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

GLOBAL OFFERING

Joint Sponsors and Joint Global Coordinators

BofA Merrill Lynch

CICC 中金香港证券

Joint Bookrunners and Joint Lead Managers

BofA Merrill Lynch

CICC 中金香港证券

BOC INTERNATIONAL

CMS 招商证券

IMPORTANT: If you are in any doubt about this prospectus, you should obtain independent professional advice.

New Century Healthcare Holding Co. Limited
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GLOBAL OFFERING

Number of Offer Shares	**: 120,000,000 Shares (subject to the Over-Allotment Option)**
Number of International Offer Shares	**: 108,000,000 Shares (subject to adjustment and the Over-Allotment Option)**
Number of Hong Kong Public Offer Shares	**: 12,000,000 Shares (subject to adjustment)**
Maximum Offer Price	**: HK$8.36 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**: US$0.0001 per Share**
Stock code	**: 1518**

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A copy of this prospectus, having attached thereto the documents specified in Appendix V — "Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

See "Risk Factors" for a discussion of certain risks that you should consider before investing in the Shares. The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, January 11, 2017 and, in any event, not later than Tuesday, January 17, 2017. The Offer Price will be not more than HK$8.36 and is currently expected to be not less than HK$6.36, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Tuesday, January 17, 2017 between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Public Offer Shares must pay, on application, the maximum Offer Price of HK$8.36 for each Offer Share, together with a 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee, subject to refund if the Offer Price should be lower than HK$6.36 as finally determined.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicated Offer Price range will be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese), and on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.ncich.com.cn. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares."

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applications for the subscription for, the Hong Kong Public Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set forth in "Underwriting." It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and outside the United States in offshore transactions in reliance on Regulation S.

December 30, 2016

Latest time for completing electronic applications under **White Form eIPO** through the designated website at **www.eipo.com.hk** [2]	11:30 a.m. on Wednesday, January 11, 2017
Application lists open[3]	11:45 a.m. on Wednesday, January 11, 2017
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, January 11, 2017
Latest time for completing payment of **WHITE Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, January 11, 2017
Latest time for giving **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, January 11, 2017
Application lists close[3]	12:00 noon on Wednesday, January 11, 2017
Expected Price Determination Date[5]	Wednesday, January 11, 2017
(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Tuesday, January 17, 2017
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Public Offer Shares — 11. Publication of Results" in this prospectus	Tuesday, January 17, 2017
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.ncich.com.cn** [6] from	Tuesday, January 17, 2017
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function from	Tuesday, January 17, 2017

Dispatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7][9] . . . . Tuesday, January 17, 2017

Dispatch of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[8][9] . . . . Tuesday, January 17, 2017

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence on. . . . . Wednesday, January 18, 2017

The application for the Hong Kong Public Offer Shares will commence on Friday, December 30, 2016 through Wednesday, January 11, 2017, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Hong Kong Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, January 17, 2017. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, January 18, 2017.

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, January 11, 2017, the application lists will not open or close on that day. See "How to Apply for Hong Kong Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Public Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around Wednesday, January 11, 2017 and, in any event, not later than Tuesday, January 17, 2017. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us by Tuesday, January 17, 2017, the Global Offering will not proceed and will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) Share certificates will only become valid at 8:00 a.m. on Wednesday, January 18, 2017 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

(8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

(9) Applicants who have applied on **WHITE** Application Forms or **White Form eIPO service** for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, January 17, 2017 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Public Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection — (iv) If you apply via Electronic Application Instructions to HKSCC" in this prospectus for details.

Applicants who have applied through the **White Form eIPO service** and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO service** and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Public Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Public Offer Shares — 13. Refund of Application Monies" and "How to Apply for Hong Kong Public Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Public Offer Shares.

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the leading private pediatric healthcare provider in Beijing, operating three medical institutions under the brand name "New Century Healthcare (新世紀醫療)". According to Frost & Sullivan, in terms of the 2015 market share, our three medical institutions in total ranked first in both the private pediatric healthcare market and the mid- to high-end pediatric healthcare market in Beijing, with a market share of 30.4% and 36.5%, respectively, and ranked second in the private mid-to high-end pediatric healthcare market in the PRC with a market share of 11.4%. We ranked second among the private pediatric healthcare providers in Beijing in terms of both pediatric inpatient visits and outpatient visits in 2015. We expanded into obstetric and gynecologic services in November 2015 by acquiring BNC Women's and Children's Hospital to broaden our service offerings, which has enabled us to achieve network effects and synergies with our leading pediatric services, enhance customer loyalty and enlarge our revenue base.

We generate our revenue primarily from providing pediatric and obstetric and gynecologic specialty services at our three medical institutions in Beijing. We also generate a portion of our revenue from providing hospital consulting services, which we commenced in December 2015. We are the first and one of the few for profit private healthcare service providers in Beijing that can offer comprehensive and specialized pediatric services, as well as integrated pediatric and obstetric and gynecologic services. We focus on the mid- to high-end healthcare market, targeting families that generally have a higher household income or a preference for premium healthcare services. We uphold the principle of providing high-quality, customer-centered healthcare services to enhance the customer experience and our reputation.

In 2013, 2014, 2015 and the nine months ended September 30, 2015 and 2016, our revenue was RMB238.8 million, RMB249.0 million, RMB258.2 million, RMB174.5 million and RMB340.0 million, respectively. In the same periods, our gross profit was RMB149.8 million, RMB143.9 million, RMB140.5 million, RMB96.1 million and RMB163.6 million, respectively. We experienced a 94.8% and 70.2% growth in revenue and gross profit, respectively, in the nine months ended September 30, 2016 compared to the same period in 2015, primarily due to our acquisition of BNC Women's and Children's Hospital in November 2015 and the growth of BNC Children's Hospital.

COMPLEMENTARY PEDIATRIC AND OBSTETRIC AND GYNECOLOGIC SERVICES NETWORK

Our healthcare services consist of two major segments including pediatric services and obstetric and gynecologic services which are complementary to each other: BNC Children's Hospital offers a broad range of pediatric services and has medical capabilities and resources to deal with most of the complicated pediatric diseases; BNC Women's and Children's Hospital provides comprehensive obstetric and gynecologic services and a smaller range of pediatric services and is best positioned to deal with diseases involving both obstetrics and pediatrics as well as relatively complicated pediatric diseases; and BNC Harmony Clinic offers pediatric services covering common specialties and certain gynecologic services. Where more specialized services are needed, the patients can be easily referred to BNC Children's Hospital for pediatric services and to BNC Women's and Children's Hospital for obstetric and gynecologic services. We have implemented an internal patient referral mechanism to enhance the utilization of different specialties coverage and capacities among our medical institutions. Furthermore, our established reputation and leading market position in pediatric services in Beijing help attract new patients for our obstetric and gynecologic services, and our obstetric and gynecologic services in turn help bring in new patients for our pediatric services. See "Business — Our Healthcare Services — Network Effects and Synergies" for details.

