the Independent Valuer is a long-established international professional valuation firm with staff possessing the relevant professional qualifications and experience required to perform the Valuation and the person in-charge of the Valuation has over 14 years' experience in conducting valuation services to a wide range of clients in different industries. We note that the Independent Valuer mainly carried out its due diligence through management interviews and conducted its own proprietary research and has relied on public information obtained through its own research as well as the financial and operational information provided by the management of the Group. We were advised by the Independent Valuer that it has assumed the information provided by the management of the Group to be true, complete and accurate and has accepted it without verification.

(ii) Valuation methodology

We note that the Valuation was primarily based on the market approach. The market approach refers to valuation by comparing the Target Company with companies listed on Shenzhen stock exchange, Shanghai stock exchange and the Stock Exchange whose principal activities are healthcare services providers (the "**Comparable Companies**"). We have discussed with the Independent Valuer the methodologies, bases and assumptions adopted during the course of conducting the market approach. As discussed with the Independent Valuer, the selection of the market approach, instead of income approach and cost approach, to be the primary valuation approach because (i) income approach result would be more dependent on long term financial forecast internally prepared by the management of the Company and the Target Company, which is unobservable input and inherently subjective. In the valuation, income approach would involve relatively high level of uncertainty as the Target Company is still in a loss-making position and its future revenue and profit are difficult to project; and (ii) the cost approach is generally not considered applicable to the valuation of a going concern business, as it does not capture future earning potential of the business. The Independent Valuer also considered other benefits of the market approach, including its simplicity, clarity, and less reliance on unobservable and subjective assumptions. The market approach involves objectivity in application as publicly available inputs are used under this approach. At the same time, the Independent Valuer has used income approach for the purpose of cross-checking the valuation result using the market approach.

(iii) Sample selection

For the valuation of the Target Company, the Independent Valuer identified 6 Comparable Companies, which derive over 50% of its patient revenue from outpatient service in the PRC. As advised by the Independent Valuer, the reason for adopting the above selection criteria is the revenue generated from the outpatient service accounted for majority of the total revenue of the Target Company for most of the Track Record Period and is expected to continue outweighing the revenue contributed from the inpatient service in future. We have discussed with the Independent Valuer its selection criteria and assessed the appropriateness of the selected comparables. Given the similar business activities of the Target Company and the Comparable Companies and the anticipated revenue contribution from outpatient service, we are satisfied with the selection of Comparable Companies.

(iv) Choice of valuation multiples

For the selection of the valuation multiple, the Independent Valuer opted for the measure of enterprise value to revenue multiples (the "**EV/Revenue Multiples**"). The reason for choosing this valuation multiple is mainly because of the lack of profit, positive cash flows and net assets of the Target Company makes the application of other valuation multiples difficult.

Revenue of the Comparable Companies for the year ended December 31, 2016 and the trailing 12 months ended June 30, 2017 had been used by the Independent Valuer in its analysis. Based on the revenue of the Comparable Companies for the year ended December 31, 2016, the EV/Revenue Multiples of the Comparable Companies ranged from approximately 2.1 times to 9.2 times with an average and median of approximately 6.5 and 6.6 times respectively. Based on revenue of the Comparable Companies for the latest trailing 12 months (i.e.12 months ended June 30, 2017), the EV/Revenue Multiples of the Comparable Companies ranged from approximately 2.1 times to 8.1 times with an average and median of approximately 5.9 and 6.0 times respectively.

The Independent Valuer has adopted a conservative approach in selecting the appropriate EV/Revenue Multiples for valuation of the Target Company. Instead of applying the average or median EV/Revenue Multiple, the Independent Valuer selected the first quartile of the EV/Revenue Multiple of 5.5 times from its population of the Comparable Companies. The Independent Valuer explained that choosing the first quartile of the EV/Revenue Multiples, which is theoretically lower than mean and median, reflected its conservativeness in light of the fact that the Target Company was still loss making whereas the Comparable Companies were profitable.

(v) Control Premium

Since the Acquisition involves transferring the controlling stake of the Target Company, the Independent Valuer has applied a control premium of 20% (the "**Control Premium**") in the valuation exercise. According to the Independent Valuer, the Control Premium generally represents the amount paid by an investor for the benefit of controlling the subject company's assets and cash flows. In determining the Control Premium, the Independent Valuer has identified, from Bloomberg, the merger and acquisition transactions in hospitals worldwide completed from January 1, 2010 to June 30, 2017. After adjusted for the applicable equity-to-capital ratio, the Control Premium of approximately 20% is in line the premium of the merger and acquisition transactions identified by the Independent Valuer.

(vi) DLOM

In addition, as the Target Company is a privately held company, the Independent Valuer has applied a discount for lack of marketability of 10% (the "**DLOM**") to reflect downward adjustment to the value of an investment due to reduced level of marketability of a privately held company. We have discussed the concept of the DLOM with the Independent Valuer and noted that the DLOM was commonly applied in valuation exercise on unlisted companies. We understand from the Independent Valuer that the DLOM was computed with reference to the Protective Put Black Scholes Model, which is commonly adopted method in reflecting the theoretical marketability discount in a private company. We also noted that the concept of the DLOM was also adopted by other professional valuers in business valuation of unlisted target companies.

Putting all the variables to the valuation, the Independent Valuer first used the first quartile of the EV/Revenue Multiples of the Comparable Companies of approximately 5.5 times to multiply the revenue for the year ended December 31, 2016 of approximately RMB73.8 million and latest trailing-twelve months revenue of the Target Company for the year ended June 30, 2017 of approximately RMB87.4

million, arrived at the range of enterprise value of the Target Company on non-controlling and non-marketable basis between approximately RMB405.7 million and RMB480.9 million. The Independent Valuer then adjusted the effects of the Control Premium of 20% and the DLOM of 10% to arrive the appraised value of the 100% business enterprise value of the Target Company on controlling and marketable basis in the range between approximately RMB438.2 million and RMB519.4 million. After adding cash and subtracting the amounts due to related parties of approximately RMB1.2 million and approximately RMB250.7 million respectively and adjusting for the 85.0% equity interest in the Target Company, the Independent Valuer arrived the range of appraised value of the 85% equity interest in the Target Company between approximately RMB161.0 million and RMB230.0 million.

(vii) Income approach

For cross-checking purpose, the Independent Valuer used the income approach to assess the reasonableness of the range of valuation figures estimated by the market approach. The income approach was performed based on the financial forecast prepared by the Company for the purposes of internal reference and purchase price allocation for financial reporting. The Company prepared the financial forecast with consideration of revenue contribution by inpatient and outpatient services, bed utilisation rate, inpatient and outpatient numbers, average spending per inpatient/outpatient and ratio of the respective cost and expense to revenue during the Track Record Period as base value of the financial projection. The Company then applied growth rates for the respective operating metrics mentioned above to arrive at the forecasted revenue and operating expenses in future. The Independent Valuer assessed major items in the projection, such as revenue and operating expenses. The assessment was accomplished through research on economic and industry outlooks, and prevailing market conditions as of the valuation date, comparison with historical financial performance of the Target Company and those of comparable companies and discussion with the management of the Company on the basis of preparation of the financial forecast.

For avoidance of doubt, the income approach is for cross-checking purpose only and does not constitute any commitment on the future performance of the Target Company. We have obtained the working paper from the Independent Valuer and noted that the basis and assumptions used in income approach, especially the growth in numbers of inpatient and outpatient and their respective average spending in the forecasting period, correspond to our understanding with the management of the Target Company and the industry outlook.

(viii) Conclusion

Having discussed the above market approach adopted by the Independent Valuer and reviewed with the Independent Valuer the details of such valuation methodology, bases and assumptions, we are of the opinion that the chosen valuation methodology in establishing the Valuation to be acceptable. In addition, we understood that the appraised value of the 85% equity interest in the Target Company is a range of values. Hence, we have further compared the Consideration against the average of the range of appraised values, being approximately RMB195.5 million (the "**Average Appraised Value**"), which the Consideration represents a slight premium of approximately 2.3% over the Average Appraised Value. Since the Consideration is generally in line with the Average Appraised Value, we are of the opinion that the Consideration is fair and reasonable in this perspective.

(b) Comparable Transactions

In order to assess the fairness and reasonableness of the Consideration of RMB200.0 million, apart from reviewing the Valuation Report, we have also identified and reviewed the market transactions in respect of the sales and purchases of hospital institutions and hospital management companies in the PRC, which were loss-making as shown in the then latest respective available financial information (the "**Comparable Transactions**"), announced during the period from July 2016 (i.e. approximately 18 months before the date of the Sale and Purchase Agreement) up to the Latest Practicable Date.

Chengdu New Century is primarily engaged in provision of medical services in paediatrics, obstetrics and gynecology for children and women in Sichuan Province, the PRC. Given Chengdu New Century recorded loss before tax throughout the Track Record Period and was in the net deficit position as at June 30, 2017, we choose the price-to-sales multiples (the "**P/S Multiples**") of the Comparable Transactions as the parameter for comparison as price-to-earnings, price-to-book and other earnings multiples would not provide meaningful comparison in assessing the fairness and reasonableness of the Consideration. The P/S Multiple of Chengdu New Century is calculated using the trailing-twelve-month revenue as we are of the view that it best reflects Chengdu New Century's most recent financial performance.

We have identified 4 Comparable Transactions based on the said criteria above. In our view, the Comparable Transactions set out below represent an exhaustive list of market transactions we were able to identify from the Mergermarket and the Stock Exchange's website which satisfy the above selection criteria. Details of the Comparable Transactions are set out as below:

Date of announcement	Purchaser	Target company	Principal activities of the target company	Percentage of the relevant hospital institutions and hospital management companies acquired	Transaction value	Implied P/S Multiples
						(Note 1)
					(RMB million)	*(times)*
21 February 2017	GuiZhou YiBai Pharmaceutical Co., Ltd. ("**Guizhou YiBai**") (stock code in Shanghai stock exchange: 600594)	Mianyang Fulin Hospital (綿陽富臨醫院)	Hospital management	90.0%	166.8 *(Note 2)*	1.7 *(Note 3)*
18 January 2017	Starmap Medicine and Technology Co., Ltd. (stock code in Shenzhen stock exchange: 300143)	Hangzhou Zhongwei Chinese Medicine Tumor Hospital (杭州中衛中醫腫瘤醫院)	A China based hospital specialising in tumor treatment	100.0%	52.8	8.3
1 December 2016	Guizhou YiBai	Shanghai Vogyion Medical Investment Management Co., Ltd	Medical equipment investment, equipment leasing and medical project acquisition	53.6%	106.7	15.0 *(Note 3)*
13 July 2016	Meinian Onehealth Healthcare Holdings Co., Ltd. (stock code in Shenzhen stock exchange: 002044)	Xin Xin Healthcare Holding Limited	Provision of body checkup and health consultation services	56.0%	179.5 *(Note 4)*	3.9 *(Note 3)*
				Average		7.2
				Median		6.1
				Maximum		15.0
				Minimum		1.7
		The Acquisition		**85.0%**		**2.7** *(Note 5)*

Source: Stock Exchange filings, Mergermarket (http://www.mergermarket.com/) and the respective companies' announcements.

Notes:

1. The P/S Multiples of the Comparable Transactions are calculated based on the actual or implied valuation for the 100% equity interest in the target company divided by the available trailing-twelve-month revenue of the target company prior to the announcement of the respective Comparable Transactions.

2. The transaction value includes the consideration for the acquisition of the relevant equity interest and the repayment of shareholder's loan due by the target company to the vendor as stipulated in the relevant transaction document.

3. Given only financial information for certain months in 2016 and for the year ended December 31, 2015 are available, for the purpose of the analysis in this table, the trailing-twelve-month revenue is estimated on the basis of the sum of (i) the revenue for the relevant months in 2016; and (ii) the revenue of the target company for the remaining months (i.e. 12 months less the relevant number of months in 2016) in 2015 on a pro rata basis.

4. For illustration purpose, the conversion of US$ into RMB is based on the exchange rate of US$1 to RMB6.6.

5. The implied P/S Multiple of the Acquisition of approximately 2.7 times is calculated based on the implied consideration for the 100% equity interest in Chengdu New Century of approximately RMB235.3 million divided by the revenue of Chengdu New Century for the twelve months ended June 30, 2017 of approximately RMB87.4 million.

6. In the Comparable Transaction analysis, we have identified: (i) Sanxing Medical Electric Co., Ltd ("**Sanxing**") (stock code in Shanghai stock exchange: 601567) acquired 80.0% equity interest in a target company which is principally engaged in hospital management (details of the transaction were set out in the announcement of Sanxing dated October 24, 2017); (ii) Yihua Healthcare Co., Ltd ("**Yihua**") (stock code in Shenzhen stock exchange: 000150) acquired remaining 41.67% equity interest in a target company which is principally engaged in the provision of elderly care service (details of the transaction were set out in the announcement of Yihua dated April 13, 2017); and (iii) Hua Xia Healthcare Holdings Limited ("**Hua Xia**") (stock code in the Stock Exchange: 8143) acquired a composite hospital in Beijing (details of the transaction were set out in the announcement of Hua Xia dated September 26, 2016). We noted that the vendors of each of the aforesaid transactions provided a performance guarantee in relation to future profit or loss of the respective target company. Having regarded the existence of the performance guarantee, we considered the P/S Multiples of the abovementioned transactions may be distorted and should be excluded from the Comparable Transactions analysis.

As illustrated above, the P/S Multiples of the Comparable Transactions ranged from approximately 1.7 times to 15.0 times, with an average and a median of approximately 7.2 times and 6.1 times respectively. The implied P/S Multiple of the Acquisition of approximately 2.7 times is lower than the average and the median of the P/S Multiples of the Comparable Transactions.

It should be noted that the amounts due to Jiahua Likang by the Target Company of approximately RMB207.5 million as at June 30, 2017 were unsecured, interest-free and repayable on demand. Given the potential immediate payment required by the Target Company after Completion and the limited cash balance of the Target Company, any payment to Jiahua Likang by the Target Company is likely to be financed by the Group. Hence, we taken into account the aforesaid potential payment in assessing the fairness and the reasonableness of the Consideration. In view of the implied P/S Multiple of the Consideration, after including the payments to Jiahua Likang (the "**Adjusted P/S Multiple**"), being approximately 5.1 times, which is lower than the average and the median of the P/S Multiples of Comparable Transactions and within range of the entire population, we consider the Consideration fair and reasonable in this perspective.

7. Financial effects of the Acquisition on the Group

(a) Earnings

Upon Completion, the Company will indirectly hold 85.0% equity interest in Chengdu New Century and Chengdu New Century will become a non-wholly owned subsidiary of the Company. Accordingly, the financial results of Chengdu New Century will be consolidated into that of the Group.

The Acquisition is not expected to have any immediate material effect on the earnings of the Group. However, as the financial results of Chengdu New Century will be consolidated with those of the Group upon Completion, the earnings of the Enlarged Group will be affected by the performance of Chengdu New Century after Completion.

As set out in Appendix II to the Circular, Chengdu New Century's financial performance had been improving in the period under review. Revenue had been increasing in the last three and a half years and loss before income tax had decreased from the year ended December 31, 2015 through the year ended December 31, 2016 and more significantly from the six months ended June 30, 2016 through the six months ended June 30, 2017. In the event that Chengdu New Century's financial performance continues to improve, the Acquisition may bring additional earnings to the Enlarged Group and broaden the Enlarged Group's earnings base.

(b) NAV

As mentioned above, upon Completion, Chengdu New Century will become a non-wholly owned subsidiary of the Company, so the assets and liabilities of Chengdu New Century will accordingly be consolidated into the financial statements of the Group.

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to the Circular, on the assumption that Completion had taken place on June 30, 2017, the Enlarged Group's total assets would have increased from approximately RMB1,401.3 million, by approximately RMB293.2 million or 20.9%, to approximately RMB1,694.5 million. The increase was mainly attributable to the goodwill recognised from the Acquisition of approximately RMB219.8 million, the valuation surplus on the medical licenses of Chengdu New Century of approximately RMB128.0 million and the inclusion of property, plant and equipment of Chengdu New Century of approximately RMB133.8 million. On the same basis, the Enlarged Group's total liabilities would have increased from approximately RMB194.6 million, by approximately RMB296.6 million or 152.4%, to approximately RMB491.2 million. The increase was primarily attributable to the inclusion of the amounts due to related parties by Chengdu New Century of approximately RMB250.7 million. The NAV of the Enlarged Group (inclusive of non-controlling interests) would have decreased from approximately RMB1,206.7 million, by approximately RMB3.5 million or 0.3%, to approximately RMB1,203.2 million. The immaterial change in the NAV of the Enlarged Group was chiefly because the goodwill recognised from the Acquisition of approximately RMB219.8 million and the valuation surplus on the medical licenses of Chengdu New Century of approximately RMB128.0 million have substantially offset against the reduction of cash and cash equivalents of RMB200.0 million (being the payment of the Consideration) and the net deficit of Chengdu New Century of approximately RMB125.5 million. Further details of the unaudited pro forma financial information of the Enlarged Group are set out in Appendix IV to this circular.

Shareholders are reminded that the pro forma financial information set out above is for illustrative purpose only. The actual impact on the NAV of the Group shall be determined by reference to the valuation of the assets and liabilities of Chengdu New Century as at Completion.

(c) Gearing

As at June 30, 2017, the Group did not have any borrowings and the gearing ratio, calculated as total borrowings divided by total equity, was nil. As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to the Circular, on the assumption that Completion had taken place on June 30, 2017, the Enlarged Group's gearing ratio would remain at nil. Nevertheless, if the amounts due to related parties were included as borrowings, the gearing ratio would have increased to approximately 21.1%.

(d) Liquidity

As at 30 June 2017, the Group had cash and cash equivalents and structured deposits of approximately RMB937.4 million, net current assets (i.e. total current assets less total current liabilities) of approximately RMB868.1 million and a current ratio (i.e. total current assets divided by total current liabilities) of approximately 6.5 times. Majority of the cash represents the net proceeds from the initial public offering of the Company this year and part of such cash has been earmarked for potential acquisitions.

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to the Circular, on the assumption that Completion had taken place on June 30, 2017, the Enlarged Group's net current assets would have decreased by RMB481.2 million or 55.4% to approximately RMB386.9 million and the current ratio would have decreased to approximately 1.9 times. The decrease was mainly due to the payment of the cash Consideration of RMB200.0 million, which will be financed by the internal resources of the Group, and the consolidation of the amounts due to related parties by Chengdu New Century of approximately RMB250.7 million.

Subject to the conditions of Chengdu New Century after Completion, the Enlarged Group may possibly need to provide financial assistance to Chengdu New Century so as to support its business operation. In particular, in the event that the settlements of the amounts due to related parties of approximately RMB250.7 million are entirely funded by the Enlarged Group's internal resources, the cash position of the Enlarged Group of approximately RMB435.5 million will further reduce. In this respect, we reviewed the cashflow forecast of the Enlarged Group, which indicates the Enlarged Group will have sufficient working capital for at least 12 months. Having considered the above and the expected improvement in the financial performance of Chengdu New Century in 2018, it is considered the Acquisition will not result in significant illiquidity of the Enlarged Group.

DISCUSSION AND ANALYSIS

The Group is principally engaged in the provision of paediatrics and obstetrics and gynecology specialty services in Beijing, the PRC. The Acquisition is in line with the Company's adjusted strategy to explore opportunities in expanding its medical network into other major cities in the PRC.

The market outlook of the mid-to-high end segments for both private paediatric and obstetric and gynecologic markets is generally positive. The operating and financial performances of Chengdu New Century and the Chengdu Hospital, despite still in a loss-making position, have seen significant improvement during the Track Record Period as a result of growing number of patient visits.

The management of the Group has implemented several business plans to boost the revenue and at the same time bring down the operating costs with an objective to achieve operating profit in future. The management of the Group expects the financial performance of the Chengdu Hospital to be improved in near future with the introduction of these business initiatives and the general rising demand for the paediatrics and obstetrics and gynecology services in the PRC. Such projection is generally in line with the market forecast and the forecast in the income approach used by the Independent Valuer. With the previous experience of the management of the Group in turning a women's and children's hospital from making loss to generating profit in three years, the management of the Group is optimistic towards turning the Target Company to profit-making in future.

The valuation of the 85.0% equity interest in the Target Company appraised by the Independent Valuer ranged from approximately RMB161.0 million to approximately RMB230.0 million. The Consideration for the sale and purchase of the 85.0% equity interest in the Target Company is RMB200.0 million, which represents a range between a discount of approximately 13.0% and a premium of approximately 24.2% over the appraised value. The valuation methodology adopted by the Independent Valuer in arriving the fair market value of the 85.0% equity interest in the Target Company is the market approach with the adoption of the EV/Revenue Multiples, which is considered to be an appropriate approach in establishing valuation of similar businesses. For cross-checking purpose, the Independent Valuer used the income approach to assess the reasonableness of the range of valuation figures estimated by the market approach. The basis and assumptions used in income approach are in line with the projections of the Chengdu Hospital and the relevant industry.

The P/S Multiples of the Comparable Transactions ranged from approximately 1.7 times to 15.0 times, with an average and a median of approximately 7.2 times and 6.1 times respectively. The implied P/S Multiple of the Acquisition of approximately 2.7 times is lower than the average and the median of the P/S Multiples of the Comparable Transactions.

While still making operating loss, Chengdu New Century's financial performance had been improving in the period under review. In the event that Chengdu New Century's financial performance continues to improve, the Acquisition may bring additional earnings to the Enlarged Group and broaden the Enlarged Group's earnings base. The impact on the NAV will be immaterial as the goodwill recognised from the Acquisition and the valuation surplus on the medical licenses of Chengdu New Century have substantially offset against the reduction of cash and cash equivalents and the net deficit of Chengdu New Century.

Gearing will increase while the liquidity will reduce as the payment of the Consideration will be in cash from the internal resources of the Group. Having considered the generally positive outlook of the private paediatric and obstetric and gynecologic markets and the improving operating and financial performances of Chengdu New Century and the Chengdu Hospital, the financial impacts to the Group's current earnings, NAV and liquidity position are considered acceptable.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and that the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to approve the relevant resolution to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

Mr. Danny Cheng is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years and six months ended June 30, 2017 together with the relevant notes thereto are disclosed in the following documents:

- The audited consolidated financial statements of the Group for, among others, the years ended December 31, 2014 and 2015: the Prospectus (pages I-1 to I-118);

  http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1230/LTN20161230039.pdf

- The audited consolidated financial statements of the Group for the year ended December 31, 2016: the 2016 Annual Report (pages 55 to 157); and

  http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0421/LTN20170421685.pdf

- The unaudited consolidated financial statements of the Group for the six months ended June 30, 2016: the 2017 Interim Report (pages 23 to 62).

  http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0919/LTN20170919425.pdf

2. STATEMENT OF INDEBTEDNESS

As at November 30, 2017, being the most recent practicable date for the purpose of this statement of indebtedness, apart from normal accounts payables in the ordinary course of business, the Enlarged Group did not have (i) any debt securities issued and outstanding, or authorized or otherwise created but unissued, or term loans; (ii) other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances, acceptance credits or hire purchase commitments; (iii) any mortgages or charges; or (iv) any contingent liabilities or guarantees.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Enlarged Group (including the Group's internally generated funds and the effect of the Acquisition), the Enlarged Group will have sufficient working capital for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in provision of pediatrics and obstetrics and gynecology specialty services at its three medical institutions in Beijing. As mentioned on page 7 of the 2016 Annual Report, the Company expects that the Two-Child Policy announced in October 2015 and the rising spending power of PRC residents will continue to drive the growth of demand for private pediatric and obstetric and gynecologic services in the years to come, especially in the mid- to high-end segment in which the Group operates.

Apart from owning and operating medical institutions in Beijing, the Group has also been providing hospital consulting services since December 2015. As mentioned on page 5 of the 2017 Interim Report, the Company expects that the liberalization of health reform policies, improvement of marketization for medical institutions and rapid development of new medical institutions in the PRC will give rise to a rigid demand for standardized hospital consulting services, thereby driving the growth in the Group's hospital consulting business in the next few years.

Insofar as the Acquisition is concerned, as mentioned in section 4 of the letter from the Board in this circular and on page 5 of the 2017 Interim Report, the Group has been exploring opportunities in other major cities with similar demographic features as those of Tier 1 Cities. With the addition of the Target Company to the Group's portfolio of medical institutions, the Enlarged Group will see a further expansion of its medical network, which marks a significant milestone in the Company's mission to become a nation-wide medical healthcare group.

5. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2016, being the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a report set out on pages 60 to 62, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NEW CENTURY HEALTHCARE HOLDING CO. LIMITED

Introduction

We report on the historical financial information of Chengdu New Century Women's and Children's Hospital Co., Ltd. (the "**Target Company**") set out on pages 63 to 99, which comprises the balance sheets as at 31 December 2014, 2015 and 2016 and 30 June 2017, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the periods then ended (the "**Relevant Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 63 to 99 forms an integral part of this report, which has been prepared for inclusion in the circular of New Century Healthcare Holding Co. Limited (the "**Company**") dated 29 December 2017 (the "**Circular**") in connection with the proposed acquisition of the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Company for the Relevant Period ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements of the Target Company for the Relevant Period. The directors of the Target Company are responsible for the preparation of the previously issued financial statements of the Target Company that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target Company as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of its financial performance and its cash flows for the Relevant Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
29 December 2017

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

BALANCE SHEETS

		As at 31 December			As at 30 June
	Note	**2014**	**2015**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	6	139,463	134,447	131,826	125,668
Intangible assets	7	1,460	1,545	1,221	1,300
Deferred income tax assets	8	–	–	–	28,621
Other non-current assets		132	527	272	146
Total non-current assets		141,055	136,519	133,319	155,735
Current assets					
Inventories	9	558	1,465	2,511	2,832
Trade receivables	11	–	1,059	1,634	4,055
Other receivables, deposits and prepayments	12	965	1,077	1,270	1,917
Cash and cash equivalents	13	352	1,896	4,589	1,150
Total current assets		1,875	5,497	10,004	9,954
Total assets		142,930	142,016	143,323	165,689

	Note	As at 31 December 2014	2015	2016	As at 30 June 2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Equity attributable to owners of the Target Company					
Paid-in capital		30,000	30,000	30,000	30,000
Accumulated losses		(50,331)	(105,866)	(161,270)	(155,466)
Subtotal		(20,331)	(75,866)	(131,270)	(125,466)
Total Deficit		(20,331)	(75,866)	(131,270)	(125,466)
LIABILITIES					
Current liabilities					
Trade payables	14	1,023	3,003	5,573	5,057
Accruals, other payables and provisions	15	56,518	43,395	46,667	34,212
Deferred revenue		84	374	1,149	1,178
Amounts due to the Parent Company	16	81,816	138,390	180,031	207,527
Amounts due to other related parties	16	23,820	32,720	41,173	43,181
Total current liabilities		163,261	217,882	274,593	291,155
Total liabilities		163,261	217,882	274,593	291,155
Total equity and liabilities		142,930	142,016	143,323	165,689

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	Note	**2014**	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	17	1,447	25,909	73,769	28,585	42,261
Cost of revenue	18	(21,630)	(53,752)	(86,821)	(40,089)	(44,548)
Gross loss		(20,183)	(27,843)	(13,052)	(11,504)	(2,287)
Selling expenses	18	(1,373)	(9,405)	(11,218)	(6,639)	(5,305)
Administrative expenses	18	(11,588)	(18,299)	(31,389)	(14,467)	(15,225)
Other income		7	4	246	73	2
Other losses – net		–	–	–	–	(4)
Operating Loss		(33,137)	(55,543)	(55,413)	(32,537)	(22,819)
Finance income		16	8	9	4	2
Loss before income tax		(33,121)	(55,535)	(55,404)	(32,533)	(22,817)
Income tax income	20	–	–	–	–	(28,621)
(Loss)/Profit for the year/period		(33,121)	(55,535)	(55,404)	(32,533)	5,804
Other comprehensive income for the year/period		–	–	–	–	–
Total comprehensive (loss) /income attributable to owners of the Target Company		(33,121)	(55,535)	(55,404)	(32,533)	5,804

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014	30,000	(17,210)	12,790
– Loss for the year	–	(33,121)	(33,121)
At 31 December 2014	30,000	(50,331)	(20,331)
– Loss for the year	–	(55,535)	(55,535)
At 31 December 2015	30,000	(105,866)	(75,866)
– Loss for the year	–	(55,404)	(55,404)
At 31 December 2016	30,000	(161,270)	(131,270)
– Profit for the period	–	5,804	5,804
At 30 June 2017	30,000	(155,466)	(125,466)
(Unaudited)			
At 1 January 2016	30,000	(105,866)	(75,866)
– Loss for the period	–	(32,533)	(32,533)
At 30 June 2016	30,000	(138,399)	(108,399)

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows from operating activities						
Cash used in operations	21	(15,056)	(25,966)	(9,741)	(9,420)	(19,587)
Interest received		16	8	9	4	2
Net cash used in operating activities		(15,040)	(25,958)	(9,732)	(9,416)	(19,585)
Cash flows from investing activities						
Purchases of property, plant and equipment ("**PPE**")		(37,537)	(27,995)	(21,616)	(13,162)	(7,562)
Purchases of intangible assets		(1,357)	(537)	(59)	(26)	(295)
Net cash used in investing activities		(38,894)	(28,532)	(21,675)	(13,188)	(7,857)
Cash flows from financing activities						
Borrowing from related parties		66,903	56,034	34,100	27,800	24,003
Repayment to related parties		(21,287)	–	–	–	–
Net cash generated from financing activities		45,616	56,034	34,100	27,800	24,003
Net (decrease)/increase in cash and cash equivalents		(8,318)	1,544	2,693	5,196	(3,439)
Cash and cash equivalents at the beginning of the year/period		8,670	352	1,896	1,896	4,589
Cash and cash equivalents at the end of the year/period		352	1,896	4,589	7,092	1,150

The accompanying notes are an integral part of these financial statements.

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Chengdu New Century Women's and Children's Hospital Co., Ltd. ("**The Target Company**") is a limited liability company established on 28 September 2010 in the People's Republic of China (the "**PRC**") and principally engaged in provision of medical services in pediatrics, obstetrics and gynecology for children and women in Sichuan, the PRC. The Target Company has started hospital business after the Target Company obtained medical license in July 2014. The address of its registered office is No. 77 Baojia Road, Qingyang District, Chengdu, Sichuan, the PRC.

The Target Company was established with a registered capital of RMB30,000,000, and was initially held as to 85% by Beijing Jiahua Likang Medical Investment and Management Co., Ltd. ("**Jiahua Likang**" or the "**Parent Company**"), a related party of the Company, and 15% by Chengdu Women's and Children's Central Hospital, a public hospital in Chengdu, the PRC.

The Historical Financial Information is presented in Renminbi ("**RMB**") and rounded to nearest thousand yuan, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

The principal accounting policies applied in the preparation of the financial information which are in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") are set out below. The financial information has been prepared under the historical cost convention.

The preparation of financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4.

All relevant standards, amendments and interpretations to the existing standards that are effective during the Relevant Period have been adopted by the Target Company consistently throughout the Relevant Period.

The Historical Financial Information has been also prepared in accordance with the applicable requirements of the Hong Kong Companies Ordinance (Cap.622).

2.1.1 Going concern

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Target Company's current liabilities exceeded its current assets by approximately RMB161,386,000, RMB212,385,000, RMB264,589,000 and RMB281,201,000, respectively. The Target Company has considered its ability to generate net cash inflows from its future operating activities and the Parent Company's plan to provide necessary financial and business support to the Target Company. On the above basis, the Target Company believes that it has the ability to meet its liabilities as they fall due within the next 12 months after 30 June 2017. Therefore, these financial statements have been prepared on a going concern basis.

2.1.2 *Changes in accounting policy and disclosures*

Impact of new or revised standards and amendments to existing standards that are effective on or after 1 January 2018

The following new standards, amendments and interpretations to existing standards which have been issued but are effective for the fiscal year beginning on or after 1 January 2018 and have not been early adopted by the Target Company:

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendment to HKFRS 10 and HKAS 28	Sale or Contribution of assets between an investor and its associate or joint venture	Deferred
Amendment to HKFRIC 22	Foreign currency transactions and advance consideration	1 January 2018

(i) HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Target Company has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Target Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reason:

- Debt instruments currently measured at amortized cost appear to meet the conditions for classification at amortized cost under HKFRS 9.

There will be no impact on the Target Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Target Company does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Target Company is still finalizing the impairment model based on ECL. Management does not expect material impact on the financial statements based on the preliminary assessment.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Target Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) HKFRS 15 Revenue from contracts with customers

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

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Target Company will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected:

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

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

The Target Company is still finalizing the estimation of the impact related with HKFRS 15, but management does not expect material impact on the financial statements based on the preliminary assessment.

(iii) HKFRS 16 Leases

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Target Company's operating leases. As at 30 June 2017, the Target Company has non-cancellable operating lease commitments of approximately RMB143,125,000. However, the Target Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Target Company's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Target Company is still finalizing the impact estimation in relation to HKFRS 16 and does not intend to adopt the standard before its effective date.

(iv) Amendment to HKFRS 2

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modification that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in HKFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

(v) Amendment to HKFRS 10 and HKAS 28

The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

(vi) HKFRIC 22 Foreign currency transactions and advance consideration

This interpretation considers how to determine the date of the transaction when applying the standard on foreign currency transactions, HKAS 21. The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts.

The Target Company has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Target Company's operation. According to the assessment made by the directors of the Target Company, except as described above, the directors of the Target Company do not expect the application of the new and revised HKFRSs in issue but not yet effective will have significant impact on the financial performance and positions of the Target Company.

2.2 Segment Reporting

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

2.3 Property, Plant and Equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

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

2.4 Intangible Assets

Computer Software

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

2.5 Impairment of non-financial assets

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

2.6 Financial Assets

2.6.1 Classification

The Target Company's financial assets are mainly loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Target Company's loans and receivables comprise "trade receivables", "other receivables, deposits and prepayments" and "cash and cash equivalents" in the balance sheet (Notes 2.10 and 2.11).

2.6.2 Recognition and Measurement

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Target Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Target Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.7 Offsetting Financial Instruments

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

2.8 Impairment of Financial Assets

Assets Carried at Amortised Cost

The Target Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Target Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

2.9 Inventories

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

2.10 Trade and Other Receivables

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

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 Cash and Cash Equivalents

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

2.12 Paid-in Capital

Capital contributed by the equity holders is classified as equity.

2.13 Trade and Other Payables

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

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

2.14 Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.14.1 Current Income Tax

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

2.14.2 Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

2.14.3 Offsetting

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

2.15 Employee Benefits

Pension Obligations

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

2.16 Provisions

Provisions are recognized when the Target Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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

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

2.17 Revenue Recognition

The Target Company's revenue is primarily derived from providing medical services to patient, especially in pediatric, obstetric and gynecologic and other related medical services and sales of pharmaceuticals and related goods.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, stated net of discounts returns and sales related taxes. The Target Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Target Company's activities, as described below. The Target Company bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

2.17.1 Provision of Medical services

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

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

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

2.17.2 Pharmaceutical Sales

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

2.17.3 Provision of disease study services

The Target Company signed certain disease study contracts with external institutions to provide disease study services. For the services, revenue is recognized in the accounting period in which the services are rendered, by reference to stage of completion of specific study projects and actual services provided as a proportion of the total service to be provided.

2.18 Interest Income

Interest income is recognized using the effective interest method.

2.19 Leases

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

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

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

3.1.1 Credit Risk

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

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

The Target Company, being a provider of medical services to patients, has a highly diversified customer base, without any single customer contributing material revenue. However, the Target Company has concentrated debtors portfolio, as majority insured patients will claim their medical bills from governments' social insurance schemes. The reimbursement from these organizations may take one to six months. The Target Company has a policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with respective organizations' policies and within reimbursement limits, provided fulfilling all ethics and moral responsibilities as healthcare provider. The Target Company also has controls to closely monitor the patients' billings and claim status to minimum the credit risk.

For other receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience. The directors of the Target Company does not expect any losses from non-performance by these counterparties.

3.1.2 Liquidity Risk

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014					
Trade payables	1,023	–	–	–	1,023
Accruals and other payables (excluding non-financial liabilities) *(Note 15)*	54,544	–	–	–	54,544
Amounts due to the Parent Company *(Note 16)*	81,816	–	–	–	81,816
Amounts due to other related parties *(Note 16)*	23,820	–	–	–	23,820
	161,203	–	–	–	161,203
At 31 December 2015					
Trade payables	3,003	–	–	–	3,003
Accruals and other payables (excluding non-financial liabilities) *(Note 15)*	39,743	–	–	–	39,743
Amounts due to the Parent Company *(Note 16)*	138,390	–	–	–	138,390
Amounts due to other related parties *(Note 16)*	32,720	–	–	–	32,720
	213,856	–	–	–	213,856
At 31 December 2016					
Trade payables	5,573	–	–	–	5,573
Accruals and other payables (excluding non-financial liabilities) *(Note 15)*	39,905	–	–	–	39,905
Amounts due to the Parent Company *(Note 16)*	180,031	–	–	–	180,031
Amounts due to other related parties *(Note 16)*	41,173	–	–	–	41,173
	266,682	–	–	–	266,682
At 30 June 2017					
Trade payables	5,057	–	–	–	5,057
Accruals and other payables (excluding non-financial liabilities) *(Note 15)*	27,082	–	–	–	27,082
Amounts due to the Parent Company *(Note 16)*	207,527	–	–	–	207,527
Amounts due to other related parties *(Note 16)*	43,181	–	–	–	43,181
	282,847	–	–	–	282,847

3.2 Capital Risk Management

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

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

In order to maintain or adjust the capital structure, the Target Company may issue new shares,sell assets or obtain new financing from shareholders to reduce debt.