STANDARDIZED MANAGEMENT SYSTEM AND GROUP-WIDE BEST PRACTICES

Leveraging our decade-long operating experience, we have developed a standardized management system and group-wide best practices. These best practices for medical services and operations, implemented in each of our medical institutions, encompass primarily guidelines relating to examinations, diagnosis, treatment and other medical procedures.

PPP ARRANGEMENTS WITH PUBLIC HOSPITALS

We are one of the earliest entrants in the private pediatric healthcare market in Beijing. We have accumulated in-depth experience with PPP arrangements with public hospitals. Our first hospital, BNC Children's Hospital, was established through a PPP arrangement with BCH in 2002. Under the arrangement, we own 65.0% and BCH owns 35.0% of the equity interests in BNC Children's Hospital. Pursuant to the arrangement, BCH has agreed, among other things, to second certain medical professionals to BNC Children's Hospital and provide the premises for BNC Children's Hospital. Our second hospital, BNC Women's and Children's Hospital, which we acquired in November 2015, is based on a non-equity cooperation arrangement with BOGH. This arrangement provides for, among other things, the secondment of medical professionals to BNC Women's and Children's Hospital. We have not begun but plan to negotiate the renewal of our PPP arrangement with BOGH on a win-win basis toward its expiry in March 2017. See "Business — Our PPP Arrangements with Public Hospitals" for details.

OUR SUPPLIERS

The supplies required in our operations primarily include pharmaceuticals and medical consumables provided by third party institutions. In 2013, 2014, 2015 and the nine months ended September 30, 2016, purchases attributable to our largest supplier accounted for 15.2%, 10.9%, 10.1% and 9.2% of our total purchases, and purchases attributable to our five largest suppliers accounted for 36.9%, 35.3%, 32.5% and 34.3% of our total purchases, respectively. Our centralized procurement team aggregates most of our medical institutions' pharmaceutical, medical consumable and medical devices and examination needs and negotiates the prices for such supplies. Each hospital or clinic follows a standard procurement process, which enables us to timely collect and process procurement demands. The individual sales contracts are entered into between the supplier and the individual hospital or clinic based on the agreed sales terms. We select our suppliers based on a set of stringent criteria and applicable laws and regulations to ensure the quality of our supplies. When selecting suppliers, we consider, among other things, their product offerings, pricing, reputation, service quality and delivery schedule. We generally require our suppliers to maintain requisite licenses and permits to operate their business, such as business licenses and GMP and/or GSP Certificates. For further details of our suppliers, see "Business — Supplies and Procurement."

OUR CUSTOMERS

Our customers are primarily children who receive pediatric services and women who receive obstetric and gynecologic services at our medical institutions. Our target customers are families that generally have a relatively higher annual household income or have a consumption preference for premium healthcare services. Given the dispersed base of our customers, we do not have a concentration risk. During the Track Record Period, the revenue contributed by our five largest individual customers accounted for less than 1% of our total revenue in 2013, 2014, 2015 and the nine months ended September 30, 2016, respectively. We also have a corporate customer to whom we have been providing hospital consulting services. During the Track Record Period, our largest customer, Jiahua Likang, a connected person of us, from which we derived management consulting service fee revenue contributed to 0.7% and 6.0% of our total revenue in 2015 and the nine months ended September 30, 2016, respectively. Other than Jiahua Likang, all of our other customers during the Track Record Period were individual customers. To the best of the knowledge of our Directors, other than Jiahua Likang, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period. For further details of our customers, see "Business — Our Customers."

REVENUE AND KEY OPERATING DATA

	Year ended December 31,			Nine months ended September 30,	
	2013	**2014**	**2015**	**2015**	**2016**
Group[(1)(2)]					
Inpatients					
Inpatient visits	4,964	4,928	4,981	3,536	5,948
Revenue from medical services attributable to inpatients (in thousands of RMB)	115,277	116,492	111,902	78,338	145,120
Average inpatient spending per visit (RMB)	23,223	23,639	22,466	22,154	24,398
Outpatients					
Outpatient visits[(3)]	81,909	87,643	95,790	64,938	128,924
Revenue from medical services attributable to outpatients (in thousands of RMB)	104,645	110,696	115,177	76,807	143,569
Average outpatient spending per visit (RMB)	1,278	1,263	1,202	1,183	1,114
Revenue recognized for membership card sales (in thousands of RMB)	14,787	17,193	24,448	15,804	27,065
BNC Children's Hospital[(4)]					
Inpatients					
Inpatient visits	4,964	4,928	4,765	3,536	3,622
Revenue from medical services attributable to inpatients (in thousands of RMB)	115,277	116,492	107,164	78,338	86,145
Average inpatient spending per visit (RMB)	23,223	23,639	22,490	22,154	23,784
Outpatients					
Outpatient visits[(3)]	75,678	79,821	82,376	59,749	65,595
Revenue from medical services attributable to outpatients (in thousands of RMB)	98,010	101,327	100,816	71,223	84,544
Average outpatient spending per visit (RMB)	1,295	1,269	1,224	1,192	1,289

	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
Revenue recognized for membership card sales (in thousands of RMB)	14,164	16,306	22,661	14,987	17,472
BNC Women's and Children's Hospital[(5)(6)]					
Inpatients					
Inpatient visits	798	1,664	1,672	1,158	2,326
Revenue from medical services attributable to inpatients (in thousands of RMB)	20,026	45,019	38,758	27,931	58,975
Average inpatient spending per visit (RMB)	25,095	27,055	23,181	24,120	25,355
Outpatients					
Outpatient visits[(3)]	31,164	51,854	57,198	40,247	55,889
Revenue from medical services attributable to outpatients (in thousands of RMB)	24,523	45,444	50,501	35,344	52,075
Average outpatient spending per visit (RMB)	787	876	883	878	932
Revenue recognized for membership card sales (in thousands of RMB)	3,483	7,231	8,409	6,893	8,571
BNC Harmony Clinic[(7)]					
Outpatients					
Outpatient visits	6,231	7,822	7,390	5,189	7,440
Revenue from medical services attributable to outpatients (in thousands of RMB)	6,635	9,369	8,718	5,584	6,950
Average outpatient spending per visit (RMB)	1,065	1,198	1,180	1,076	934
Revenue recognized for membership card sales (in thousands of RMB)	623	887	1,074	817	1,022

(1) With respect to BNC Women's and Children's Hospital, only data since our acquisition of this hospital in November 2015 are included.