The Target Company monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Target Company as at 31 December 2014, 2015 and 2016 and 30 June 2017 was as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The liability-to-asset ratio	114.22%	153.42%	191.59%	175.72%

There were no changes in the Target Company's approach to capital management during the Relevant Period.

The Target Company is not subject to externally imposed capital requirements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Current and Deferred Income Taxes

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

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

5 SEGMENT INFORMATION

The chief executive officer and the chief financial officer of the Target Company are identified as the chief operating decision-maker (the "**CODM**") of the Target Company. Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

In the view of CODM, the Target Company is principally engaged in three different segments which are subject to different business risks and different economic characteristics and the Target Company's operating and reportable segments for segment reporting purpose are as follows:

(a) Pediatrics

Revenue derived from specialized pediatrics medical services.

(b) Obstetrics and Gynecology

Revenue derived from specialized obstetric and gynecologic medical services.

(c) Others

The Target Company provides disease study services and operates canteens, gift and groceries shops in the hospital.

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

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

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

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

	Pediatrics	Obstetrics and Gynecology	Others	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2014					
Revenue	491	908	48	–	1,447
Cost of revenue	7,133	12,638	1,859	–	21,630
Segment results	(12,093)	(19,213)	(1,811)	–	(33,117)
Unallocated income				23	23
Unallocated cost				(27)	(27)
Loss before income tax	(12,093)	(19,213)	(1,811)	(4)	(33,121)
Income tax expense				–	–
Loss after income tax					(33,121)
As at 31 December 2014					
Total assets	104,984	37,594	–	352	142,930
Total Liabilities	22,031	35,433	161	105,636	163,261
Other segment information					
Addition to non-current assets	62,195	27,835	–	–	90,030
Depreciation and amortization	(5,404)	(1,688)	–	–	(7,092)
For the year ended 31 December 2015					
Revenue	9,051	16,252	606	–	25,909
Cost of revenue	23,863	26,777	3,112	–	53,752
Segment results	(27,746)	(25,079)	(2,544)	–	(55,369)
Unallocated income				12	12
Unallocated cost				(178)	(178)
Loss before income tax	(27,746)	(25,079)	(2,544)	(166)	(55,535)
Income tax expense				–	–
Loss after income tax				–	(55,535)
As at 31 December 2015					
Total assets	104,908	35,212	–	1,896	142,016
Total Liabilities	20,698	25,604	470	171,110	217,882

	Pediatrics	Obstetrics and Gynecology	Others	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other segment information					
Addition to non-current assets	3,096	4,996	–	–	8,092
Depreciation and amortization	(4,920)	(8,103)	–	–	(13,023)
For the year ended 31 December 2016					
Revenue	21,126	50,636	2,007	–	73,769
Cost of revenue	32,333	49,420	5,068	–	86,821
Segment results	(27,171)	(25,017)	(3,082)	–	(55,270)
Unallocated income			–	255	255
Unallocated cost				(389)	(389)
Loss before income tax	(27,171)	(25,017)	(3,082)	(134)	(55,404)
Income tax expense				–	–
Loss after income tax					(55,404)
As at 31 December 2016					
Total assets	102,930	35,804	–	4,589	143,323
Total Liabilities	17,407	35,307	675	221,204	274,593
Other segment information					
Addition to non-current assets	4,035	7,469	–	–	11,504
Depreciation and amortization	(4,655)	(9,794)	–	–	(14,449)
Six months ended 30 June 2017					
Revenue	13,733	26,606	1,922	–	42,261
Cost of revenue	18,849	23,107	2,592	–	44,548
Segment results	(14,059)	(7,979)	(687)	–	(22,725)
Unallocated income				4	4
Unallocated cost				(96)	(96)
Loss before income tax	(14,059)	(7,979)	(687)	(92)	(22,817)
Income tax income					(28,621)
Profit after income tax					5,804
As at 30 June 2017					
Total assets	101,654	33,157	1,108	29,770	165,689
Total Liabilities	15,578	23,652	1,217	250,708	291,155

	Pediatrics	Obstetrics and Gynecology	Others	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other segment information					
Addition to non-current assets	588	1,055	–	–	1,643
Depreciation and amortization	(2,775)	(4,943)	–	–	(7,718)
Losses on disposal of property, plant and equipment, net	(4)	–	–	–	(4)
(Unaudited)					
Six months ended 30 June 2016					
Revenue	7,732	20,027	826	–	28,585
Cost of revenue	14,895	23,086	2,108	–	40,089
Segment results	(14,924)	(16,202)	(1,290)	–	(32,416)
Unallocated income				77	77
Unallocated cost				(194)	(194)
Loss before income tax	(14,924)	(16,202)	(1,290)	(117)	(32,533)
Income tax expense					–
Loss after income tax					(32,533)
Other segment information					
Addition to non-current assets	2,115	4,105	–	–	6,220
Depreciation and amortization	(2,263)	(4,842)	–	–	(7,105)

6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Medical equipment	Motor vehicles	Office equipment and furniture	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014						
Cost	–	–	302	50	57,683	58,035
Accumulated depreciation	–	–	(33)	(17)	–	(50)
Net book amount	–	–	269	33	57,683	57,985
Year ended 31 December 2014						
Opening net book amount	–	–	269	33	57,683	57,985
Additions	–	18,051	–	5,811	64,678	88,540
Transfer upon completion	121,064	–	–	1,297	(122,361)	–
Depreciation charge	(6,193)	(586)	(29)	(254)	–	(7,062)
Closing net book amount	114,871	17,465	240	6,887	–	139,463

	Leasehold improvements *RMB'000*	Medical equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment and furniture *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 31 December 2014						
Cost	121,064	18,051	302	7,158	–	146,575
Accumulated depreciation	(6,193)	(586)	(62)	(271)	–	(7,112)
Net book amount	114,871	17,465	240	6,887	–	139,463
Year ended 31 December 2015						
Opening net book amount	114,871	17,465	240	6,887	–	139,463
Additions	–	3,001	536	1,954	2,197	7,688
Transfer upon completion	2,104	–	–	–	(2,104)	–
Depreciation charge	(9,435)	(1,740)	(67)	(1,462)	–	(12,704)
Closing net book amount	107,540	18,726	709	7,379	93	134,447
At 31 December 2015						
Cost	123,168	21,052	838	9,112	93	154,263
Accumulated depreciation	(15,628)	(2,326)	(129)	(1,733)	–	(19,816)
Net book amount	107,540	18,726	709	7,379	93	134,447
Year ended 31 December 2016						
Opening net book amount	107,540	18,726	709	7,379	93	134,447
Additions	–	8,483	–	1,421	1,541	11,445
Transfer upon completion	1,476	–	–	–	(1,476)	–
Depreciation charge	(9,775)	(2,363)	(80)	(1,848)	–	(14,066)
Closing net book amount	99,241	24,846	629	6,952	158	131,826
At 31 December 2016						
Cost	124,644	29,535	838	10,533	158	165,708
Accumulated depreciation	(25,403)	(4,689)	(209)	(3,581)	–	(33,882)
Net book amount	99,241	24,846	629	6,952	158	131,826
Six months ended 30 June 2017						
Opening net book amount	99,241	24,846	629	6,952	158	131,826
Additions	–	810	–	325	213	1,348
Transfer upon completion	263	–	–	–	(263)	–
Disposals	–	–	–	(4)	–	(4)
Depreciation charge	(4,935)	(1,425)	(40)	(1,102)	–	(7,502)
Closing net book amount	94,569	24,231	589	6,171	108	125,668

	Leasehold improvements	Medical equipment	Motor vehicles	Office equipment and furniture	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 June 2017						
Cost	124,907	30,345	838	10,850	108	167,048
Accumulated depreciation	(30,338)	(6,114)	(249)	(4,679)	–	(41,380)
Net book amount	94,569	24,231	589	6,171	108	125,668

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

	Year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cost of revenue	5,852	10,267	11,435	5,621	6,102
Administration expenses	1,035	2,128	2,274	1,119	1,213
Selling expenses	175	309	357	175	187
Total	7,062	12,704	14,066	6,915	7,502

No property, plant and equipment was pledged as collateral under borrowing agreements at 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

7 INTANGIBLE ASSETS

The intangible assets mainly comprised of computer software at 31 December 2014, 2015, 2016 and 30 June 2017.

	Year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost					
At the beginning of the year/period	–	1,490	1,894	1,894	1,953
Addition	1,490	404	59	26	295
At the end of the year/ period	1,490	1,894	1,953	1,920	2,248
Accumulated amortization					
At the beginning of the year/period	–	(30)	(349)	(349)	(732)
Amortization	(30)	(319)	(383)	(190)	(216)
At the end of year/ period	(30)	(349)	(732)	(539)	(948)
Net book amount					
At the end of year/ period	1,460	1,545	1,221	1,381	1,300

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

	Year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of revenue	25	313	377	187	192
Administration expenses	5	6	6	3	4
Selling expenses	–	–	–	–	20
Total	30	319	383	190	216

8 DEFERRED INCOME TAX ASSETS

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets:				
– Deferred income tax assets to be recovered after more than 12 months	–	–	–	28,621
Deferred income tax assets – net	–	–	–	28,621

Deferred income tax assets	**Accruals**	**Provision for receivables**	**Tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2017	–	–	–	–
Credited to the income statement	–	–	28,621	28,621
Balance at 30 June 2017	–	–	28,621	28,621

Deferred income tax assets in respect of tax losses carry-forward are recognized to the extent that the realisation of the related tax benefit against future taxable profit becomes probable.

Management has regularly assessed the Target Company's future profitability for the purpose of deferred income tax assets recognition in respect of tax losses carried-forward. Management did not recognize deferred income tax assets of approximately RMB4,965,000, RMB15,743,000 and RMB24,130,000 as at 31 December 2014, 2015 and 2016 in respect of accumulated losses amounting to approximately RMB19,859,000, RMB62,972,000 and RMB96,519,000 as at 31 December 2014, 2015 and 2016 respectively. Management considered that there were still uncertainties around the Target Company's future operation results since the Target Company was newly start-up and began the operation in July 2014. The Target Company had been in the expansion stage in 2015 and 2016, and experienced historical losses from 2014 to 2016.

In 2017, management assessed the Target Company could utilize the tax losses in foreseeable future income based on the stable increase in revenue and reduction of the operation losses of the Target Company. Management also considered that the above positive trend of the operation could continue in the foreseeable future regarding the reputation gathered in local area, the increased customer visits and the rapid growth of the healthcare industry. Accordingly, management recognized deferred income tax assets of RMB28,621,000 at the end of 30 June 2017, in respect of losses amounting to RMB114,483,000 that can be carried forward against future taxable income.

The expiry date of tax losses is as of follow:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019	19,859	19,859	19,859	19,859
As at 31 December 2020	–	43,113	43,113	43,113
As at 31 December 2021	–	–	33,547	33,547
As at 31 December 2022	–	–	–	17,964
	19,859	62,972	96,519	114,483

9 INVENTORIES

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pharmaceuticals	233	547	820	875
Medical consumables	325	918	1,691	1,957
	558	1,465	2,511	2,832

The cost of inventories was recognized as expense and included in 'cost of revenue' amounting to RMB749,000, RMB4,359,000, RMB12,837,000, RMB5,476,000 and RMB6,912,000 for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 respectively (Note 18).

10 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial Assets				
At amortized cost				
Trade receivables *(Note 11)*	–	1,059	1,634	4,055
Other receivables excluding prepayments *(Note 12)*	184	464	621	1,271
Cash and cash equivalents *(Note 13)*	352	1,896	4,589	1,150
	536	3,419	6,844	6,476
Financial liabilities				
At amortized cost				
Trade payables *(Note 14)*	1,023	3,003	5,573	5,057
Other payables excluding non-financial liabilities *(Note 15)*	54,544	39,743	39,905	27,082
Amounts due to the Parent Company *(Note 16)*	81,816	138,390	180,031	207,527
Amounts due other related parties *(Note 16)*	23,820	32,720	41,173	43,181
	161,203	213,856	266,682	282,847

11 TRADE RECEIVABLES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	1,059	1,634	4,055
Less: allowance for impairment of trade receivables	–	–	–	–
Trade receivables – net	–	1,059	1,634	4,055

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

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the aging analysis of the trade receivables based on demand note date was as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 3 months	–	1,057	1,374	1,733
4 – 6 months	–	2	253	2,281
7 months – 1 year	–	–	6	35
Over 1 year	–	–	1	6
	–	1,059	1,634	4,055

As at 31 December 2014, 2015 and 2016 and 30 June 2017, certain trade receivable balances past due but not impaired were Nil, RMB1,044,000, RMB1,612,000 and RMB4,043,000, respectively. The balances mainly related to amounts to be claimed from Beijing Children's Hospital for the medical research services and amounts to be claimed from the local social insurance bureau and similar government departments who are responsible for the reimbursement of medical expenses for patients who are covered by government medical insurance schemes. The management considers that based on past settlement history, those amounts can be recovered in reasonable time. The aging analysis of these trade receivables is as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 3 months	–	1,042	1,352	1,721
4 – 6 months	–	2	253	2,281
7 months – 1 year	–	–	6	35
Over 1 year	–	–	1	6
	–	1,044	1,612	4,043

As at 31 December 2014, 2015 and 2016 and 30 June 2017, there was no balance of trade receivables which was past due but impaired.

12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	781	613	649	646
Other receivables	159	300	248	705
Deposits	25	156	133	118
Others	–	8	240	448
	965	1,077	1,270	1,917

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

13 CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks	333	1,855	4,483	1,086
Cash on hand	19	41	106	64
	352	1,896	4,589	1,150

Cash and cash equivalents are all denominated in RMB.

Bank balances earn interest at floating rates based on daily bank deposit rates. The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

14 TRADE PAYABLES

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

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 3 months	743	2,031	2,841	3,037
4–6 months	280	800	1,591	902
7–12 months	–	85	852	859
Over 1 year	–	87	289	259
	1,023	3,003	5,573	5,057

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

15 ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued employee benefits	1,613	3,142	5,979	6,433
Accrued operating expenses	523	1,625	5,948	4,357
Advance from customers	2,753	6,874	13,158	8,266
Duty and tax payable other than corporate income tax	361	510	783	697
Other payables to suppliers of plant and equipment and other non-current assets	51,268	31,223	20,797	14,457
Others	–	21	2	2
	56,518	43,395	46,667	34,212

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

16 BALANCES WITH RELATED PARTIES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties				
– Trade in nature				
Chengdu Women's and Children's Central Hospital	23,818	32,287	40,758	42,766
Beijing Jiahua Likang Medical Investment and Management Co., Ltd.	–	540	8,081	11,574
Beijing MuHeJiaYe Property Management Co., Ltd.	–	415	415	415
	23,818	33,242	49,254	54,755
– Non-Trade in nature				
Beijing Jiahua Likang Medical Investment and Management Co., Ltd.	81,816	137,850	171,950	195,953
Beijing New Century Children's Hospital Co., Ltd.	2	18	–	–
	81,818	137,868	171,950	195,953
	105,636	171,110	221,204	250,708

The amounts due to related parties are unsecured, interest-free, and repayable on demand and denominated in RMB. Their carrying values as at 31 December 2014, 2015 and 2016 and 30 June 2017 approximate their fair values.

17 REVENUE

The Target Company's revenue for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 mainly represents the amount received and receivable from provision of treatments and medical service and supply of pharmaceutical to customers, net of discount and sales related taxes, are as follows:

	Year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
General healthcare services					
– Provision of healthcare services	1,330	22,936	63,247	24,111	34,606
– Pharmaceutical sales	69	2,367	8,515	3,648	5,733
Others	48	606	2,007	826	1,922
	1,447	25,909	73,769	28,585	42,261

All revenue are generated in the PRC. The Target Company has a diversified patient portfolio, especially in pediatrics, obstetrics and gynecology, aside from the hospitals located in mainland China, no single patient contributed 1% or more of the Target Company's respective revenue during the Relevant Periods. For disease study services, the top one, one and two clients contributed 1%, 1% and 3% of the Target Company's revenue for the year ended 31 December 2016 and the six months ended 30 June 2016 and 2017.

18 EXPENSES BY NATURE

	Year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Employee benefits expenses *(Note 19)*	12,111	37,090	59,122	27,319	32,229
Depreciation and amortisation	7,092	13,023	14,449	7,105	7,718
Cost of inventories and consumables	749	4,359	12,837	5,476	6,912
Utilities, maintenance fee and office expenses	2,523	9,528	13,747	6,106	6,354
Rental expenses	8,406	8,406	8,406	4,203	4,203
Consulting fees	–	540	7,541	3,730	3,493
Outsourced examination and inspection fees	31	902	4,887	2,320	958
Auditor's Remuneration	–	5	15	15	26
Other expenses	3,679	7,603	8,424	4,921	3,185
	34,591	81,456	129,428	61,195	65,078

19 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and bonuses	10,271	31,232	49,529	22,701	26,839
Contribution to a pension plan	906	2,778	4,087	1,901	2,722
Welfare and other expenses	934	3,080	5,506	2,717	2,668
	12,111	37,090	59,122	27,319	32,229

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

Employee benefit expenses were charged in the following categories in the statements of comprehensive income:

	Year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cost of sales	7,513	28,850	45,529	20,857	24,627
Administrative expenses	3,986	4,604	7,545	3,512	4,196
Selling expenses	612	3,636	6,048	2,950	3,406
	12,111	37,090	59,122	27,319	32,229

20 INCOME TAX INCOME

The Target Company is subject to PRC corporate income tax at the rate of 25% for the Relevant Period.

	Year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current income taxation:					
– PRC corporate income tax	–	–	–	–	–
Deferred income tax *(Note 8)*	–	–	–	–	(28,621)
	–	–	–	–	(28,621)

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

	Year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loss before income tax	(33,122)	(55,535)	(55,404)	(32,533)	(22,817)
Calculated at a taxation rate of 25%	(8,281)	(13,884)	(13,851)	(8,133)	(5,704)
Expenses not tax deductible	3,316	3,106	5,464	2,976	1,213
Tax effect of tax losses not recognized	4,965	10,778	8,387	5,157	–
Recognition of deferred tax assets for tax losses not recognized in previous year	–	–	–	–	(24,130)
Income tax expense	–	–	–	–	(28,621)

21 CASH GENERATED FROM OPERATIONS

	Year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loss before income tax	(33,121)	(55,535)	(55,404)	(32,533)	(22,817)
Adjustments for:					
– Depreciation of property, plant and equipment *(Note 6)*	7,062	12,704	14,066	6,915	7,502
– Amortisation *(Note 7)*	30	319	383	190	216
– Loss on disposal of property, plant and equipment *(Note 6)*	–	–	–	–	4
– Finance income – net	(16)	(8)	(9)	(4)	(2)
Changes in working capital:					
– Inventories	(558)	(907)	(1,046)	(523)	(321)
– Trade and other receivables	2,415	(1,171)	(768)	(1,756)	(3,068)
– Balances with related parties	8,409	9,440	15,994	7,992	5,501
– Trade and other payables	639	8,902	16,268	10,179	(6,631)
– Deferred revenue	84	290	775	120	29
Cash used in operations	(15,056)	(25,966)	(9,741)	(9,420)	(19,587)

22 COMMITMENTS

(a) Capital Commitments

The following is the details of capital expenditure contracted for but not provided in the Relevant Periods.

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for				
– Property, plant and equipment	580	2,542	280	4
Total	580	2,542	280	4

(b) Operating Lease Commitments

The Target Company had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases with a related party as follows (Note 23):

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No later than 1 year	4,500	5,000	6,500	8,500
Later than 1 year and no later than 5 years	28,500	32,000	35,500	37,500
Later than 5 years	126,125	117,625	107,625	97,125
Total	159,125	154,625	149,625	143,125

23 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

Name	**Relationship with the Target Company**
Beijing Jiahua Likang Medical Investment and Management Co., Ltd. (北京嘉華麗康醫療投資管理有限公司)	The controlling shareholder of the Target Company
Chengdu Women's and Children's Central Hospital (成都市婦女兒童中心醫院)	The non-controlling shareholder of the Target Company
Beijing New Century Children's Hospital Co., Ltd. (北京新世紀兒童醫院有限公司)	Controlled by Mr. Jason Zhou, the person has significant influence on the Target Company
Beijing MuHeJiaYe Property Management Co., Ltd. (北京睦合嘉業物業管理有限公司)	Controlled by Ms. Zhao, the spouse of Mr. Jason ZHOU, the person has significant influence on the Target Company

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

Significant Transactions with Related Parties

	Year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Healthcare services received from					
– Chengdu Women's and Children's Central Hospital	1	62	83	43	36
Purchase of goods from					
– Chengdu Women's and Children's Central Hospital	7	1	3	1	–
Management consulting services received from					
– Beijing Jiahua Likang Medical Investment and Management Co., Ltd. *(i)*	–	540	7,541	3,730	3,493
Other services received from					
– Chengdu Women's and Children's Central Hospital *(ii)*	8,406	8,406	8,406	4,203	4,203
– Beijing MuHe JiaYe Property Management Co., Ltd.	–	2,474	4,986	2,493	2,493
Total	8,414	11,483	21,019	10,470	10,225

(i) The Target Company received a hospital consulting service that is ultimately provided by New Century Healthcare Holding Co., Limited.

(ii) The Target Company entered into a lease agreement with Chengdu Women's and Children's Central Hospital with a leasing period from November 2010 to October 2030. Under the lease agreement, the Target Company could use the property and the underlying land which were owned by Chengdu Women's and Children's Central Hospital, but has no option to purchase or transfer ownership of the land and property by the end of the leasing period. In accordance with the agreement, both parties may negotiate to renew lease agreement after the existing leasing period. Considering the total leasing period was not exceed the major part of the economic life of the property and land, and the present value of minimum lease payment did not substantially amounted to all of the fair value of the land and property at the effective date of leasing agreement, management recognised the lease as operating lease at the initial recognition.

(a) Year-end Balances Arising from Sales/purchases of Services

Balances with related parties as at 31 December 2014, 2015 and 2016 and 30 June 2017 were disclosed in Note 16.

(b) Fundings from the Parent Company

The Target Company obtained fundings from Jiahua Likang of RMB66,903,000, RMB56,034,000, RMB34,100,000, RMB27,800,000 and RMB24,003,000 for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 respectively, which were interest-free and repayable on demand. The related balance with such fundings are disclosed in Note 16.

(c) Key Management Compensation

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

	Year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries and bonus	1,009	1,856	1,984	1,012	822
Contribution to pension plans	4	47	64	31	33
Welfare and other expenses	68	248	585	274	470
Total	1,081	2,151	2,633	1,317	1,325

24 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and Chief Executive Emoluments

The remuneration of each director and the chief executive for the year ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 is set out below:

	Year ended 31 December			For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries	548	552	564	278	153
Estimated money value of other benefits	58	61	56	28	178
Total	606	613	620	306	331

(b) Directors' Material Interests in Transactions, Arrangements or Contracts

Other than the interests disclosed, no significant transactions, arrangements and contracts in relation to the Target Company's business to which the Company was a party and in which a director of the Target Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

25 CONTINGENCIES

The Target Company had no material contingent liabilities outstanding as at December 31, 2014, 2015 and 2016 and June 30, 2017.

26 SUBSEQUENT EVENTS

Save as disclosed elsewhere in the notes to the financial information of the Target Company set out above, there is no other material subsequent event undertaken by the Target Company after 30 June 2017.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 June 2017 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Target Company in respect of any period subsequent to 30 June 2017.

1. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the PRC and operates a children's and women's hospital in Chengdu, the PRC. Upon Completion, the Company will indirectly hold 85.0% equity interest of the Target Company and the Target Company will become a non-wholly-owned subsidiary of the Company, so the assets, liabilities and financial results of the Target Company will accordingly be consolidated into the financial statements of the Group.

The following is the management discussion and analysis on the Target Company for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 (the "**Relevant Periods**").

2. BUSINESS OVERVIEW AND PROSPECT

The Target Company generates revenue primarily from three business segments (collectively, the "**Target Segments**"), including (i) the provision of specialized pediatric medical services ("**Pediatrics**"); (ii) the provision of specialized obstetric and gynecologic medical services ("**Obstetrics and Gynecology**"); and (iii) the provision of disease study services and the operation of canteens and gift and groceries shops in its hospital ("**Others**").

The Target Company is expected to continue to generate revenue primarily from the Target Segments as part of the Enlarged Group. Chengdu, where the Target Company is located, is the provincial capital of Sichuan Province and one of the most important economic, financial, commercial, cultural, transportation and communication centers in Western China. A typical women and children's hospital takes normally three to four years to achieve breakeven or start generating profit since its establishment. Although the Target Company is still in operating-loss position, the Company is optimistic on the future business prospects of the Target Company principally based on, (i) a positive industry outlook which is expected to drive the revenue growth, (ii) the promotion of two additional lines of business of pneumology and gastroenterology service which is expected to bring in additional source of revenue to the Target Company, and (iii) the operating data and revenue growth trend have demonstrated a healthy and improving historical performance of the Target Company which lays a solid foundation for the future growth of its businesses. Please refer to section 2 of the letter from the Board in this circular for more details on the future prospects of the Target Company.

3. FINANCIAL RESULTS

Revenue

The following table sets forth the revenue of each of the Target Segments for the Relevant Periods:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	(in thousands of RMB, except percentages)									
Pediatrics	491	33.9%	9,051	34.9%	21,126	28.6%	7,732	27.0%	13,733	32.5%
Obstetrics and Gynecology	908	62.8%	16,252	62.7%	50,636	68.6%	20,027	70.1%	26,606	63.0%
Others	48	3.3%	606	2.4%	2,007	2.8%	826	2.9%	1,922	4.5%
Total	1,447	100.0%	25,909	100.0%	73,769	100.0%	28,585	100.0%	42,261	100.0%

The relative contribution of the Target Segments to the Target Company's total revenue had remained more or less consistent, with the Obstetrics and Gynecology segment persistently accounting for more than 60% of the Target Company's total revenue. The annual and year-on-year increases in the above segment revenue figures were primarily due to the considerable growth in the Target Company's business volume.

Cost of Revenue

The cost of revenue of the Target Company increased from RMB21.6 million in 2014 to RMB53.8 million in 2015, principally due to the fact that the cost of revenue in 2014 is for less than six months since the commencement of the medical business operation while the cost in 2015 is for a full year. The cost of revenue of the Target Company further increased to RMB86.8 million in 2016, which was primarily attributable to (i) an increase in human resources costs as a result of increased number of employees (including physicians and other medical professionals) necessary for the business growth of the Target Company; and (ii) an increase in the costs of inventories and consumables and fees relating to outsourced examination and inspection services. The increase in cost of revenue of the Target Company from RMB40.1 million for the six months ended June 30, 2016 to RMB44.5 million for the six months ended June 30, 2017 was mainly due to increased number of physicians and other medical professionals.

Profit/Loss

The Target Company's operating loss for the year ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 amounted to RMB33.1 million, RMB55.5 million, RMB55.4 million, RMB32.5 million and RMB22.8 million respectively. Such loss had decreased from the year ended December 31, 2015 through the year ended December 31, 2016, and more significantly from the six months ended June 30, 2016 through the six months ended June 30, 2017, representing a continuous improvement of the Target Company's financial results.

The Target Company recorded after-tax net loss of RMB32.5 million for the six months ended June 30, 2016 and after-tax net profit of RMB5.8 million for the six months ended June 30, 2017, respectively, primarily as a result of recognition of deferred income tax.

4. OPERATING RESULTS

Apart from the above classification by Target Segments, the Target Company's medical services can also be classified by service and sales to inpatients and outpatients. The following table sets forth the revenue and certain operating data relating to such classification for the Relevant Periods:

	Year ended December 31,			Six months ended June 30,	
	2014	**2015**	**2016**	**2016**	**2017**
Inpatients					
Inpatient visits	39	751	2,075	816	1,192
Average inpatient spending per visit *(RMB)*	15,000	15,550	15,850	14,682	18,540
Revenue from medical services attributable to inpatients *(in thousands of RMB)*	585	11,678	32,888	11,980	22,100
Outpatients					
Outpatient visits	586	11,274	41,357	16,200	24,256
Average outpatient spending per visit *(RMB)*	1,355	1,168	913	948	703
Revenue from medical services attributable to outpatients *(in thousands of RMB)*	794	13,165	37,759	15,356	17,063
Revenue recognized for membership card sales *(in thousands of RMB)*	20	460	1,115	423	1,176
Other revenue and income (e.g. canteens and gift and groceries shops) *(in thousands of RMB)*	48	606	2,007	826	1,922

The Target Company's inpatient and outpatient businesses both underwent rapid growth during the Relevant Periods, as can be seen from the numbers of visits by, and the revenue from medical services attributable to, both types of patients.

Generally speaking, the average spending per visit for Obstetrics and Gynecology is higher than that for Pediatrics. During the Relevant Periods, the growth rate of the number of Obstetrics and Gynecology inpatients was higher than that of Pediatrics inpatients, resulting in a gradually rising average inpatient spending per visit.

5. LIQUIDITY AND FINANCIAL RESOURCES

Cash and Cash Equivalents

As at December 31, 2014, 2015, 2016 and June 30, 2017, the Target Company had cash (together with cash equivalents) of RMB0.4 million, RMB1.9 million, RMB4.6 million, RMB1.2 million respectively.

Gearing Ratio

The Target Company's gearing ratio, which was calculated on the basis of the its net borrowings over total equity was not applicable as the Target Company had no borrowings other than amounts due to related parties and payables.

6. SIGNIFICANT ACQUISITIONS AND DISPOSALS

The Target Company did not have any significant acquisition or disposal during the Relevant Periods.

7. CONTINGENT LIABILITIES

As at December 31, 2014, 2015, 2016 and June 30, 2017, the Target Company had no material contingent liabilities.

8. PLEDGE OF ASSETS

As of June 30, 2017, the Target Company did not have any charge on its assets.

9. FOREIGN EXCHANGE FLUCTUATION

The Target Company's operations are located in the PRC and its assets, liabilities and transactions were mainly denominated in RMB. As such, the impact of fluctuations in foreign currency on the Target Company was minimal and the Target Company did not have any foreign currency hedging policy.

10. EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2014, 2015 and 2016 and June 30, 2017, the Target Company had 232, 356, 434 and 423 employees, respectively.

The remuneration of employees of the Target Company was in line with market trends and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed every year. The Target Company had provided mandatory social insurance and other benefits to its relevant employees.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2017 (the "**Unaudited Pro Forma Financial Information**") which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of the 85% equity interest in Chengdu New Century Women's and Children's Hospital Co., Ltd. (the "**Target Company**") (the "**Acquisition**"), as if the Acquisition had been taken place on 30 June 2017. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2017 or at any future date.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2017	Unaudited pro forma adjustment		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2017
		Audited statement of assets and liabilities of the Target Company as at 30 June 2017	Other pro forma adjustments	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	
ASSETS				
Non-current assets				
Property, plant and equipment	102,546	125,668	8,128	236,342
Intangible assets	247,494	1,300	347,914	596,708
Deferred income tax assets	26,004	28,621	(28,621)	26,004
Other non-current assets	–	146	–	146
Total non-current assets	376,044	155,735	327,421	859,200
Current assets				
Inventories	6,039	2,832	–	8,871
Trade receivables	15,144	4,055	–	19,199
Other receivables, deposits and prepayments	11,030	1,917	–	12,947
Amounts due from related parties	44,139	–	–	44,139
Financial assets at fair value through profit and loss	11,573	–	–	11,573
Bank deposits	303,000	–	–	303,000
Cash and cash equivalents	634,374	1,150	(200,000)	435,524
Total current assets	1,025,299	9,954	(200,000)	835,253
Total assets	1,401,343	165,689	127,421	1,694,453

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2017	Unaudited pro forma adjustment: Audited statement of assets and liabilities of the Target Company as at 30 June 2017	Unaudited pro forma adjustment: Other pro forma adjustments	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	37,490	–	5,445	42,935
Total non-current liabilities	37,490	–	5,445	42,935
Current liabilities				
Trade payables	12,889	5,057	–	17,946
Accruals, other payables and provisions	108,260	34,212	–	142,472
Deferred revenue	30,487	1,178	–	31,665
Current income tax liabilities	2,376	–	–	2,376
Amounts due to related parties	3,143	250,708	–	253,851
Total current liabilities	157,155	291,155	–	448,310
Total liabilities	194,645	291,155	5,445	491,245
Net assets/(liabilities)	1,206,698	(125,466)	121,976	1,203,208

C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The balances are extracted from the reviewed consolidated balance sheet of the Group as at 30 June 2017 as set out in the Company's published interim report for the six months ended 30 June 2017.

2. The balances are extracted from the audited balance sheet of the Target Company as at 30 June 2017 as set out in the accountant's report of Chengdu New Century Women's and Children's Hospital Co., Ltd. in Appendix II to this circular.

3. Upon the completion of the Acquisition, the Company will indirectly hold 85% of equity interest in the Target Company through its wholly owned subsidiary, Beijing Jiahua Yihe Management and Consulting Co., Ltd., and the Target Company will become a subsidiary of the Company. The remaining 15% of equity interest in the Target Company (the "**Remaining Interest**") is still held by Chengdu Women's and Children's Central Hospital which shall be recognized as non-controlling interests. The identifiable assets and liabilities of the Target Company will be accounted for in the Enlarged Group at their fair values using the acquisition accounting method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

   The adjustments represent the goodwill recognized from the Acquisition of approximately RMB219,778,000 being the excess of the consideration transferred over the fair value of the identified net assets acquired, and the fair value adjustment for the identifiable assets and liabilities.

		RMB'000	*RMB'000*
Total Consideration	(a)		200,000
Less: Fair value of identifiable assets and liabilities			
Carrying amount of identifiable assets and liabilities	(b)	(125,466)	
Valuation adjustments on identifiable assets and liabilities			
– Leasehold improvements and equipment	(c)	8,128	
– Computer Software	(d)	136	
– Medical licenses	(d)	128,000	
Deferred income tax liabilities	(e)	(34,066)	
Total net identifiable liabilities			(23,268)
Non-controlling interest	(f)		(3,490)
Goodwill to be recognized from the Acquisition	(g)		219,778

(a) In accordance with the Sale Purchase Agreement entered into between Beijing Jiahua Yihe Management Consulting Co., Ltd., Beijing Jiahua Likang Health Investment Co., Ltd. and Chengdu Women's and Children's Central Hospital on 6 December, 2017, the total consideration of the Acquisition is RMB200,000,000. The Company intends to satisfy the consideration by internal resources.

(b) The carrying amount of identifiable assets and liabilities of the Target Company as at 30 June 2017 are extracted from the audited financial statement disclosed in Note 2.

(c) The Directors of the Company have determined the fair values of leasehold improvements and equipment of the Target Company as at 30 June 2017 with reference to a valuation report issued by an independent valuer, D&P China (HK) Limited.

The fair value of leasehold improvements and equipment was established by cost approach which is the most common valuation approach applied by market participants and valuation practitioners when determining fair values of similar assets. Under cost approach, value is established based on original cost of the assets, price index, useful life, age and corresponding deprecation factor the subject assets. The valuation adjustments on leasehold improvements and equipment are calculated by minus carrying amount of leasehold improvements and equipment from the fair value of leasehold improvements and equipment.

(d) The breakdown of the intangible assets adjusted to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2017 are listed as below:

	RMB'000
Medical licenses	128,000
Computer software	136
Goodwill to be recognized from the Acquisition	219,778
	347,914

The Directors of the Company have determined the fair values of the intangible assets of the Target Company as at 30 June 2017 with reference to a valuation report issued by an independent valuer, D&P China (HK) Limited.

The fair value of the medical licenses was established using a form of the income approach known as the multi-period excess earnings method. Excess earnings method was selected for valuation of the medical licenses because it was considered as the appropriate method to capture the subject medical licenses' expected contribution to future earnings. In the multi-period excess earnings method, value is estimated as the present value of the incremental after-tax cash flow (excess earnings) attributable solely to the intangible assets over its remaining useful life. The resulting excess earning was discounted at a rate approximating a market participant's required rate of return for the risks of investing in the operating licenses.

The fair value of computer software was established by cost approach. Cost approach was selected for valuation of the computer software because (i) the subject computer software is mainly used in operation and management of the acquired company and (ii) cost approach is the most common valuation approach applied by market participants and valuation practitioners when determining fair values of software used for internal management and operation. Under cost approach, value is established based on original cost of the assets, price index, useful life, age and corresponding amortisation factor of the subject asset. The valuation adjustments on computer software are calculated by minus carrying amount of computer software from the fair value of computer software.

(e) The Deferred income tax liabilities represent the deferred tax effect from the fair value of identifiable assets related with the acquisition. The balance will be net off by the deferred income tax assets in respect of the accumulated tax losses of the Target Company. After the net off, the net deferred income tax liabilities balance will be RMB5,445,000.