(2) In addition to revenue from medical services attributable to inpatients and outpatients, our medical services revenue also included the revenue recognized from the membership card sales.

(3) Includes accident and emergency visits.

(4) In addition to revenue from medical services attributable to inpatients and outpatients, the medical services revenue of BNC Children's Hospital also included the revenue recognized from the membership card sales.

(5) Includes the data of BNC Women's and Children's Hospital throughout the Track Record Period.

(6) In addition to revenue from medical services attributable to inpatients and outpatients, the medical services revenue of BNC Women's and Children's Hospital also included the revenue recognized from the membership card sales.

(7) In addition to revenue from medical services attributable to outpatients, the medical services revenue of BNC Harmony Clinic also included the revenue recognized from the membership card sales.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths: (1) the leading private pediatric healthcare provider in Beijing; (2) standardized management system and Group-wide best practices; (3) proven capabilities to attract, retain and cultivate high-caliber medical professionals; (4) network effects and synergies within our medical institutions; (5) innovative services responsive to the mid- to high-end market demand; and (6) a stable and experienced management team.

OUR STRATEGIES

Our goal is to become a world-class healthcare group focusing on the provision of high-quality healthcare services to children and women. To achieve this goal, we intend to implement the following strategies: (1) further strengthen our existing pediatric and obstetric and gynecologic services; (2) expand our medical network in Beijing and other Tier 1 Cities; (3) further improve our capabilities of offering high-quality healthcare services; and (4) further enhance our brand name recognition.

SUMMARY HISTORICAL FINANCIAL INFORMATION

You should read the summary historical consolidated financial information set forth below in conjunction with our consolidated financial information included in Appendix I — "Accountant's Report" to this prospectus, together with the accompanying notes, which have been prepared in accordance with HKFRSs. The summary historical financial statements as of and for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016 are derived from our consolidated financial information, including the notes thereto, set forth in Appendix I — "Accountant's Report" to this prospectus.

Summary Consolidated Statements of Profit or Loss Data

	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
				(unaudited)	
	(in thousands of RMB)				
Revenue	238,770	249,013	258,196	174,536	340,026
Cost of revenue	(88,981)	(105,118)	(117,686)	(78,403)	(176,414)
Gross profit	149,789	143,895	140,510	96,133	163,612
Selling expenses	(7,272)	(11,278)	(10,612)	(6,892)	(13,811)
Administrative expenses	(32,883)	(34,702)	(38,312)	(20,984)	(63,935)[1]
Other income	70	186	238	116	335
Other losses — net	(43)	(50)	(113)	(30)	(18,262)[2]
Operating Profit	109,661	98,051	91,711	68,343	67,939
Finance income	1,087	2,647	316	237	299
Finance expenses	—	—	(43)	—	(1,260)
Profit before income tax	110,748	100,698	91,984	68,580	66,978
Income tax expense	(28,038)	(26,383)	(24,789)	(17,826)	(23,840)
Profit for the year/period	82,710	74,315	67,195	50,754	43,138
Profit for the year/period attributable to:					
Owner of the Group	53,566	46,705	40,903	32,060	19,193
Non-controlling interests[3]	29,144	27,610	26,292	18,694	23,945
	82,710	74,315	67,195	50,754	43,138

(1) Includes the expenses in relation to the Listing of RMB16.8 million.

(2) Mainly reflected losses from fair value changes of convertible preferred shares and other non-current liabilities of RMB33.5 million and gains on liability settlement by equity instrument of RMB15.3 million as a result of certain transactions taking place in our Reorganization and Pre-IPO Investments. See "Financial Information — Principal Components of the Consolidated Statements of Comprehensive Income — Other losses-net".

(3) The net profit attributable to the non-controlling interest mainly represents the profit attributable to BCH, which holds 35% equity interests in BNC Children's Hospital.

Our three medical institutions are all for-profit hospitals or clinic. In 2013, 2014, 2015 and the nine months ended September 30, 2016, 96.8%, 95.9%, 91.2% and 56.1% of our revenue were contributed by BNC Children's Hospital, respectively. Moreover, BNC Women's and Children's Hospital, which we acquired on November 30, 2015, recorded net losses of RMB38.7 million and RMB17.2 million in 2013 and 2014, respectively, and its net profit of RMB11.4 million in the period from January 1, 2015 to November 30, 2015 was primarily due to deferred tax assets of RMB36.0 million recognized in respect of its accumulated losses. See "Risk Factors — Risks Related to Our Business and Industry — Opening new medical institutions could result in fluctuations in our short-term financial performance and our new healthcare facilities may not achieve timely profitability as anticipated, or at all."

The following table sets forth the composition of our revenue by medical institution for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2013		2014		2015		2015		2016	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
							(unaudited)			
	(in thousands of RMB, except percentages)									
BNC Children's Hospital	231,040	96.8%	238,724	95.9%	235,534	91.2%	168,134	96.3%	190,843	56.1%
BNC Women's and Children's Hospital[(1)]	—	—	—	—	11,119	4.3	—	—	125,102	36.8
BNC Harmony Clinic	7,730	3.2	10,289	4.1	9,792	3.8	6,402	3.7	7,972	2.3
Total	238,770	100.0%	249,013	100.0%	256,445	99.3%	174,536	100.0%	323,917	95.3%

(1) We consolidated the revenue from BNC Women's and Children's Hospital only after our acquisition of this hospital in November 2015.