(f) The non-controlling interest represent the total net identifiable liabilities allocated to the non-controlling shareholder of the Target Company.

(g) For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, fair values of the identifiable assets and liabilities of the Target Company as at 30 June 2017 were used to determine the goodwill arising from the Acquisition. Upon completion of the Acquisition, the fair values of net identifiable liabilities of the Target Company as at the date of completion will be used to determine the actual amount of the goodwill arising from the Acquisition. Such difference between the actual amount and the valuation as at 30 June 2017 may be significant.

As of the date of this circular, the Directors of the Company have not finalised the allocation of goodwill to be recognized from the Acquisition. Based on the Directors' assessment, no impairment indicators were noted by management. Accordingly, no impairment test was performed by the Directors. The Directors of the Company will allocate the goodwill before the end of the first annual period beginning after the acquisition date and perform the impairment test annually after the Acquisition. The Directors of the Company have adopted consistent accounting policies as principle assumptions to assess the goodwill in the future.

4. No adjustment has been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transaction of the Group and the Target Company entered subsequent to 30 June 2017.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of New Century Healthcare Holding Co. Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of New Century Healthcare Holding Co. Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), and Chengdu New Century Women's and Children's Hospital Co., Ltd. (the "**Target Company**") (collectively the "**Enlarged Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2017, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages 105 to 110 of the Company's circular dated 29 December 2017, in connection with the proposed acquisition of the Target Company (the "**Acquisition**") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages 105 to 110.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 June 2017 as if the Acquisition had taken place at 30 June 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the period ended 30 June 2017, on which a review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 29 December 2017

The following is the Valuation Report prepared by D&P China (HK) Limited for the purpose of incorporation in this circular.

DUFF & PHELPS 道衡美評

December 29, 2017

The Directors
New Century Healthcare Holding Co. Limited.
Building E, 51 Kun Ming Hu Nan Road
Haidian District, Beijing

Our Ref.: 84126

Dear Sirs,

VALUATION REPORT ON MARKET VALUE OF 85% EQUITY INTEREST IN CHENGDU NEW CENTURY WOMEN'S AND CHILDREN'S HOSPITAL CO., LTD

Pursuant to the terms, conditions and purpose of an engagement agreement dated November 30, 2017 ("**Engagement Agreement**") between New Century Healthcare Holdings Co., Limited ("**Company**" or "**Client**") and D&P China (HK) Limited ("**Duff & Phelps China**"), we have performed an analysis of market value ("**Valuation**") of 85% equity interest in Chengdu New Century Women's and Children's Hospital Co. Ltd. (the "**Target Company**"), as of June 30, 2017 ("**Valuation Date**"). We understand that the Company contemplates the acquisition of the above mentioned interest and the Valuation is prepared based on the underlying assumptions and information provided by the management of the Company and the Target Company (together "**Management**").

We understand that this letter will be adopted by the Company for public disclosure purpose in compliance with the Rules Governing the Listing of Securities on Stock Exchange ("**Listing Rules**") of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). No third party shall have the right of reliance on this letter and neither receipt nor possession of this letter by any third party shall create any express or implied third-party beneficiary rights.

Room 803, T2 of China Central Plaza
79 Jianguo Road, Chaoyang District
Beijing, China, 100025

This letter identifies the asset appraised, describes the scope of work, states the basis of value, specifies key inputs and assumptions, explains the valuation methodology utilized, and presents our conclusion of value. In preparing this letter, we aim to largely comply with the reporting standards recommended by the International Valuation Standards ("**IVS**"). The depth of discussion contained in this letter is specific to the needs of the Client and for the intended use as stated below. Supporting documentation concerning these matters has been retained in our work papers.

PURPOSE OF VALUATION

The Client intends to acquire 85% equity interest in the Target Company (the "**Transaction**"). With the Client's approval and as stipulated by the Engagement Agreement in formulating our opinion on the market value of equity interest in the Target Company, we relied upon completeness and accuracy of operational, and financial information provided by the Management. To the extent that any of these assumptions or facts changed, the result of our market value conclusion should be different.

The intended use of the Valuation is to serve as the basis for compliance with the Listing Rules. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. The responsibility for determining the agreed acquisition price of the Target Company rests solely with the Company. The results of our analysis should not be construed to be a fairness opinion, a solvency opinion, or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the financial projections and underlying assumptions.

STANDARD AND BASIS OF VALUE

The Valuation was prepared on the basis of market value. Market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Business enterprise value is defined for this appraisal as the total invested capital, that is, equivalent to the combination of all interest-bearing debts, shareholders' loans and shareholders' equity. Alternatively, the business enterprise value is equivalent to the combination of all tangible assets (buildings, machinery and equipment), long-term investment, net operating working capital and intangible assets of a continuing business. Equity interest is equivalent to business enterprise value less interest-bearing debts.

DESCRIPTION OF THE TARGET COMPANY

The Target Company, a limited liability company incorporated in China, was jointly established by Beijing Jiahua Likang Medical Investment and Management Co., Ltd. ("**Jiahua Likang**") and Chengdu Women's and Children's Central Hospital in 2010 and has since then been owned by Jiahua Likang as to 85% and Chengdu Women's and Children's Central Hospital as to 15%. Jiahua Likang is an investment holding company focusing on investments in medical institutions in China. The Target Company operates a children's and women's hospital in Chengdu, China. It commenced operation in later 2014 after obtaining operating licenses on November 21, 2014.

Upon Completion of the Transaction, the Company will indirectly hold 85% equity interest of the Target Company.

REVIEW OF COMBINED FINANCIAL STATEMENT OF THE TARGET COMPANY

We have reviewed the unaudited financial statements of the Target Company for the financial years ended December 31, 2014, December 31, 2015, December 31, 2016, six-month ended June 30, 2016 and 2017 provided by the Management without further verification.

The historical consolidated financial statements were presented as below:

RMB' million unless specified otherwise	FY 2014	FY 2015	FY 2016	6-month period ended June 30, 2016	6-month period ended June 30, 2017
Revenue	1.4	25.9	73.8	28.6	42.3
Cost of revenue	21.6	53.8	86.8	40.1	44.5
Gross Profit	-20.2	-27.8	-13.1	-11.5	-2.3
Earnings Before Interest and Tax ("**EBIT**")	-33.1	-55.5	-55.4	-32.5	-22.8
Earning Before Interest, Tax, Depreciation and Amortization ("**EBITDA**")	-26.0	-42.5	-41.0	-25.4	-15.1
Net Profit/Loss attributable to the Target Company	-33.1	-55.5	-55.4	-32.5	5.8
Current Assets	1.9	5.5	10		10
Non-Current Assets	141	137	133		156
Current Liabilities	163	218	275		291
Non-current Liabilities	–	–	–		–
Net Asset Value	-20.3	-75.9	-131		-125

Source: the Management

The Target Company generates revenue primarily from three business segments, including a) the provision of specialized pediatric medical services; b) the provision of specialized obstetric and gynecologic medical services; and c) the provision of disease study series and the operation of canteens and gift and groceries shops in the hospitals.

The total revenue increased from RMB1.4 million in 2014 to RMB73.8 million in 2016, representing over 600% annual compound growth rate ("**CAGR**") over the same period. The relative contribution of the three business segments to total revenue remained relatively consistent, with the obstetrics and gynecologic segment accounting for over 60% of total revenue. The revenue growth was primarily contributed by continuously growth in business volume. Outpatient visits increased from 586 in 2014 to 41,357 in 2016. Outpatient visits reached 24, 256 for the 6 months ended June 30, 2017. Inpatient visits also increased from 39 in 2014 to 2,075 in 2016. For the 6 months ended June 30, 2017, inpatient visits were 1,192. Outpatient revenue accounted for over 50% of total revenue for 2014–16.

The increase in cost of revenue from RMB21.6 million in 2014 to RMB53.8 million and then to RMB86.8 in 2016 was mainly due to a) an increase in staff costs as a result of increased number of physician and other medical professionals for the business growth; b) an increase in the costs of inventories and consumables and fees relating to outsourced examination and inspection services.

The Target Company generated EBIT amounted to RMB-33.1 million, RMB-55.5 million and RMB-55.4 million in 2014, 2015 and 2016 respectively. Operating loss of the Target Company decreased from RMB32.5 million for the 6 months ended June 30, 2016 to RMB22.8 million for the 6 months ended June 30, 2017, representing a continuous improvement of its financial result.

As of the Valuation Date, there was an amount due to related parties of approximately RMB250.7 million.

ECONOMIC OUTLOOK

A sound appraisal of a business or business interest must consider current and prospective economic conditions of the national economy. The major variables reviewed in order to evaluate the overall state of the national economy include the current level of and changes in the gross domestic product (GDP), exchange rate, and the inflation rate. An overview of the national economies of China were essential to develop this outlook. The following economic discussion was extracted from Economist Intelligence Unit ("**EIU**") dated July 1, 2017.

China

The EIU expects economic growth to slow in the remainder of 2017 after a strong first quarter, when real GDP expanded by 6.9% year on year. A rebound in producer prices has lifted sentiment in the industrial sector, but the EIU expects easing supply constraints and softening demand to curtail the price rally. Infrastructure spending plans for 2017 appear to be significant, but administrative curbs in the property market will slow activity in the real-estate sector. Economic growth is forecast to reach 6.6% in 2017 as a whole.

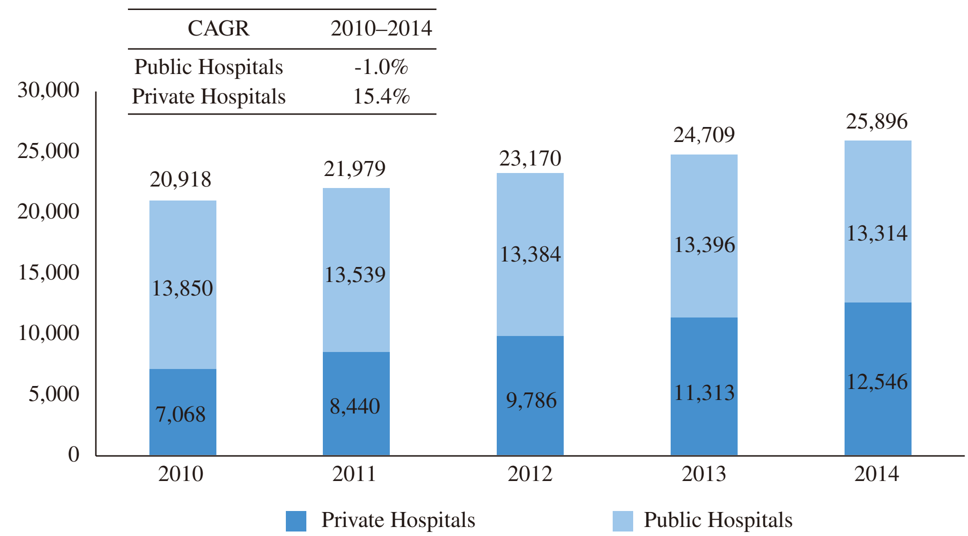
The EIU forecasts that consumer prices will rise by a modest 2.2% a year on average in 2017 to 2021. In 2017 to 2018, the pace of inflation will be especially slow at 1.8% a year on average, as pork prices enter a downward cycle, monetary policy is tightened and the slowdown in economic growth hits consumer demand. Upward price pressures will become more apparent thereafter, stemming from a modest economic recovery, looser credit policy and higher levels of imported price inflation owing to firmer global commodity prices.

An interventionist approach is likely to characterize exchange-rate policy in the near term. The People's Bank of China (PBC, the central bank) had taken steps to move towards a more flexible exchange-rate regime, notably by signaling in December 2015 that it would manage the renminbi's value against a basket in currencies. However, in practice the PBC has continued to priorities a stable renminbi:US dollar exchange rate, mainly out of a desire to restrain capital outflows. The introduction in May 2017 of a so-called counter-cyclical factor into the mechanism for fixing the daily trading midpoint of the renminbi against the US dollar, designed to prevent excessive fluctuations, was the latest step in this regard.

INDUSTRY OVERVIEW

The following section was extracted from market research report prepared by Frost & Sullivan, which was commissioned by the Company and presented in "Industry Overview" section of the prospectus of the Company's dated December 28, 2016.

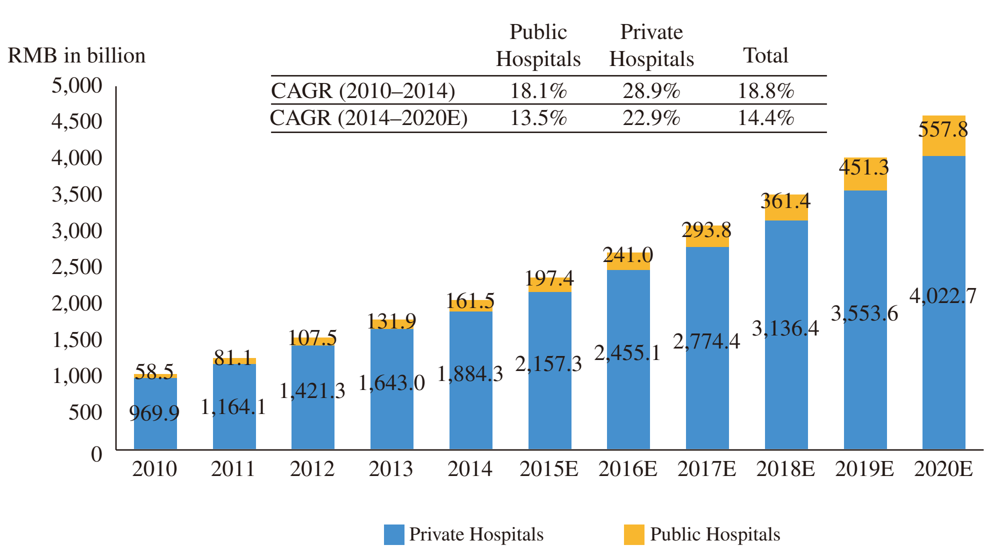
Healthcare providers in the PRC consist of hospitals, primary healthcare institutions, such as community clinics, and other healthcare institutions, such as centers of disease control. By the type of ownership, hospitals in the PRC can be generally classified into public hospitals and private hospitals. As of December 31, 2014, 48.5% of all hospitals in the PRC were private hospitals. Alternatively, by the scope of healthcare services provided, hospitals in the PRC can be classified into general hospitals, specialty hospitals, TCM hospitals and others, which accounted for 63.9%, 21.2%, 12.0% and 2.9%, respectively, of all hospitals in the PRC as of December 31, 2014. Frost & Sullivan expects an increasing number of specialty hospitals to be privately owned, adopt a chain expansion strategy and focus on more medically complex specialty areas such as pediatrics. In recent years, the PRC government has been encouraging the development of private hospital groups. The PRC private hospital market has seen rapid development in recent years in both the number of market participants and the revenue generated. The following chart sets forth a breakdown of the number of hospitals in the PRC by the type of ownership for the periods indicated:



Source: NHFPC, Frost & Sullivan analysis

Source: Frost & Sullivan Report

The following chart sets forth a breakdown of the historical and projected total revenue of the PRC hospital market by the type of ownership for the periods indicated:



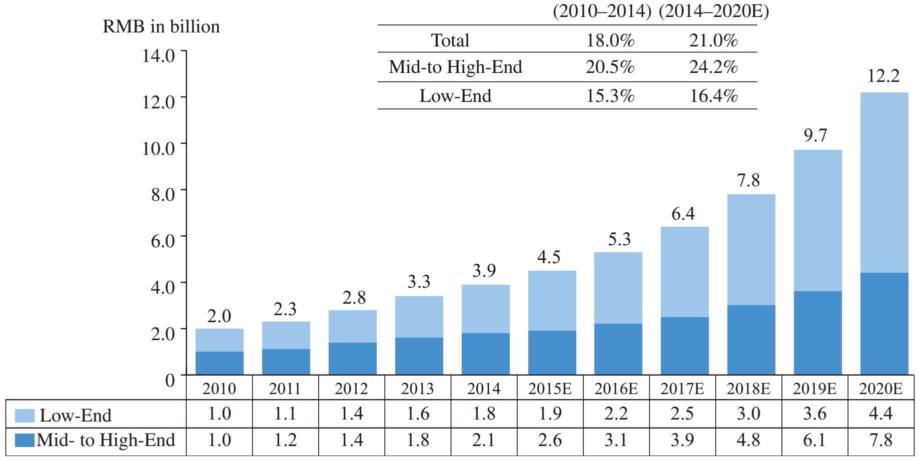
Source: Frost & Sullivan Report

According to Frost & Sullivan, future growth of the PRC private hospital market is expected to be primarily driven by (i) increasing demand for private healthcare services, (ii) incentive healthcare reform policies and (iii) substantial capital inflows.

In particular, Frost & Sullivan holds an optimistic outlook on the development of the mid- to high-end segment of the private hospital market mainly because the rising disposable income of PRC residents has led to an increasing demand for premium healthcare services, which public hospitals are unable to offer competitively due to the government regulation they are subject to. For example, according to the Guiding Opinions of the General Office of the State Council on Urban Public Hospital Comprehensive Reform, certain customized and premium services may not exceed 10% of the total healthcare services provided at any public hospital. In contrast, private hospitals are allowed significant leeway in customizing and pricing their services. Frost & Sullivan believes such preferential policies have attracted more entrants in specialty areas that are more medically complex, such as pediatrics, or traditionally attach higher value to premium services, such as obstetrics and gynecology. Between 2010 and 2014, the number of pediatrics specialty hospitals and obstetrics and gynecology specialty hospitals in the PRC grew at a CAGR of 15.3% and 14.2%, respectively, both higher than the CAGR of the number of all specialty hospitals in the PRC during the same period at 13.8%.

The total revenue of the PRC pediatric healthcare market grew at a CAGR of 14.6% from CNY41.6 billion in 2010 to CNY71.6 billion in 2014, and is expected to further increase to CNY184.0 billion in 2020, representing a CAGR of 17.0% between 2014 and 2020, according to Frost & Sullivan. The mid- to high-end segment of the private pediatric healthcare market is experiencing particularly strong growth. Between 2010 and 2014, the mid- to high-end segment of the PRC private pediatric healthcare market, (as measured by the revenue generated by private pediatric healthcare providers that charge a registration fee of over CNY200 for each outpatient visit), grew at a CAGR of 20.5%, as compared to a CAGR of 15.3% of the low-end segment, (as measured by the revenue generated by other private pediatric healthcare providers), during the same period. Frost & Sullivan estimates that the CAGR of the mid- to high-end segment and the low-end segment of the PRC private pediatric healthcare market between 2014 and 2020 will be

24.2% and 16.4%, respectively. The following chart sets forth a breakdown of the historical and projected revenue of the PRC private pediatric healthcare market by segment for the periods indicated:



	CAGR (2010–2014)	CAGR (2014–2020E)
Total	18.0%	21.0%
Mid-to High-End	20.5%	24.2%
Low-End	15.3%	16.4%

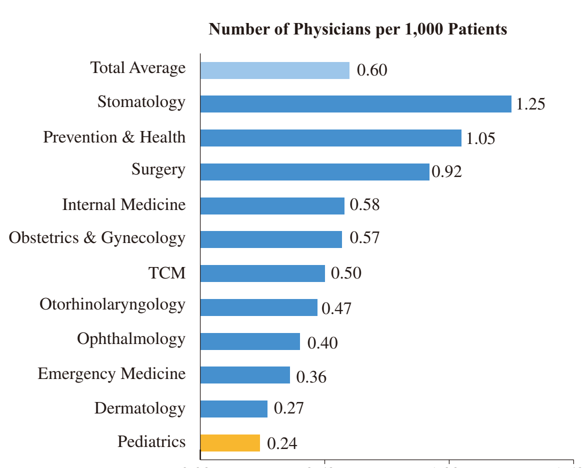
	2010	2011	2012	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E
Low-End	1.0	1.1	1.4	1.6	1.8	1.9	2.2	2.5	3.0	3.6	4.4
Mid- to High-End	1.0	1.2	1.4	1.8	2.1	2.6	3.1	3.9	4.8	6.1	7.8

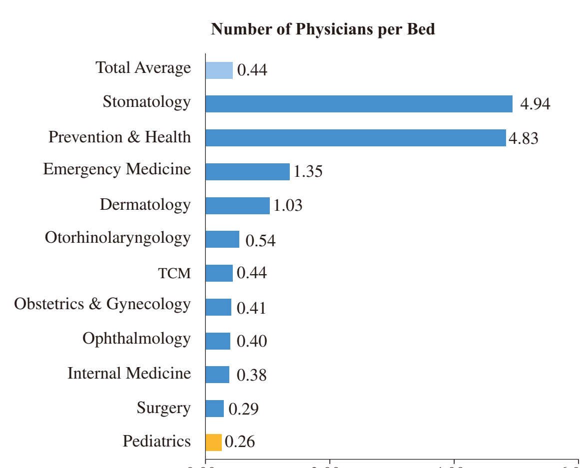
Note: The mid- to high-end segment of the private pediatric healthcare market refers to the revenue generated by private pediatric healthcare providers that charge a registration fee of over RMB200 for each outpatient visit. The low-end segment of the private pediatric healthcare market refers to the revenue generated by all other private pediatric healthcare providers.

Source: NHFPC, Frost & Sullivan analysis

Source: Frost & Sullivan Report

The rapid growth of the PRC pediatric healthcare market is partly attributable to the growing demand for pediatric medical resources. There were 227.2 million children under the age of 14 in the PRC as of December 31, 2015, according to the National Bureau of Statistics of the PRC. Frost & Sullivan estimates that this number will see an accelerated growth in the near future in light of the implementation of the "Two-Child Policy", thus leading to greater demand for pediatric services. On the supply side, however, the PRC is experiencing a shortage of pediatricians. The following charts set forth the number of physicians per 1,000 patients and per bed, respectively, in different specialty areas in the PRC at the end of 2014:

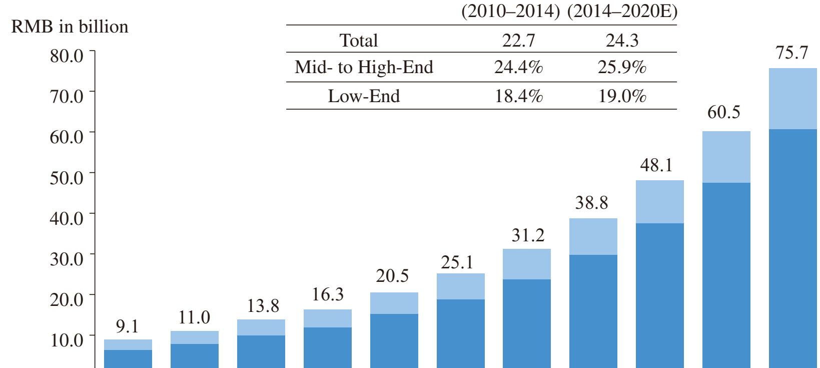




Source: Frost & Sullivan Report

The total revenue of the PRC obstetric and gynecologic healthcare market grew at a CAGR of 18.3% from CNY95 billion in 2010 to CNY186.1 billion in 2014, and is expected to further increase to CNY560.1 billion in 2020, representing a CAGR of 20.2% between 2014 and 2020, according to Frost & Sullivan. Similar to the case of the pediatric healthcare market, the mid- to high-end segment of the private obstetric and gynecologic healthcare market is experiencing particularly strong growth. Between 2010 and 2014, the mid- to high-end segment of the PRC private obstetric and gynecologic healthcare market, (as measured by the revenue generated by private obstetric and gynecologic healthcare providers that charge over CNY30,000 for each obstetric delivery), grew at a CAGR of 24.4%, as compared to a CAGR of 18.4% of the low-end segment, (as measured by the revenue generated by other private obstetric and gynecologic healthcare providers), during the same period. Frost & Sullivan estimates that the CAGR of the mid- to high-end segment and the low-end segment of the PRC private obstetric and gynecologic healthcare market between 2014 and 2020 will be 25.9% and 19.0%, respectively. The following chart sets forth a breakdown of the historical and projected revenue of the PRC private obstetric and gynecologic healthcare market by segment for the periods indicated:

	CAGR (2010–2014)	CAGR (2014–2020E)
Total	22.7	24.3
Mid- to High-End	24.4%	25.9%
Low-End	18.4%	19.0%



	2010	2011	2012	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E
Low-End	2.7	3.2	3.9	4.4	5.3	6.3	7.5	8.9	10.6	12.6	15.1
Mid- to High-End	6.3	7.8	9.9	11.9	15.2	18.8	23.7	29.8	37.5	47.5	60.6

Note: The mid- to high-end segment of the private obstetric and gynecologic healthcare market refers to the revenue generated by private obstetric and gynecologic healthcare providers that charge over RMB30,000 for each obstetric delivery. The low-end segment of the private obstetric and gynecologic healthcare market refers to the revenue generated by all other private obstetric and gynecologic healthcare providers.

Source: Frost & Sullivan Report

The private obstetric and gynecologic healthcare market in Beijing has a relatively high level of concentration. The top ten market participants in terms of the revenue from their obstetric and gynecologic services accounted for 74.5% of the total revenue of CNY1821.6 million of such market in 2015. The ten private hospitals in Beijing that performed the most obstetric deliveries in 2015 accounted for 12,890, or 81.6%, of the 15,800 deliveries performed at private hospitals in Beijing, which had a total of 172,000 births in 2015. Participants in this market include private general hospitals that offer obstetric and gynecologic services, private obstetrics and gynecology specialty hospitals and private primary healthcare institutions that offer obstetric and gynecologic services.

SCOPE OF WORK AND KEY ASSUMPTIONS

Our investigation included discussions with the Management with regard to the history, operations and prospects of the Target Company, overview of certain financial data, an analysis of the industry and competitive environment, an analysis of guideline companies, and a review of transactions, operating statistics and other relevant documents. For this appraisal, we made reference to or reviewed the following major documents and data:

- Unaudited financial statements of the Target Company for the financial years ended December 31, 2014, December 31, 2015, December 31, 2016 and six-month ended June 30, 2017

- Financial forecast for the year ended December 31, 2017 to December 31, 2022. The financial forecast for December 31, 2018 – December 31, 2022 is solely for the purpose of internal reference and purchase price allocation to be performed. The Client is required to measure fair values of identifiable intangible assets, such as operating licenses, of the Target Company for allocation of purchase price under Hong Kong Financial Reporting Standard No. 3 (Revised) ("**HKFRS 3**"). The values of most important intangible assets, i.e. operating licenses, of acquired entity, are commonly valued by one of the income approach, known as excess earning method. As such, the Management prepared and provided us a financial forecast of the Target Company for appraisal of operating licenses and purchase price allocation under HKFRS 3R.

- Breakdowns of revenue for different hospital services

- Breakdowns of costs and expenses

- A copy of Sales Purchase Agreement to acquire economic interest of the Target Company

- A copy of operating license of the hospital

We assumed that the data we obtained in the course of the valuation, along with the opinions and representations provided to us by the Management, are true and accurate and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading. In arriving at our opinion of value, we have considered the following principal factors:

- the stage of development of the Target Company

- the historical costs of the Target Company

- the economic outlook for major countries affecting the industry

- the legal and regulatory issues of the healthcare industry in general and other specific legal opinions relevant to the Target Company
- the transaction prices of the guideline companies properties
- the risks associated with the Target Company
- the history and experience of the Target Company.

Due to the changing environments in which the Target Company are operating, a number of assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation are:

- no major changes are expected in political, legal and economic conditions in China;
- regulatory environment and market conditions for healthcare industry will be developing according to prevailing market expectations;
- there will be no major changes in the current taxation law applicable to the Target Company;
- The Target Company will not be constrained by the availability of finance;
- the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations; and
- The Target Company will retain competent management, key personnel and technical staff to support their ongoing operations.

VALUATION METHODOLOGY OVERVIEW

In the appraisal of the equity, or the net assets, of a business, regardless of their diversity, location, or technological complexity, there are three basic approaches to perform a valuation. The descriptive titles typically attached to these approaches are cost, income, and market. In normal circumstances, the appraiser is obliged to consider all three approaches, as any, or perhaps all, may provide reliable measures of value.

Cost approach established value based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.

To develop our opinion of value, the three generally accepted approaches to value are considered: cost, market and income. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a going concern business, as it does not capture future earning potential of the business. Thus, cost approach is not utilized in the valuation. The market approach may represent more objective view and more weight relatively under fair value measurement hierarchy but have the limitation in the case that those guideline companies may be in different operation period, cover different regions in the world with different business specialty, scale of operation, market situation, growth potential, business or country risks and tax rate. Income approach may reflect company specific factors, including terms of hospital operation, geographic regions, scale of operation, growth potential, tax rate, of the Target Company but have the limitation that it would involve a high level of uncertain, long-term forward-looking financial forecast and underlying assumptions. We selected valuation approaches with consideration of the following factors (i) relative advantages and limitations of each of the generally accepted approaches; (ii) valuation approach that is commonly considered by market participants in pricing similar businesses and assets; (iii) extent of assumptions that the selected valuation approach would require; and (iv) whether the assumptions used could be estimated and assessed objectively. In this appraisal, we believed market approach would be more appropriate as a primary valuation method as compared to other methods because (i) cost approach does not capture future earning potential of the Target Company as a going concern; (ii) income approach result would be more dependent on long term financial forecast internally prepared by the Management, which is unobservable input and inherently subjective. In comparison, because market approach mainly utilizes market observable inputs and historical financial performance of the Target Company, it would provide more objective indication of market value from a willing buyer and willing seller's perspective. Observable inputs based on quotes prices for similar assets in active market are considered as level 2 input and unobservable inputs are considered as level 3 inputs as fair value hierarchy. A higher priority is usually given to level 2 inputs than level 3 inputs. With consideration of the above, in forming our opinion, we rely on market approach known as guideline company method ("**Guideline Company Method**" or "**GCM**"), as primary valuation method to arrive at our conclusion of value. At the same time, we addressed the limitations of market approach by (i) selecting guideline companies based on the criteria that match key attributes of the Target Company; (ii) comparing key financial ratios of the guideline companies and the Target Company and selecting valuation multiples that would reflect the difference between the Target Company and guideline companies; (iii) using multiples of guideline transactions to cross check reasonableness of multiples selected for the GCM.

Market Approach – Guideline Company Method One methodology employed in the market approach is the Guideline Company Method, where financial ratios of guideline companies were analyzed to determine a value for the subject company. This method employs market price data of stocks of corporations engaged in the same or a similar line of business as that of the subject company. Stocks of these corporations are actively traded in a public, free, and open market, either on an exchange or over-the-counter.

Identification of Guideline Companies

By using GCM, financial ratios of guideline companies are analyzed to determine a value for the subject business. This method also employs market price data of stocks of corporations engaged in the same or a similar line of business as that of the subject business. We searched guideline companies which have business natures and places of operation similar to that of the Target Company from Bloomberg. Selection criteria of guideline companies are listed below:

- Public companies listed in Hong Kong with principal place of operation in the PRC;

- Companies that are mainly engaged in provision of hospital services; and

- Outpatient revenue as a percentage of total patient revenue > 50%. This criterion was determined with consideration of the fact that the Target Company generated more than 50% from outpatient service for 2014–2016. Capital expenditure requirements for bed capacity and scalability of the Target Company's business might be different from those hospital and clinical service providers, that mainly derive revenue from inpatient services. As such, we considered revenue mix as one of the criteria in selection of guideline companies.

Based on the above criteria, we have identified and described below the following four guideline companies:

1. Hospital Corp of China Ltd. is a hospital operation and management group. The Company consolidate medical resources to provide medical services and treatment of diseases.

2. New Century Healthcare Holding Co. Limited operates as a holding company. The Company, through its subsidiaries, manages pediatrics, obstetrics, and gynecology hospitals throughout China.

3. Harmonicare Medical Holdings Limited is a private obstetrics and gynecology specialty hospital group in China. The Company's departments include ultrasound, radiology, laboratory and pharmacy. Harmonicare also offers dental care and medical aesthetic services.

4. China Resources Phoenix Healthcare Holdings Company Limited owns and operates hospitals and clinics. The Company offers a range of healthcare services from primary preventive care to acute care and post-operative rehabilitation.

Because the number of the guideline companies selected above was not large enough to provide a representative basis for application of guideline companies method, we expanded our search for China listed companies that engages in hospitals and clinical services. The following two guideline companies were identified:

5. Aier Eye Hospital Co., Ltd provides ophthalmological service. The Company's service includes ophthalmological diagnosis and treatments; and

6. Topchoice Medical Investment Corporation provides dental an oral health care services.

To the best of our knowledge, this sample is full and exhaustive and was selected on our best effort and unbiased criteria based on search from Bloomberg.

Location of the hospitals, scale of operation, listing and the outpatient and inpatient revenue ratio of guideline companies were summarized below:

	Location of the Hospitals (Major Province)	**Exchange**	**Scale of Operation (in term of revenue in 2016)**	**Outpatient revenue a % of Total Patient Revenue**
			(RMB'million)	*(Note 1)*
Hospital Corp of China Ltd	Shanghai	Hong Kong Stock Exchange	161	69%
New Century Healthcare Holding Co. Ltd.	Beijing	Hong Kong Stock Exchange	491	50%
Harmonicare Medical Holdings Limited	Beijing, Chongqing, Guangdong, Fujian	Hong Kong Stock Exchange	860	N/A
China Resources Phoenix Holding Co. Ltd.	Beijing	Hong Kong Stock Exchange	1,533	63%
Aier Eye Hospital Co. Ltd.	National Chain	Shenzhen Stock Exchange	3,994	>50%
Topchoice Medical Investment Corporation	National Chain	Shanghai Stock Exchange	875	>50%

Source: Bloomberg, the annual report and interim report of guideline companies, and Duff & Phelps China Analysis.

Note 1: Outpatient revenue as a % of Total Revenue was equal to (Outpatient Revenue)/(Inpatient+Outpatient Revenue) in general hospital service. The time period used to calculate the ratio include 2016 and the first half year of 2017.

Selection of Market Multiple

As of the Valuation Date, the Target Company has not yet generated positive EBITDA, EBIT and net income for full financial year or latest 12 months. As such, enterprise value ("**EV**") to EBITDA, EV to EBIT and price to earning ("**P/E**") multiples were not applicable in this appraisal. EV/number of beds is one of valuation metrics commonly considered by market participants in valuing companies in general hospital sector. However, as discussed in the previous section, because the Target Company historical generated approximately 50% revenue from outpatient services, its growth potential and scalability would be less dependent on its bed capacity. Therefore, we considered EV to total number of registered beds multiple might not be appropriate for valuation of the Target Company. In this appraisal, we calculated enterprise value ("**EV**") to revenue of the above six guideline companies. The time periods for those earnings denominator of price multiples included the 2016 revenue and revenue for 12 months ended June 30, 2017 ("**trailing 12 months**"). 2016 revenue and trailing 12 months revenue of guideline companies were extracted from Bloomberg. Detailed calculation of the guideline companies' multiples was presented below:

In RMB million unless stated otherwise	Market capitalization as of June 30, 2017 (A)	Net debt Preferred shares and minority interest (B)	Enterprise value (C)=(A)+(B)	2016 Revenue (D)	Revenue for July 2016 – June 2017 (E)	EV/ 2016 Revenue (C)/(D)	EV/latest 12 month Revenue (C)/(E)
Hospital Corp of China Ltd	1,586	(486)	1,100	161	174	6.8	6.3
New Century Healthcare Holding Co. Ltd.	3,270	(593)	2,677	491	508	5.5	5.3
Harmonicare Medical Holdings Limited	2,609	(841)	1,768	860	853	2.1	2.1
China Resources Phoenix Holding Co. Ltd.	10,799	(1,077)	9,722	1,533	1,690	6.3	5.8
Aier Eye Hospital Co. Ltd.	35,372	162	35,534	3,994	4,661	8.9	7.6
Topchoice Medical Investment Corporation	8,045	32	8,077	875	1,001	9.2	8.1
					Average	6.5	5.9
					Median	6.6	6.0
					Maximum	9.2	8.1
					Minimum	2.1	2.1
					1st quartile	5.7	5.4
					2nd quartile	6.6	6.0
					3rd quartile	8.4	7.3
					4th quartile	9.2	8.1

Sources: Bloomberg and Analysis of Duff & Phelps China

A comparison was made between the Target Company and the guideline companies on the basis of profitability and historical growth rate. The financial ratios are as follows:

Guideline Companies – Latest 3 or 5 financial year financial ratio (note 1)

Guideline Companies	**Average revenue growth** *(note 2)*	**EBIT margin** *(note 3)*
Hospital Corp of China Ltd	13.2%	49.5%
New Century Healthcare Holding Co. Ltd.	32.7%	39.1%
Harmonicare Medical Holdings Limited	3.8%	10.3%
China Resources Phoenix Holding Co. Ltd.	19.6%	-2.0%
Aier Eye Hospital Co. Ltd.	25.0%	16.8%
Topchoice Medical Investment Corporation	23.5%	26.0%
High	32.7%	49.5%
Low	3.8%	-2.3%
Average	19.6%	23.1%
Median	21.5%	21.0%

	Average in 2014–16	**First half of 2017**	**Average in 2014–2016**	**First half of 2017**
Target Company	937.6%	47.8%	-859.8%	-54%

Sources: the Management, Bloomberg and Analysis of Duff & Phelps China.