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

	Year ended December 31,						Nine months ended September 30,			
	2013		2014		2015		2015		2016	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
							(unaudited)			
	(in thousands of RMB, except percentages)									
Pediatric services	234,709	98.3%	244,381	98.1%	247,111	95.7%	170,949	97.9%	253,806	74.6%
Obstetric and gynecologic services	—	—	—	—	4,416	1.7	—	—	61,948	18.2
Total	234,709	98.3%	244,381	98.1%	251,527	97.4%	170,949	97.9%	315,754	92.9%

Summary Consolidated Balance Sheets

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in thousands of RMB)			
ASSETS				
Total non-current assets	20,000	20,336	405,951	394,008
Total current assets	146,636	135,094	126,112	206,522
Total assets	166,636	155,430	532,063	600,530
EQUITY				
Equity attributable to owners of the company				
Total equity/(deficit)	117,998	97,462	(32,394)	68,240
LIABILITIES				
Total non-current liabilities	—	—	398,950	364,377
Total current liabilities	48,638	57,968	165,507	167,913
Total liabilities	48,638	57,968	564,457	532,290
Total equity and liabilities	166,636	155,430	532,063	600,530

We had net current liabilities of RMB39.4 million and net current assets of RMB38.6 million as of December 31, 2015 and September 30, 2016, respectively. The net current liabilities as of December 31, 2015 were mainly due to (i) a decrease in our current assets resulting from dividends paid by BNC Children's Hospital to its shareholders and our higher demand for working capital and (ii) our acquisition of BNC Women's and Children's Hospital, which significantly increased our accruals, other payables and provisions. On August 29, 2016, all of the outstanding Group A Shares were converted into Shares and, therefore, we no longer had any convertible preferred shares as our current liabilities. See "Financial Information — Liquidity and Capital Resources — Net current assets/liabilities" and "Financial Information — Liquidity and Capital Resources — Working capital sufficiency."

As of December 31, 2015, we had a total deficit of RMB43.5 million before the equity attributable to non-controlling interests of RMB11.1 million. Such deficit was mainly a result of (i) an accumulated profit of RMB63.1 million as of January 1, 2015, (ii) a profit of RMB40.9 million in 2015, (iii) the dividend declared to owners of our Company of RMB92.0 million, (iv) the capital contribution by the Controlling Shareholders of RMB200.0 million to Jiahua Yihe to increase its registered capital, (v) in accordance with the Group A Share Purchase Agreement, the Company's grant of convertible preferred shares to CDH Investment II in the Group's acquisition of the entire interests in BNC Women's and Children's Hospital on November 30, 2015 as part of the consideration which decreased our total equity by RMB230.7 million, and (vi) the deemed distribution to the controlling shareholder of RMB24.7 million related to the consideration paid by Jiahua Yihe for its acquisition of the 65% equity interest in BNC Children's Hospital and 100% equity interests in BNC Harmony Clinic.

Summary Consolidated Statements of Cash Flows

	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
				(unaudited)	
	(in thousands of RMB)				
Net cash generated from operating activities	87,705	84,560	79,071	47,248	72,112
Net cash used in investing activities	(4,646)	(3,029)	(19,122)	(3,675)	7,215
Net cash used in financing activities	(80,091)	(89,851)	(99,357)	(100,655)	(8,687)
Cash and cash equivalents at beginning of the year/period	125,991	128,959	120,639	120,639	81,231
Cash and cash equivalents at end of the year/period	128,959	120,639	81,231	63,557	151,871

KEY FINANCIAL RATIOS

	As of and for the year ended December 31,			As of and for the nine months ended September 30,
	2013	2014	2015	2016
Profitability ratios				
Gross profit margin(1)	62.7%	57.8%	54.4%	48.1%
Net profit margin(2)	34.6%	29.8%	26.0%	12.7%
Return on equity(3)	70.1%	76.3%	n.m.(8)	n.a.
Return on total assets(4)	49.6%	47.8%	12.6%	n.a.
Liquidity ratios				
Current ratio(5)	3.01x	2.33x	0.76x	1.23x
Quick ratio(6)	2.92x	2.27x	0.73x	1.19x
Capital adequacy ratios				
Gearing ratio(7)	—	—	n.m.(8)	36.6%

(1) Gross profit for a period divided by revenue for the same period and multiplied by 100%.

(2) Profit for a period divided by revenue for the same period and multiplied by 100%.

(3) Profit for a period divided by total equity as of the end of such period and multiplied by 100%.

(4) Profit for a period divided by total assets as of the end of such period and multiplied by 100%.

(5) Current assets divided by current liabilities as of the end of a period and multiplied by 100%.

(6) Current assets less inventories divided by current liabilities as of the end of a period and multiplied by 100%.

(7) Total borrowings divided by total equity as of the end of such period and multiplied by 100%.

(8) Not meaningful due to the negative total equity as of December 31, 2015.

Our gross profit margin decreased during the Track Record Period primarily due to increases in employee benefits expenses of our cost of revenue and our acquisition of BNC Women's and Children's Hospital, which has a lower gross profit margin as it has been ramping up since its establishment in 2012. See "Financial Information — Principal Components of the Consolidated Statements of Comprehensive Income — Gross profit and gross profit margin" for details.

Furthermore, during the Track Record Period, the revenue mix of our key business segments had a significant impact on our gross profit margins. Specifically, our pediatric services had a higher gross profit margin than our obstetric and gynecologic services mainly because of the preliminary development stage of BNC Women's and Children's Hospital. See "Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Revenue mix" for details.

The following table sets forth a breakdown of our gross profit and gross profit margin by medical institution for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2013		2014		2015		2015		2016	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
							(unaudited)			
	(in thousands of RMB, except percentages)									
BNC Children's Hospital	146,671	63.5%	141,000	59.1%	133,181	56.5%	94,749	56.4%	107,875	56.5%
BNC Women's and Children's Hospital	—	—	—	—	4,179	37.6	—	—	46,921	37.5
BNC Harmony Clinic	3,118	40.3%	2,896	28.1%	2,147	21.9%	1,384	21.6%	2,328	29.2%

RECENT DEVELOPMENTS

The Company continued to experience business growth after September 30, 2016. For example, both the inpatient visits and outpatient visits in October and November, 2016 are higher than those in the same period in 2015. As of October 31, 2016, we had net current assets of RMB49.2 million, consisting of current assets of RMB217.6 million and current liabilities of RMB168.5 million, compared to our net current assets of RMB38.6 million as of September 30, 2016.

Pursuant to a shareholder resolution of the Company on December 12, 2016 and a shareholder resolution of Jiahua Yihe on December 16, 2016, dividends of approximately RMB27,542,000 related to the profit of BNC Children's Hospital from December 2015 to May 24, 2016 before the completion of the Reorganization, has been agreed and declared to be paid to the then shareholders of Jiahua Yihe immediately before the completion of the Reorganization. The dividends will be settled in January 2017 before our Listing based on the payment schedule of the Group. As of October 31, 2016, we had cash and cash equivalents of RMB157.6 million. We have sufficient cash surplus to finance our operations from internally generated cashflow and to maintain a stable financial position through the steady growth of our business. Our Directors consider that the Company's cash resources are sufficient to cover the full payment of the dividends without adversely affecting our continuing operation and the stability of our financial position.

After due and careful consideration, and taking into account our Listing expenses that would be recognized as administrative expenses in 2016, our Directors confirm that there has not been any material adverse change in our financial, operational or trading position since September 30, 2016 and up to the date of this prospectus.

OUR SHAREHOLDING STRUCTURE

Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised and no Restricted Shares are granted and vest under the RSA Scheme), Mr. Zhou, our founder, executive Director and Chairman, through his wholly-owned investment holding companies, JoeCare and Century Star, and pursuant to the Voting Agreement, will be entitled to indirectly exercise voting rights of 45.0% of the issued share capital of our Company. JoeCare and Century Star will directly hold 31.1% and 1.9% of the issued share capital of our Company, respectively. 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. Accordingly, each of Mr. Zhou and JoeCare is our Controlling Shareholder. See "History, Reorganization and Development" for more information.

PRE-IPO INVESTMENT

In order to further develop our business and bring in institutional investors that have industry expertise, as part of our Reorganization, we completed the Pre-IPO Investments made by CDH Investments II, CDB GJ and Boyu AH in May 2016 by which the total consideration for the Pre-IPO Investment was fully and irrevocably settled. CDH Investments II, CDB GJ and Boyu AH will hold 16.6%, 5.5% and 8.8%, respectively, of the share capital of our Company immediately before completion of the Capitalization Issue and the Global Offering. See "History, Reorganization and Development — The Pre-IPO Investments" for more information.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to the Reporting Accountant, legal advisers and other professional advisers for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-Allotment Option is not exercised, including underwriting commissions and any discretionary incentive fee which may be payable by us) for the Global Offering are RMB84.6 million. During the Track Record Period, we incurred listing expenses of RMB22.8 million, which were recognized as administrative expenses. We expect to incur additional listing expenses of RMB61.8 million, of which RMB19.3 million is expected to be recognized as administrative expenses for the fourth quarter of 2016 and RMB42.5 million will be capitalized. Our Directors do not expect such expenses will have a material and adverse impact on our results of operations for 2016.

DIVIDENDS

In 2013, 2014 and 2015 and the nine months ended September 30, 2016, we declared dividends of RMB80.1 million, RMB89.9 million, RMB141.6 million and RMB2.0 million, respectively, and distributed dividends of RMB80.1 million, RMB89.9 million, RMB118.8 million and RMB24.8 million, respectively. In December 2016, Jiahua Yihe declared dividends of RMB27.5 million to the then shareholders of Jiahua Yihe immediately before the completion of the Reorganization. However, we do not have any specific dividend policy. See "Financial Information — Dividends."

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, and taking into account our Listing expenses that would be recognized as administrative expenses in 2016, our Directors confirm that there has not been any material adverse change in our financial, operational or trading position since September 30, 2016 and up to the date of this prospectus.

APPLICATION FOR THE OFFER SHARES

The application for the Hong Kong Public Offer Shares will commence on Friday, December 30, 2016 through Wednesday, January 11, 2017, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, January 17, 2017. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, January 18, 2017.

OFFERING STATISTICS

Offer size	:	Initially 25.0% of the enlarged issued share capital of our Company (subject to the Over-Allotment Option)
Offering structure	:	Initially 10.0% for the Hong Kong Public Offering (subject to adjustment) and 90.0% for the International Placing (subject to adjustment and the Over-Allotment Option)
Over-Allotment Option	:	Up to 15.0% of the number of Offer Shares initially available under the Global Offering
Offer Price per Share	:	HK$6.36 to HK$8.36 per Offer Share

	Based on an Offer Price of HK$6.36 per Offer Share	Based on an Offer Price of HK$8.36 per Offer Share
Our Company's market capitalization upon completion of the Global Offering	HK$3,053 million	HK$4,013 million
Unaudited pro forma adjusted net tangible asset per Share(1)	HK$1.07	HK$1.56

(1) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in Appendix II — "Unaudited Pro Forma Financial Information" to this prospectus.

USE OF PROCEEDS

We estimate that the Net Proceeds will be HK$788.7 million (after deduction of underwriting fees and any discretionary incentive fee which may be payable by us in connection with the Global Offering), assuming the Over-Allotment Option is not exercised and an Offer Price of HK$7.36 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to use the net proceeds of the Global Offering for the following purposes:

- HK$39.4 million (representing 5.0% of the Net Proceeds) will be used for constructing a remote medical diagnostic center in Beijing;

- HK$39.4 million (representing 5.0% of the Net Proceeds) will be used for renovation and upgrade of one surgery center in Beijing;

- HK$157.7 million (representing 20.0% of the Net Proceeds) will be used for opening one new hospital in Beijing to provide specialty pediatric and obstetric and gynecologic services and two clinics in of Beijing to mainly provide outpatient services;

- HK$157.7 million (representing 20.0% of the Net Proceeds) will be used for opening one new hospital and two clinics in Tier 1 Cities other than Beijing;

- 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. As of the Latest Practicable Date, we had not identified any targets. See "Business — Our Future Expansion" for more details; and

- HK$78.9 million (representing 10.0% of the Net Proceeds) will be used for working capital and other general corporate purposes.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes and to the extent permitted by applicable laws and regulations, the Directors may allocate part or all of the proceeds to short-term interest-bearing deposits and/or money-market instruments with authorized financial institutions and/or licensed banks in Hong Kong and/or the PRC. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds. See "Future Plans and Use of Proceeds" for details.

RISK FACTORS

There are certain risks and uncertainties relating to an investment in our Shares. These risks include primarily: (1) risks relating to laws, rules and regulations and policies applicable to medical institutions in the PRC; (2) risks relating to competition; (3) risks relating to change of customer preference and spending power; (4) risks relating to our ability to attract, train and retain a sufficient number of qualified physicians and other medical professionals; and (5) risks relating to our cooperation with third parties. See "Risk Factors" for details.