Note 1: When performing financial ratio analysis, we commonly computed financial ratio of guideline companies based on their latest 5 year financial statements. For those guideline companies whose recent 5 year financial statements are not publicly disclosed, we computed their financial ratios based on latest 3 year financial statements.

Note 2: Average revenue growth rate was computed as simple average of year to year growth rate, where year to year growth rate was equal to (current year revenue/prior year revenue) – 1. Revenue growth rate in the first half of 2017 was equal to (first half of 2017 revenue/first half of 2016 revenue) – 1.

Note 3: EBIT margin was computed as earning before interest and tax/revenue.

The purpose of the selected financial ratios was to assess the differences between the Target Company and guideline companies in term of their growth rate and profitability. We then further analyzed the factors behinds the differences and considered those factors in selection of market multiples.

The analysis above indicated that, in 2014–2016, the Target Company had higher revenue growth rate but lower profitability than the guideline companies. Because the selected guideline companies already recorded operating profit while the Target Company has not yet generated operating profit, when using EV to Revenue multiple. we performed additional procedures to analyse whether the difference in profitability between the Target Company and guideline companies would decrease in the future. Our procedures include (1) review of the trend of operating loss of the Target Company in recent years; (2) assessment of future profitability of the Target Company through (i) discussion with the Management; (ii) review of financial forecast prepared by the Management for purchase price allocation analysis under HKFRS 3 and (iii) validating the reasonableness of the Management's estimation by comparison with historical patterns of hospitals operated by guideline companies. The detailed analysis were as follow:

(1) Review of the trend of operating loss of the Target Company in recent years: Comparing financial summary in 2015, 2016, first half of 2016 and 2017, operating loss of the Target Company demonstrated a declining trend.

(2) Assessment of future profitability of the Target Company through:

(i) Discussion with Management: based on Management's industry experiences, it generally takes a newly operated hospital 3–4 years to ramp up and become profitable.

(ii) Review of financial forecast prepared by the Management for purchase price allocation analysis under HKFRS 3: with consideration of the fact that the Target Company's operating loss has been reducing and year of operation of the hospital, in the financial forecast prepared for purchase price allocation analysis under HKFRS 3, the Management anticipated the Target Company would start generating positive EBITDA, EBIT and net income in 2018.Management's expectation was based on a combination of their historical experience, business plan of the Target Company, general trend of China healthcare, pediatric, obstetric and gynecologic medical services and condition of local market in which the Target Company operates. We assessed major items in the projection, such as revenue forecast and operating expenses etc. The assessment was accomplished through our limited research on economic, industry outlook, and market conditions prevailing as of the Valuation Date, comparison with historical financial performance and those of comparable companies and discussion with the Management on the financial forecast. Key details of the financial forecast were summarized below:

- Management forecasted revenue of the Target Company would increase by approximately 18%, 53%, 30% and 20% for the years ending December 31, 2017, 2018, 2019 and 2020 through 2022 respectively. The revenue forecast was prepared, based on estimated number of outpatient visits, average spending per out-patient visit, number of beds, utilization rate, number of day stay and average spending per inpatient visit. The increase in revenue of the Target Company are primarily due to (i) industry growth; (ii) increase in market share of its brand awareness in Chengdu; (iii) effect of the policy of two children in a family and (iv) promotion of pneumology and gastroenterology service lines.

- Management estimated that the Target Company would improve from -48% in 2017 to 27% in 2022. The estimated EBIT margin would be slightly higher than the average and median of historical margin of the guideline companies, but would be lower than the historical margin of the Client.

(iii) Validating the reasonableness of the Management's estimation with reference to historical patterns of one of the guideline companies: We assessed the reasonableness of the Management's estimation with reference to disclosure by Harmonicare Medical Holding Ltd ("**Harmonicare**") (Stock code: 1509), a company listed on the Stock Exchange, a comparable obstetrics and gynecology specialty hospital group, and believed the Management's estimation was generally consistent with the historical pattern of hospitals operated by Harmonicare. Harmonicare Medical Holding Ltd was used to assess the financial forecast because (i) similar to the Target Company, Harmonicare operates in China and specializes on obstetrics and gynecology, and (ii) Harmonicare has publicly disclosed profits and year of establishment of its underlying hospitals. Therefore, it provided publicly available information for us to assess the Management's estimation.

Based on quantitative and qualitative analysis above, we believed the differences in profitability between the Target Company and guideline companies would decrease as the Target Company progresses toward mature stage and hence EV to Revenue multiple should be applicable. We selected 5.5x EV/2016 Revenue and EV/latest 12 months Revenue multiples based on the 1st quartile of guideline companies' EV/Revenue multiples. The 1st quartile is defined as the middle number between the smallest number and the median of the data set (i.e. trading multiples of New Century Healthcare Holding Co., Ltd. in this appraisal). We selected 1st quartile, which is lower than median, of guideline companies' multiples to reflect the differences in profitability between the Target Company and guideline companies as of the Valuation Date.

In addition, we also cross checked the reasonableness of selected valuation multiples with transaction multiples of comparable acquisitions. We searched for comparable transactions from Bloomberg and Mergermarket database based on the criteria below:

- The acquired companies are engaged in provision of hospital and clinical services in China;
- The acquisition transactions were completed in 2016 and 2017;
- There were publicly disclosed information regarding to revenue and net profit of the acquired companies; and
- Acquired companies were loss making.

	Acquired Companies (Acquisition Date)	Consideration paid *(RMB'million)*	% acquired	Debt (net of cash) of the Acquired Company	Implied enterprise value	Acquired Companies' Revenue *(RMB'million)* *(Note 1)*	Transaction EV/Revenue multiple
		(a)	(b)	(c)	(d)=(a)/(b)+(c)	(e)	(d)/(e)
(1)	Zhejiang Mingzhou Rehabilitation Co. Ltd. (October 23, 2017)	256	80%	N/A	320	18.8	17.0x
(2)	Mianyang Fulin Hospital Co. Ltd (February 20, 2017)	135	90%	32	182	110.7	1.6x
(3)	Hangzhou Zhongwei Chinese Tradition Medicine (January 18, 2017)	53	100%	–	53	6.3	8.4x
(4)	Chenzhou First Municipal People's Hospital Eastern (June 28, 2016)	57	51%	–	112	1.2	93.1x (excluded as outlier)
(5)	Beijing Huimin CTM Children Hospital Co. Ltd. (February 4, 2016)	25	55%	1.7	47	18.1	2.6x
(6)	Beijing Tongji Hospital Co., Limited and its subsidiaries (September 14, 2016) *(Note 2)*	108	100%	20	128	22.9	5.6x
(7)	Ample Mighty Ltd (October 31, 2016)	3,164	100%	(199)	2,965	12.2	243.0x (exclude as outlier)
						Average (excluded outlier)	7.0x
						Median (excluded outlier)	5.6x
						Minimum (excluded outlier)	1.6x
						Maximum (excluded outlier)	17.0x

Sources: Bloomberg L.P, announcement of the acquirers and Analysis of Duff & Phelps China

(Note 1): Acquired Companies' revenue were based on the latest year revenue prior to the year of acquisition.

(Note 2): The exchange rate of HK$ to RMB was 0.86 as of the Acquisition Date extracted from Bloomberg.

As the selected 5.5x EV/2016 Revenue and EV/latest 12 month Revenue fall within the range of median and average of implied multiples of the above guideline transactions, we considered the selected multiples were fair and reasonable for the purpose of the Valuation.

Value Indicated by the Market Approach

We multiplied the selected multiples by revenue of the Target Company for 2016 financial year and 12 months ended June 30, 2017, to arrive at total business enterprise value of the Target Company and on a marketable and non-controlling basis in a range of be RMB406 million and RMB481 million. Detailed computation was shown as below:

Valuation metrics	Selected multiples	Respective economic measure	Indicated Value of Total Business Enterprise on a marketable and non-controlling basis
EV/2016 revenue	5.5x	RMB73.8 million	RMB406 million
EV/latest 12 months revenue	5.5x	RMB87.4 million	RMB481 million

Sources: the Management and Analysis of Duff & Phelps China

Average standard derivation of share price movement of guideline companies in China hospital services sector was approximately 33%. While the difference between high end and lower end of indicated value of total business enterprise value (i.e. RMB481 million/RMB406 million -1 = 16%) is lower than average standard derivation of the industry, therefore, we considered the range indicated value of total business enterprise value to be reasonable.

After deriving total business enterprise of the Target Company on marketable and non-controlling, we deduced market value of 85% equity interest of the Target Company by the formula below:

Valuation metrics	Indicated Value of Total Business Enterprise on a marketable and non-controlling basis (A)	Added 20% premium for control at business enterprise value level (B)	Subtracted 10% discount for lack of marketability at business enterprise value level (C)	Added/ (Subtracted) Cash and non-operating assets (Debt and non-operating liabilities) (D)	Market value of 100% equity interest on non-marketable and controlling basis E=(A+B+C+D)	85% Market Value of Equity Interest of the Target Company E*85%
EV/2016 revenue	RMB406 million	RMB81 million	(RMB49 million)	(RMB249 million)	RMB189 million	RMB161 million
EV/latest 12 months revenue	RMB481 million	RMB96 million	(RMB58 million)	(RMB249 million)	RMB270 million	RMB230 million

For the basis of premium for control, discount for lack of marketability, cash and non-operating assets, and debt and non-operating liabilities, please refer to "Additional Valuation Consideration" section.

ADDITIONAL VALUATION CONSIDERATION

Premium for Control

Premium for control is the additional value inherent in the controlling interest, as contrasted to a minority interest that reflects the power of control. The thousands of daily transactions on stock exchanges are, of course, minority interest transactions. Each year, a controlling interest in a few hundred of these public companies is purchased at a price that is substantially higher than the published market price of the securities. The public markets provide information on control premiums through acquisition transactions. When a controlling interest in a publicly traded firm is acquired and taken private, the purchaser normally pays a premium above the freely traded, minority interest share price. The difference between the published price of the shares before their acquisition and the purchase price of the controlling interest is referred to as the control premium.

When valuing the Target Company on a combined basis based on guideline companies' multiples, the level of value is presented on freely traded and non-controlling basis. A premium for control reflects the degree of control associated with an 85% interest in the shares of the Target Company. To estimate the control premium applicable to the Target Company, we relied on indications of control premiums from data on acquisition transactions in the healthcare industry over the past five years. As indicated by market data, a 20% control premium on business enterprise level was considered to be appropriate.

Discount for Lack of Marketability ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. However, the DLOM is applicable at business enterprise or equity level but not on individual assets level.

In this appraisal, the discount for lack of marketability was considered to be 10% based on option-pricing method. Under option-pricing method, the cost of put option, which can hedge the price change before the private held share can be sold, was considered as a basis to determine the lack of marketability discount. This option-pricing method is one of the methods commonly used in estimating DLOM as it can take into consideration factors like timing of liquidity event and estimated volatility of the shares of the Target Company. The farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. DLOM is applicable to the results derived from the GCM.

We considered DLOM of 10% should be fair and reasonable in the Valuation because (i) this was determined by put option pricing model, which was commonly used by valuation practitioners in quantifying DLOM; and (ii) the model takes into account industry specific factors, including volatility of companies in China hospital services sector and estimated time to complete the proposed transaction.

Excess Cash, Excess or Non-Operating Asset/(Liabilities)

After applying 10% discount for lack of marketability on value of operation of the Target Company, we added the following excess cash and non-operating assets and subtracted non-operating liabilities to arrive at fair value of the equity interest of the Target Company:

– Added excess cash of RMB1.15 million;

– Subtracted amount due to related parties of RMB250 million;

SENSITIVITY/SCENARIO ANALYSIS

As part of our valuation, a sensitivity analysis of value indication arrived at using the Market Approach was performed. We have tested sensitivity of 85% equity value in the Target Company to changes of liquidation event period.

Liquidation Event Period Sensitivity Analysis

Sensitivity of the value change was performed on every half-year change in liquidation event period applied in calculation of the adjustments on DLOM under Market Approach in a range from 10% to 20%. Liquidation event is commonly defined as a change or transfer in ownership an enterprise (for example, an IPO, merger, sale, change of control, sale of substantially all assets, or dissolution). In relation to this Valuation, liquidation event period represents the estimated time to complete this proposed acquisition. We used liquidation event of 0.5 year as the base case for sensitivity analysis because (i) as a result of China healthcare reform, merger and acquisition activities in China hospital and clinical services sector has become active in recent years. Strategic and finance investors are actively looking for acquisition opportunities and targets in China hospital and clinical services sectors. (ii) it usually takes potential buyers and vendors approximately 6 months time to complete an acquisition transaction. The following table summarized sensitivity analysis results:

		Range of Values of 85% Equity Interest in the Target Company *(RMB'000)*	
Liquidation Event Period	**DLOM Percentage**	**Low-end**	**High-end**
0.5 year	10%	161,000	230,000
1.0 year	15%	139,000	205,000
1.5–2.0 year	20%	119,000	180,000

The above analysis indicated that, in base case, market value of 85% equity interest of the Target Company is reasonably stated in the range of RMB161 million to RMB230 million.

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above, it is our opinion that the market value of 85% equity interest in Chengdu New Century Women's and Children's Hospital Co., Ltd as of the Valuation Date is reasonably represented in a range of RENMINBI ONE HUNDRED AND SIXTY ONE MILLION (RMB161,000,000) and RENMINBI TWO HUNDRED AND THIRTY MILLION (RMB230,000,000).

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We do not provide assurance on the achievability of any financial results estimated by the Target Company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of Management.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Respectfully submitted,
For and on behalf of
D&P China (HK) Limited

Patrick Wu
Regional Managing Director

Kevin Leung
Managing Director

Note: This valuation was prepared under the direct supervision of Mr. Kevin Leung as project-leader-in-charge with substantial professional assistance from Ms. Tracy Chow and Ms. Winifred Wang and concurring technical review by Mr. Ricky Lee, another Managing Director based in Hong Kong. The final conclusion was approved by Mr. Patrick Wu as regional managing director and practice leader of the firm's Greater China valuation advisory services.

Mr. Kevin Leung has been involved in business valuation for the purpose of joint venture, merger and acquisition and public listing for over 14 years. Mr. Leung has prior experience in conducting equity interest valuation to Hong Kong listed China based hospital companies. He is an Accredited Senior Appraiser of American Society of Appraisers, a fellow member of the Association of Chartered Certified Accountants and charterholder of the Chartered Financial Analyst.

Mr. Patrick Wu is responsible for the management and strategic development of the firm's Greater China operation which has offices in Hong Kong, Beijing, Shanghai, Guangzhou, and Shenzhen and Taipei. Mr. Wu was qualified as a lawyer and has served as an independence Non-Executive Director on the board of directors of a Hong Kong listed company. He is extensively involved in providing professional consulting services for a wide range of public organizations and business sectors, such as banking, business acquisitions, public listings, real estate and investment in Hong Kong and the PRC, professional development, quality assurance and business development.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") were as follows:

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

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

Notes:

1. All interests stated are long positions.

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

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

4. Ms. XIN Hong is interested in 450,000 restricted Shares granted to her under the RSA Scheme (as defined below), 76,500 of which have been vested on her.

5. Mr. XU Han is interested in 450,000 restricted Shares granted to him under the RSA Scheme (as defined below), 76,500 of which have been vested on him.

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

Name of Director or Chief Executive	Name of associated corporation of the Company	Capacity and nature of interest	Number of shares in the corporation	Approximate percentage of interest in the corporation
Mr. Zhou	BNC Women's and Children's Hospital	Interest of controlled corporation; interest of spouse(1)	N/A	30.0%
Mr. Zhou	BNC Harmony Clinic	Interest of controlled corporation; interest of spouse(2)	N/A	30.0%

Notes:

1. BNC Women's and Children's Hospital is held as to 70.0% by Jiahua Yihe, a wholly-owned subsidiary of the Company, and as to 30.0% by Jiahua Kangming, a PRC company controlled by (as defined in the SFO) Mr. Zhou.

2. BNC Harmony Clinic is held as to 70.0% by Jiahua Yihe, a wholly-owned subsidiary of the Company, and as to 30.0% by Jiahua Kangming, a PRC company controlled by (as defined in the SFO) Mr. Zhou.

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

(b) Interests of substantial Shareholders

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

Name of Shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in the Company
JoeCare	Beneficial owner	149,077,551	30.4%
Victor Gains	Beneficial owner	57,740,181	11.8%
CDH Fuji	Beneficial owner	29,865,602	6.1%
CDH Fuyi	Beneficial owner	29,865,602	6.1%
CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司)[2]	Interests in a controlled corporation	29,865,602	6.1%
CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司)[1][2]	Interests in a controlled corporation	59,731,204	12.2%
Tianjin Taiding Investment[1][2]	Interests in a controlled corporation	59,731,204	12.2%

Name of Shareholders	Capacity and nature of interest	Number of Shares	Approximate percentage of interest in the Company
Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司)(1)(2)	Interests in a controlled corporation	59,731,204	12.2%
Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司)(1)(2)	Interests in a controlled corporation	59,731,204	12.2%
Mr. WU Shangzhi(1)(2)	Interests in a controlled corporation	59,731,204	12.2%
Mr. JIAO Shuge(1)(2)	Interests in a controlled corporation	59,731,204	12.2%
Boyu AH	Beneficial owner	31,562,713	6.4%
Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司)(3)	Interests in a controlled corporation	31,562,713	6.4%
Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司)(3)	Interests in a controlled corporation	31,562,713	6.4%
XIA Meiying(3)	Interests in a controlled corporation	31,562,713	6.4%
HUANG Ailian(3)	Interests in a controlled corporation	31,562,713	6.4%
China Life Reinsurance Company Ltd.(4)	Beneficial owner	31,609,000	6.5%
China Reinsurance (Group) Corporation(4)	Interests in a controlled corporation	31,609,000	6.5%
Central Huijin Investment Ltd.(4)	Interests in a controlled corporation	31,609,000	6.5%

Notes:

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

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

3. Boyu AH is a limited liability partnership organized and existing under the laws of the PRC. The general partner of Boyu AH is Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司) whose sole shareholder is Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司) which is owned as to 50.0% by Xia Meiying and 50.0% by Huang Ailian. Accordingly, each of Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司), Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司), XIA Meiying and HUANG Ailian is deemed to be interested in such number of Shares held by Boyu AH.