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

"Accountant's Report"	the report from the Reporting Accountant, the text of which is set out in Appendix I of this prospectus
"Affiliate(s)"	any other person, directly or indirectly, controlling or controlled by, or under direct or indirect common control with, such specified person
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them
"Articles" or "Articles of Association"	the articles of association of our Company (as amended from time to time), conditionally adopted on December 22, 2016, with effect from the Listing Date, a summary of which is set out in Appendix III—"Summary of Articles of Association and Cayman Islands Companies Law" to this prospectus
"Audit Committee"	a committee of the Board established by the Board for the purpose of overseeing the accounting and financial reporting processes of our Company and audits of the financial statements of our Company
"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
"Beijing MOH"	Beijing Municipal Commission of Health and Family Planning (北京市衛生和計劃生育委員會), including its predecessor
"BNC Children's Hospital"	Beijing New Century Children's Hospital Co., Ltd. (北京新世紀兒童醫院有限公司), a company incorporated in the PRC with limited liability on December 13, 2002, which is 65.0% owned by Jiahua Yihe and 35.0% owned by BCH
"BNC Harmony Clinic"	Beijing New Century Ronghe Outpatient Service Co., Ltd. (北京新世紀榮和門診部有限公司), a company incorporated in the PRC with limited liability on May 30, 2012, which is 70.0% owned by Jiahua Yihe and 30.0% owned by Jiahua Kangming or, where the context so requires, its predecessor entity incorporated in the PRC on November 14, 2008 by Jiahua Kangyong

"BNC Women's and Children's Hospital"	Beijing New Century Women's and Children's Hospital Co., Ltd. (北京新世紀婦兒醫院有限公司), a company incorporated in the PRC with limited liability on January 4, 2012, which is 70.0% owned by Jiahua Yihe and 30.0% owned by Jiahua Kangming
"Board" or "Board of Directors"	the board of directors of our Company
"BOGH"	Beijing Obstetrics and Gynecology Hospital, Capital Medical University (首都醫科大學附屬北京婦產醫院), an Independent Third Party
"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 on July 30, 2015 whose general partner is Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司). Boyu AH is an Independent Third Party investor at the time
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"Capitalization Issue"	the issue of 249,690,254 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the section headed "Share Capital" in this prospectus
"Cayman Islands Companies Law"	the Companies Law of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

"CDB"	China Development Bank Corporation (國家開發銀行股份有限公司), a joint stock company incorporated in the PRC on July 1, 1994, which is owned by the Ministry of Finance of the PRC (中華人民共和國財政部), Central Huijin Investment Ltd (中央匯金投資有限責任公司), Wutongshu Investment Platform Co. Ltd. (梧桐樹投資平台有限責任公司) and the National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會)
"CDB Finance"	CDB Finance Co., Limited (國開金融有限責任公司), a company incorporated in the PRC with limited liability on August 24, 2009 and is wholly owned by CDB
"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 on July 31, 2015 whose general partner is CDB Kai Yuan Capital Management Co., Ltd. (國開開元股權投資基金管理有限公司). CDB Kai Yuan Capital Management Co., Ltd is owned by CDB Finance as to 70.0% and by a wholly-stated-owned company as to 30.0%. CDB GJ is an Independent Third Party
"CDH Asana"	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)), a limited liability partnership formed in the PRC on February 28, 2011 whose general partner is CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司) and is controlled by Tianjin Taiding Investment which is a substantial Shareholder of the Company by virtue of its control over CDH Fuji and CDH Fuyi
"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 on July 30, 2015 whose general partner is CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司) and is controlled by Tianjin Taiding Investment which is a substantial Shareholder of the Company by virtue of its control over CDH Fuji and CDH Fuyi

"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 on August 3, 2015 whose general partner is CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司) and is controlled by Tianjin Taiding Investment which is a substantial Shareholder of the Company by virtue of its control over CDH Fuji and CDH Fuyi
"CDH Investments I"	collectively, CDH Weixin, CDH Weisen and CDH Asana
"CDH Investments II"	collectively, CDH Fuji and CDH Fuyi
"CDH Weisen"	Beijing CDH Weisen Venture Investment Center L.P. (北京鼎暉維森創業投資中心(有限合夥)), a limited liability partnership formed in the PRC on August 6, 2010 whose general partner is CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司) and is controlled by Tianjin Taiding Investment which is a substantial Shareholder of the Company by virtue of its control over CDH Fuji and CDH Fuyi
"CDH Weixin"	Beijing CDH Weixin Venture Investment Center L.P. (北京鼎暉維鑫創業投資中心(有限合夥)), a limited liability partnership formed in the PRC on May 19, 2010 whose general partner is CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司) and is controlled by Tianjin Taiding Investment which is a substantial Shareholder of the Company by virtue of its control over CDH Fuji and CDH Fuyi
"Century Star"	Century Star Investment Co., Ltd., a company incorporated in the BVI with limited liability on August 14, 2015 and is wholly-owned by Mr. Zhou
"CFDA"	the China Food and Drug Administration (國家食品藥品監督管理總局)
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"Circular 19"	Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結算管理方式的通知), issued by the SAFE and came into effect on June 1, 2015

"Circular 37"	the Notice on Issues Relating to Foreign Exchange Control on Offshore Investment, Financing and Round-trip Investment by Domestic Residents Through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), issued by the SAFE on July 4, 2014
"Circular 601"	the Notice on Understanding and Determining Beneficial Owners (關於如何理解和認定稅收協定中"受益所有人"的通知) in Tax Treaties issued by the SAT on October 27, 2009
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on March 3, 2014 as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "the Company"	New Century Healthcare Holding Co. Limited (新世紀醫療控股有限公司), the holding company of our Group after the Reorganization and the listing vehicle for the Listing, which is an exempted company with limited liability incorporated in the Cayman Islands on July 31, 2015 and the Shares of which are to be listed on the Main Board of the Hong Kong Stock Exchange
"Controlling Shareholder(s)"	Mr. Zhou, JoeCare and Century Star
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Non-Competition"	the deed of non-competition dated December 22, 2016, executed by the Controlling Shareholders, Jiahua Likang and Jiahua Kangming in favor of our Company
"Director(s)"	director(s) of our Company
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), promulgated on March 16, 2007 and effective on January 1, 2008, and the Implementation Regulations on the EIT Law (中華人民共和國企業所得稅法實施條例)
"EMRS"	Electronic Medical Record System

"Foreign Investment Catalogue"	the Industry Catalogue for Guiding Foreign Investment (Amended in 2015) (外商投資產業指導目錄 (2015年修訂)), jointly issued by the NDRC and MOFCOM on March 10, 2015 and effective on April 10, 2015
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), a consulting firm that provides market research and analysis, which was incorporated in the PRC with limited liability on September 4, 2003 and is an Independent Third Party
"Frost & Sullivan Report"	an industry report commissioned by us for a fee of RMB972,000 and independently prepared by Frost & Sullivan in connection with the Global Offering
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Green Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "the Group", "we", "us", or "our"	our Company and our subsidiaries and, in respect of the period before we became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be) at the relevant time
"Group A Share Purchase Agreement"	the agreement entitled "Group A Preferred Shares Purchase Agreement" dated August 25, 2015 entered into among the Company, New Century Healthcare HK, Jiahua Yihe, BNC Children's Hospital, BNC Women's and Children's Hospital, BNC Harmony Clinic, JoeCare, Century Star, Victor Gains, Smooth Yu, Mr. Zhou, Ms. Liang, CDH Fuji and CDH Fuyi, pursuant to which CDH Fuji and CDH Fuyi subscribed for Group A Shares, as further described in "History, Reorganization and Development — The Pre-IPO Investments" in this prospectus
"Group A Shares" or "Group A Preferred Shares"	the preference shares designated as "Group A Preferred Shares" with par value of US$0.0001 each in the capital of the Company carrying the rights as set forth in our Company's articles of association adopted by the special resolution passed by the shareholders of the Company on February 18, 2016
"Group B Investors"	CDH Fuji, CDH Fuyi, CDB GJ and Boyu AH

"Group B Share Purchase Agreement"	the agreement entitled "Group B Preferred Shares Purchase Agreement" dated August 31, 2015 entered into among the Company, New Century Healthcare HK, Jiahua Yihe, BNC Children's Hospital, BNC Women's and Children's Hospital, BNC Harmony Clinic, JoeCare, Century Star, Victor Gains, Smooth Yu, Mr. Zhou, Ms. Liang and the Pre-IPO Investors, pursuant to which the Pre-IPO Investors subscribed for Group B Shares, as further described in "History, Reorganization and Development— The Pre-IPO Investments" in this prospectus
"Group B Shares" or "Group B Preferred Shares"	the preference shares designated as "Group B Preferred Shares" with par value of US$0.0001 each in the capital of the Company carrying the rights as set forth in our Company's articles of association adopted by the special resolution passed by the shareholders of the Company on February 18, 2016
"HIS"	Hospital Information System
"HKFRS"	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and the related interpretations issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Public Offer Shares"	the 12,000,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation
"Hong Kong Public Offering"	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 29, 2016, relating to the Hong Kong Public Offering and entered into by our Company, the Controlling Shareholders, the Joint Global Coordinators and the Hong Kong Underwriters
"Independent Shareholders"	the Shareholders who are not involved or interested in any of the transactions contemplated under the Deed of Non-Competition
"Independent Third Party(ies)"	any individual(s) or entity(ies) who, as far as our Directors are aware, is/are not connected with our Company or our connected persons within the meaning ascribed under the Listing Rules
"International Offer Shares"	the 108,000,000 Shares being initially offered in the International Offering for subscription or purchase under the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-Allotment Option, subject to reallocation
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act, as further described in "Structure of the Global Offering"
"International Underwriters"	the international underwriters of the International Offering who are expected to enter into the International Underwriting Agreement as purchasers on or about the Price Determination Date
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by the Company, the Controlling Shareholders, the Joint Global Coordinators and the International Underwriters on or about January 11, 2017

"Jiahua Kangming"	Beijing Jiahua Kangming Medical Investment and Management Co., Ltd. (北京嘉華康銘醫療投資管理有限公司), a company incorporated in the PRC with limited liability on December 18, 2015, which is owned by Ms. Zhao as to 99.0% and by Ms. ZHOU Jie (Mr. Zhou's sister) as to 1.0%, and is expected to be owned by Jiahua Kangyong as to 46.4%, Zhonghe Qingrun as to 16.0%, Ms. GAN Feng as to 6.7%, CDH Fuji as to 8.3%, CDH Fuyi as to 8.3%, CDB GJ as to 5.5% and Boyu AH as to 8.8%, respectively, prior to the Listing, and is a connected person of our 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 on June 22, 2007, which is owned as to 90% and 10% by Mr. Zhou and Ms. Zhao, respectively, and is our connected person
"Jiahua Likang"	Beijing Jiahua Likang Medical Investment and Management Co., Ltd. (北京嘉華麗康醫療投資管理有限公司), a company incorporated in the PRC with limited liability on April 16, 2009, whose registered shareholders as of the Latest Practicable Date consisted of Jiahua Kangyong (as to 41.3%), a company controlled by Ms. Liang (as to 33.7%), and CDH Investments I (as to 25.0%), and is our connected person
"Jiahua Yihe"	Beijing Jiahua Yihe Management and Consulting Co., Ltd. (北京嘉華怡和管理諮詢有限公司), a company incorporated in the PRC with limited liability on June 15, 2015 and wholly-owned by our Company
"JoeCare"	JoeCare Investment Co., Ltd., a company incorporated in the BVI with limited liability on July 16, 2015 and wholly-owned by Mr. Zhou. JoeCare is one of our Controlling Shareholders
"Joint Bookrunners"	Merrill Lynch International, China International Capital Corporation Hong Kong Securities Limited, BOCI Asia Limited and China Merchants Securities (HK) Co., Limited
"Joint Global Coordinators"	Merrill Lynch International and China International Capital Corporation Hong Kong Securities Limited
"Joint Lead Managers"	Merrill Lynch Far East Limited (in relation to the Hong Kong Public Offering), Merrill Lynch International (in relation to the International Offering), China International Capital Corporation Hong Kong Securities Limited, BOCI Asia Limited and China Merchants Securities (HK) Co., Limited

"Joint Sponsors"	Merrill Lynch Far East Limited and China International Capital Corporation Hong Kong Securities Limited
"Latest Practicable Date"	December 21, 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Likang Hospital(s)"	hospitals owned and operated by Jiahua Likang at the relevant time or, where the context so requires, any of them
"LIS"	Laboratory Information System
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about January 18, 2017 on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Management Consulting Services Agreement"	has the meaning ascribed to it in "Connected Transactions — Non-Exempt Continuing Connected Transaction — Management Consulting Services Agreements"
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company (as amended from time to time), adopted on December 22, 2016, a summary of which is set out in Appendix III in this prospectus
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部) or, where the context so requires, its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)
"MOH"	Ministry of Health of the PRC (中華人民共和國衛生部), one of the predecessors of the NHFPC
"Mr. Zhou"	Mr. Jason ZHOU, Chairman of the Board, chief executive officer, an executive Director and one of our Controlling Shareholders