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

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

(c) Directors' or chief executive's rights to acquire interests or short positions in Shares and debentures

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

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

Name of grantees of restricted Shares	Position held with the Group	Number of Shares represented by the restricted Shares as of date of grant	Date of grant	Exercise price *(RMB)*	Vested between the date of grant and the Latest Practicable Date	Lapsed between the date of grant and the Latest Practicable Date	Number of Shares represented by the restricted Shares as of the Latest Practicable Date
Directors							
Ms. XIN Hong	executive Director	450,000	July 25, 2017	–	76,500	–	373,500
Mr. XU Han	executive Director	450,000	July 25, 2017	–	76,500	–	373,500
Total		900,000		–	153,000	–	747,000

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

(d) Interests of the substantial shareholders of any member of the Group (other than the Company)

As of the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, the following person (not being Directors or chief executive of the Company) was, directly or indirectly, interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company):

Name of other member of the Group	Person with 10% or more interest therein (other than the Group)	Approximate percentage of shareholding interest
BNC Children's Hospital	BCH	35.0%

3. DISCLOSURE OF OTHER INTERESTS

(a) Interests in contract or arrangement

As of the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant to the business of the Group.

(b) Interests in assets

As of the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since December 31, 2016, being the date to which the latest published audited accounts of the Group were made up.

(c) Interests in competing business

As of the Latest Practicable Date, Jiahua Likang was owned by, among others, a company controlled by executive Director Mr. Zhou as to 41.3% and a company controlled by non-executive Director Ms. Liang as to 33.7%. Jiahua Likang is an investment holding company that held a majority equity interest in the following hospitals and hospital projects (collectively, the "**Likang Hospitals**") as of the Latest Practicable Date:

Hospital[(1)]	Location	Date of incorporation	Equity interest held by Jiahua Likang[(2)]	Status	Registered beds
Tianjin Heping New Century Women's and Children's Hospital (天津和平新世紀婦兒醫院有限公司)	Tianjin	April 1, 2011	80.0%	Commenced operation in 2013	121
Chengdu New Century Women's and Children's Hospital (成都新世紀婦兒醫院有限公司), i.e. the Target Company	Chengdu	September 28, 2010	85.0%	Commenced operation in 2014	104
Suzhou New Century Children's Hospital (蘇州新世紀兒童醫院有限公司)	Suzhou	November 6, 2015	65.0%	Commenced operation in 2015	90
Qingdao New Century Women's and Children's Hospital (青島新世紀婦兒醫院有限公司)	Qingdao	December 15, 2015	100.0%	Construction expected to be completed by the end of 2017, Medical Institution Practicing License (醫療機構執業許可證) expected to be obtained by the first quarter of 2018, and operation expected to commence shortly thereafter	100
Foshan New Century Huanhu Women's and Children's Hospital (佛山市新世紀環湖婦兒醫院有限公司)	Foshan	September 21, 2017	100.0%	Design of hospital building in progress	N/A

Notes:

1. Jiahua Likang has also entered into certain cooperation agreements for hospital projects in Dalian and Tianjin.

2. Each minority shareholder of each Likang Hospitals is, as far as the Directors are aware, not connected with the Company or its connected persons within the meaning of the Listing Rules.

For the following reasons, the Directors are of the view that (i) it is desirable for the Likang Hospitals to be excluded from the Group (save and except for the Target Company, with the reasons for and benefits of acquiring a majority interest thereof set out in section 4 of the letter from the Board in this circular); (ii) there is no or minimal competition between the Group and the Likang Hospitals; and (iii) there is a clear delineation between the Group's and the Likang Hospitals' businesses allowing the former to be carried on independently of and at arm's length from the latter:

- *geographical separation:* all of the Group's medical institutions are located in Beijing and the Group's customers are largely residents of Beijing, while the Likang Hospitals primarily serve customers who are residents within or close to their respective cities of operation, so it is unlikely that any of the Likang Hospitals could feasibly compete with the Group or solicit the Group's customer base in Beijing;

- *management and operational separation:* the Likang Hospitals are managed by the board of directors and senior management of Jiahua Likang independently of the Group and there is no overlap between the members of our Board or senior management with those of Jiahua Likang and the Likang Hospitals, and the Group and the Likang Hospitals have their respective own teams of medical professionals and possess their respective own licenses, approvals and certificates necessary to carry out their respective businesses; and

- *financial separation:* Jiahua Likang and the Likang Hospitals are financially independent from the Group and are able to independently make financial decisions and fund their operations based on their own business and operational needs, and as of the Latest Practicable Date, there were no outstanding loans extended between the Group and Jiahua Likang or any of the Likang Hospitals or which were guaranteed by the latter.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

4. QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts who have given an opinion or advice on the information contained in this circular:

Name	Qualification
Somerley	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
D&P China (HK) Limited	An independent qualified valuer

As of the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

5. CONSENT

Each of the above experts referred to in paragraph 4 of this appendix has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter dated December 29, 2017 and reference to its name and letter, where applicable, in the form and context in which they respectively appear.

6. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular and are or may be material:

(a) contracts entered into before completion of the Global Offering:

(i) the Trademark Licensing and Transfer Agreement dated May 10, 2016 entered into among Jiahua Yihe (as the licensee and the transferee) and Jiahua Likang (as the licensor and the transferor), details of which are set out in "Connected Transactions – Fully-Exempt Continuing Connected Transactions" in the Prospectus;

(ii) the Management Consulting Services Agreement dated June 1, 2016 entered into among Jiahua Yihe (as the supplier) and Jiahua Likang (as the purchaser), details of which are set out in "Connected Transactions – Non-Exempt Continuing Connected Transaction" in the Prospectus;

(iii) the Property Management and Cleaning Services Agreements dated August 22, 2016 entered into among each of BNC Children's Hospital, BNC Women's and Children's Hospital (as the purchaser) and Muhe Jiaye (as the supplier), details of which are set out in "Connected Transactions – Partially-Exempt Continuing Connected Transactions" in the Prospectus;

(iv) the Deed of Non-Competition dated December 22, 2016 granted by the Controlling Shareholders (as defined in the Prospectus), Jiahua Likang and Jiahua Kangming to give certain non-competition undertakings in favor of the Company, details of which are set out in "Relationship with Our Controlling Shareholders – Non-Competition Undertaking" in the Prospectus;

(v) the Deed of Indemnity dated December 22, 2016 entered into by the Controlling Shareholders (as defined in the Prospectus) in favor of the Company (for itself and as trustee for its subsidiaries), in respect of the potential consideration in connection with the fulfillment of the relevant procedural requirements, details of which are set out in "Business – Properties – Premises of BNC Children's Hospital" in the Prospectus;

(vi) the Cornerstone Investment Agreement dated December 28, 2016 entered into among China Life Reinsurance Company Limited, New Century Healthcare Holding Co. Limited, Merrill Lynch Far East Limited, Merrill Lynch International and China International Capital Corporation Hong Kong Securities Limited, details of which are set out in "Cornerstone Investors – Cornerstone Investors – China Life Reinsurance Company Limited" in the Prospectus;

(vii) the Cornerstone Investment Agreement dated December 28, 2016 entered into among CNCB (Cayman) NCH LP, New Century Healthcare Holding Co. Limited, Merrill Lynch Far East Limited, Merrill Lynch International and China International Capital Corporation Hong Kong Securities Limited, details of which are set out in "Cornerstone Investors – Cornerstone Investors – CNCB (Cayman) NCH LP" in the Prospectus;

(viii) the Cornerstone Investment Agreement dated December 28, 2016 entered into among Janchor Partners Pan-Asian Master Fund, New Century Healthcare Holding Co. Limited, Merrill Lynch Far East Limited, Merrill Lynch International and China International Capital Corporation Hong Kong Securities Limited, details of which are set out in "Cornerstone Investors – Cornerstone Investors – Janchor Partners Pan-Asian Master Fund" in the Prospectus;

(ix) the Hong Kong Underwriting Agreement dated December 29, 2016 entered into among the Company, the Controlling Shareholders (as defined in the Prospectus), the Joint Global Coordinators (as defined in the Prospectus) and the Hong Kong Underwriters (as defined in the Prospectus), details of which are set out in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering" in the Prospectus; and

(x) the International Underwriting Agreement dated January 12, 2017 entered into among the Company, the Controlling Shareholders (as defined in the Prospectus), the Joint Global Coordinators (as defined in the Prospectus) and the International Underwriters (as defined in the Prospectus), details of which are set out in "Underwriting – Underwriting Arrangements and Expenses – The International Offering" in the Prospectus; and

(b) contracts entered into after completion of the Global Offering:

(i) the VIE Acquisition Agreement dated September 26, 2017 entered into among Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming, pursuant to which Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming conditionally agreed to enter into the VIE Contracts with Jiahua Yihe and to cause Jiahua Yihe perpetually and factually enjoy all the economic rights and benefits and other similar rights attaching or accruing to (i) the 100% equity interest in Jiahua Kangming held by Ms. Zhao and Ms. ZHOU Jie, and (ii) the 30.0% equity interest in each of BNC Women's and Children's Hospital and BNC Harmony Clinic held by Jiahua Kangming, on or after the completion of the transactions contemplated under the VIE Acquisition Agreement to the extent permitted under the applicable laws and regulations, for a cash consideration of RMB30,000,000;

(ii) the Equity Transfer and Capital Increase Agreement (股權轉讓及增資協議) dated October 31, 2017 entered into among BNC Women's and Children's Hospital (as the transferee and the investor), Ms. Liang Fengyou (梁風友), Beijing Zhaotai Group Co., Ltd. (北京兆泰集團股份有限公司) (as the transferor) and Renze (Beijing) International Corporate Management Services Co., Ltd. (仁澤(北京)國際企業管理服務有限責任公司) ("**Renze**") (as the target company), pursuant to which BNC Women's and Children's Hospital agreed to invest RMB23,333,333 in consideration of 70.0% equity interest in Renze;

(iii) the Exclusive Operation Service Agreement dated November 2, 2017 entered into among Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming, pursuant to which Jiahua Yihe agreed to provide to Jiahua Kangming and its affiliated medical institutions, including BNC Women's and Children's Hospital and BNC Harmony Clinic, on an exclusive basis, shareholder's rights and investment management related services and medical institution operation services based on their actual business demand and Jiahua Kangming agreed to pay to Jiahua Yihe an annual service fee in an amount equivalent to 30.0% of the annual distributable profits of BNC Women's and Children's Hospital and BNC Harmony Clinic after deducting any loss in prior year and the statutory surplus reserve (subject to adjustments);

(iv) the Exclusive Option Agreements (the "**Exclusive Option Agreements**") dated November 2, 2017 entered into among Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic, pursuant to which each of Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic irrevocably and unconditionally grants exclusive option to Jiahua Yihe which entitles Jiahua Yihe to acquire equity interests and assets in Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic;

(v) the Entrustment Agreements (the "**Entrustment Agreements**") dated November 2, 2017 entered into among Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic with an annexure of Powers of Attorney executed by Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming in favor of Jiahua Yihe (and its successors or liquidators) or a natural person designated by Jiahua Yihe (the "**Attorney**"), pursuant to which Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming irrevocably agreed to authorize the Attorney to exercise all of its rights and powers as a shareholder of Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic (as applicable);

(vi) the Equity Pledge Agreements (the "**Equity Pledge Agreements**") dated November 2, 2017 entered into among Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic, pursuant to which Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming agreed to pledge all of her/its respective equity interests in Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic to Jiahua Yihe to secure performance of all their obligations and the obligations of BNC Women's and Children's Hospital and BNC Harmony Clinic under the Exclusive Option Agreements, the Entrustment Agreements and the Equity Pledge Agreements underlying the VIE Contracts; and

(vii) the Sale and Purchase Agreement, details of which are set out in section 2 of the letter from the Board in this circular.

7. MISCELLANEOUS

(a) None of the Directors has entered into a service contract with any member of the Group which does not expire or which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

(b) As of the Latest Practicable Date, each of the above experts referred to in paragraph 4 of this appendix did not have any interest, either directly or indirectly, in any assets which have been, since December 31, 2016 being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

(c) As of the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

(d) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.

(e) The principal share registrar of the Company is Walkers Corporate Limited.

(f) The joint company secretaries of the Company are Mr. JIA Xiaofeng (賈曉鋒) and Ms. WONG Sau Ping (黃秀萍) *(AFIS; ACS)*.

(g) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong from the date of this circular to the date of the EGM (both dates inclusive) and also at the EGM:

(a) the Company's memorandum of association and the Articles of Association;

(b) the letter from the Independent Board Committee, the text of which is set out in this circular;

(c) the letter from Somerley, the text of which is set out in this circular;

(d) the Prospectus, the 2016 Annual Report and the 2017 Interim Report as referred to in Appendix I to this circular;

(e) the accountants' report of the Target Company from PricewaterhouseCoopers, the text of which is set out in Appendix II to this circular;

(f) the report on the unaudited pro forma financial information of the Enlarged Group from PricewaterhouseCoopers, the text of which is set out in Appendix IV to this circular;

(g) the written consents of the experts as referred to in paragraph 5 of this appendix;

(h) the material contracts as referred to in paragraph 6 of this appendix;

(i) the VIE Circular; and

(j) this circular.

The following are the particulars (as required by the Listing Rules) of non-executive Director Mr. Guo Qizhi, who is proposed to be re-elected at the EGM.

Mr. Guo Qizhi (郭其志) ("Mr. Guo"), aged 45, is currently a senior partner of CDH Venture and Growth Capital (鼎暉創新與成長基金), an investment fund established in 2015 focusing on healthcare, TMT (technology, media and telecommunications) and other innovation-based growth opportunities in the PRC. Mr. Guo joined CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司) in 2011 and serves as its executive director and manager director of operations, mainly responsible for investments in the medical sector. Mr. Guo also serves as a director of various medical companies in the PRC, including Nanjing Mingji Hospital Co., Ltd. (南京明基醫院有限公司), Suzhou Mingji Hospital Co., Ltd. (蘇州明基醫院有限公司), Mingji (Nanjing) Hospital Management Consulting Co., Ltd. (明基(南京)醫院管理諮詢有限公司) and Zhejiang Dazhong Hospital (Group) Management Co., Ltd. (浙江大中醫院(集團)管理有限公司).

Mr. Guo received a bachelor's degree in engineering from Northeastern University (東北大學) in Shenyang city, Liaoning province, the PRC in 1994 and a master's degree in accounting from Liaoning University (遼寧大學) in the same city in 1998. Before joining CDH Equity Investment Management (Tianjin) Co., Ltd. in 2011, Mr. Guo had served as a vice president of operations and the chief financial officer of China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. (華潤三九醫藥股份有限公司) (listed on the Shenzhen Stock Exchange with stock code 000999), the general manager of strategic investments of the strategic investment department of China Resources (Group) Co., Ltd. (華潤(集團)有限公司), the chief financial officer of China Resources (Jilin) Bio-Chemical Co., Ltd. (吉林華潤生化股份有限公司) (listed on the Shanghai Stock Exchange with stock code 600893 and now known as AECC Aviation Power Co., Ltd. (中國航發動力股份有限公司)), the financial manager of Shanghai Dare (Group) Co., Ltd. (上海大亞(集團)有限公司), and an industry researcher of the research division of Pingan Securities Co., Ltd. (平安證券股份有限公司).

Mr. Guo has entered into a service contract with the Company for an initial term of no more than three years commencing from January 1, 2018. Pursuant to the service contract, Mr. Guo is not entitled to any director's fee.

As at the Latest Practicable Date, (i) save for the appointment as a non-executive Director of the Company, Mr. Guo has not held any other directorships in any listed public companies in the last three years or any other positions with the Group; (ii) he does not have any relationships with any Director, senior management, substantial Shareholder or controlling Shareholder; and (iii) he does not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, there is no other matter in relation to Mr. Guo that needs to be brought to the attention of the Shareholders and there is no other information relating to Mr. Guo which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1518)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of New Century Healthcare Holding Co. Limited (the "**Company**") will be held at the Meeting Room, Ground Floor, Pediatrics Building, New Century Women's and Children's Hospital, No. 51, Wangjing North Road, Chaoyang District, Beijing, the People s Republic of China on Thursday, January 18, 2018 at 10 a.m., for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions which will be proposed as ordinary resolutions. Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated December 29, 2017 (the "**Circular**"):

ORDINARY RESOLUTIONS

1. "**THAT** the Sale and Purchase Agreement (a copy of which is tabled at the meeting and marked "**A**" and signed by the Chairman of the meeting for identification purpose) and the Acquisition contemplated thereunder be and are hereby approved, confirmed and ratified; and the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorized to do all such acts and things (including, without limitation, signing, execution (under hand or under seal), perfection and delivery of all documents) on behalf of the Company as he or they may, in his/their absolute discretion, consider necessary, desirable or expedient for the purposes of, or in connection with, the performance and implementation of the Sale and Purchase Agreement and the Acquisition contemplated thereunder and any other documents relating thereto or contemplated thereby (in each case amended if necessary) and to make or agree such alterations, amendments and additions thereto as the Director(s) may, in his/their absolute discretion, consider necessary, desirable or expedient in the interests of the Company."

2. "**THAT** Mr. Guo Qizhi be and is hereby re-elected as a non-executive Director."

By Order of the Board
New Century Healthcare Holding Co. Limited
Jason ZHOU
Chairman, Executive Director and Chief Executive Officer

Hong Kong, December 29, 2017

Registered Office:
c/o Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

Headquarter and Principal Place of Business in the PRC:
56 Nanlishi Road
Xicheng District
Beijing
PRC

Principal Place of Business in Hong Kong:
36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Notes:

(a) As set out in the Circular, the register of members of the Company will be closed from Monday, January 15, 2018 to Thursday, January 18, 2018, both dates inclusive, during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the extraordinary general meeting, all transfers of Shares accompanied by the relevant share certificates and properly completed and signed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, January 12, 2018.

(b) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of Shares in respect of which each such proxy is appointed.

(c) Form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for holding of the extraordinary general meeting (i.e. before 10:00 a.m. on Tuesday, January 16, 2018) or any adjourned meeting.

(d) In accordance with Chapter 14A of the Listing Rules, Mr. Zhou, the controlling shareholder and an executive Director of the Company, and his associates (as defined in the Listing Rules) are required to abstain from voting on the ordinary resolution in respect of the Acquisition (i.e. resolution no. 1 above). In light of the Voting Agreement, Ms. Liang, a substantial shareholder and a non-executive Director of the Company, and her associates (as defined in the Listing Rules) will also abstain from voting on the ordinary resolution in respect of the Acquisition (i.e. resolution no. 1 above).

(e) The ordinary resolutions set out above will be determined by way of poll.

(f) The Chinese version of the resolutions set out in this notice is for reference only. If there is any inconsistency between the English and the Chinese versions, the English version shall prevail.

As of the date of this notice, the executive Directors are Mr. Jason ZHOU, Ms. XIN Hong and Mr. XU Han; the non-executive Directors are Ms. LIANG Yanqing, Dr. HE Xin, Mr. WANG Siye and Ms. ZHANG Lan; and the independent non-executive Directors are Mr. WU Guanxiong, Mr. SUN Hongbin, Mr. JIANG Yanfu and Dr. MA Jing.