"Ms. Liang"	Ms. LIANG Yanqing (梁艷清), a non-executive Director and one of our substantial Shareholders
"Ms. Zhao"	Ms. ZHAO Juan (趙娟), the spouse of Mr. Zhou
"Muhe Jiaye"	Beijing Muhe Jiaye Property Management Co., Ltd (北京睦合嘉業物業管理有限公司), a company incorporated in the PRC with limited liability on May 4, 2010, a connected person of the Company
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New Century Healthcare HK"	New Century Healthcare (International) Co., Limited, a company incorporated in Hong Kong with limited liability on July 21, 2015 and wholly-owned by New Millennium
"New Century Medical Institutions"	BNC Children's Hospital, BNC Women's and Children's Hospital and BNC Harmony Clinic or, where the context so requires, any of them
"New Millennium"	New Millennium Investment Co., Ltd., a company incorporated in the BVI with limited liability on August 14, 2015 and wholly-owned by our Company
"NHFPC"	National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會), which was reorganized from the former MOH & National Population and Family Planning Commission in March 2013
"Nomination Committee"	a committee of the Board established by the Board to make recommendations to our Board in relation to the appointment and removal of Directors and senior management, and on matters of succession planning
"Non-Compete Period"	has the meaning ascribed to it in "Relationship with Our Controlling Shareholders — Non-Competition Undertaking — Principal Terms"
"NPC"	National People's Congress of the PRC (全國人民代表大會)
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%)
"Offer Share(s)"	the Hong Kong Public Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-Allotment Option

"Over-Allotment Option"	the option expected to be granted by us to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to an aggregate of 18,000,000 Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any
"PACS"	Picture Archiving and Communications System
"PBOC"	People's Bank of China (中國人民銀行)
"PPP"	public-private partnership, a business cooperation that is formed and operated through an equity or contractual based cooperation between a public sector party and one or more private sector companies
"PRC government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, where the context so requires, any of them
"Pre-IPO Investments"	the transactions as further described in "History, Reorganization and Development — The Pre-IPO Investments" in this prospectus
"Pre-IPO Investors"	Boyu AH, CDB GJ, CDH Fuji and CDH Fuyi, and a "**Pre-IPO Investor**" means any one of them, further details of which are described in "History, Reorganization and Development — The Pre-IPO Investments — Information regarding the Pre-IPO Investors" in this prospectus
"Pre-IPO Shareholders Agreement"	the agreement entitled "Shareholders Agreement" dated August 31, 2015 entered into among the Company, New Century Healthcare HK, Jiahua Yihe, BNC Children's Hospital, BNC Women's and Children's Hospital, BNC Harmony Clinic, JoeCare, Century Star, Victor Gains, Smooth Yu, Mr. Zhou, Ms. Liang and the Pre-IPO Investors, containing the special rights granted in favor of the Pre-IPO Investors as further described in "History, Reorganization and Development —The Pre-IPO Investments — Special Rights" in this prospectus
"Price Determination Date"	the date, expected to be on or about January 11, 2017, on which the Offer Price will be determined and, in any event, not later than January 17, 2017

"Property Management and Cleaning Services Agreements"	has the meaning ascribed to it in "Connected Transactions — Partially-Exempt Continuing Connected Transactions — Property Management and Cleaning Services Agreements"
"QIB"	qualified institutional buyers as defined in Rule 144A
"Qualified IPO"	the closing of a firm commitment underwritten public offering of the Shares in Hong Kong which is approved by the Shareholders of the Company
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	a committee of the Board established by the Board to discharge the Board's responsibilities relating to the remuneration of Directors and executive officers of our Company
"Reorganization"	the reorganization of our Group in preparation for the Listing, details of which are set out in "History, Reorganization and Development — Our Reorganization"
"Reporting Accountant"	PricewaterhouseCoopers
"RMB"	Renminbi, the lawful currency of the PRC
"RSA"	restricted shares award
"RSA Scheme"	the RSA Scheme approved and adopted by our Company on August 29, 2016 for the grant of restricted shares to RSA participants following the completion of the Global Offering, a summary of the principal terms of which is set forth in Appendix IV — "Statutory and General Information — E. RSA Scheme" to this prospectus
"RSA Scheme Nominee"	Talent Wise Investments Limited, a company incorporated in the BVI on June 8, 2016 with limited liability, which is 100% owned by Ms. XIN Hong and Mr. XU Han, our Directors, and is a connected person of our Company
"RSA Trustee"	collectively, Ms. XIN Hong and Mr. XU Han
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)

"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) in the capital of our Company with nominal value of US$0.0001 each
"Shareholder(s)"	holder(s) of Shares
"Smooth Yu"	Smooth Yu Investments Limited, a company incorporated in the BVI with limited liability on October 30, 2007 and wholly-owned by Ms. Liang, and one of our substantial shareholders
"Stabilizing Manager"	China International Capital Corporation Hong Kong Securities Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilizing Manager (or its affiliates acting on its behalf) and JoeCare, pursuant to which JoeCare will agree to lend up to 18,000,000 Shares to the Stabilizing Manager on terms set forth therein
"subsidiaries"	has the meaning ascribed to it in section 2 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"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 on May 8, 2008 and is owned 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) as to 34.2% and by certain other shareholders as to 65.8%, none of which is entitled to exercise or control the exercise of one third or more of the voting rights of Tianjin Taiding Investment. Tianjin Taiding Investment is a substantial Shareholder of the Company 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
"Track Record Period"	the three financial years of the Company ended December 31, 2015 and the nine months ended September 30, 2016
"Trademark Licensing and Transfer Agreement"	has the meaning ascribed to it in "Connected Transactions — Fully-Exempt Continuing Connected Transactions — Trademark Licensing and Transfer Agreement"
"Two-Child Policy"	The current family planning policy of the PRC introduced in December 2015, under which each married couple is allowed to have up to two children
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Unicorn Best"	Unicorn Best Limited, a company incorporated in the BVI with limited liability on January 25, 2016 and wholly-owned by Ms. GAN Feng, an Independent Third Party at the time
"U.S." or "United States"	the United States of America
"U.S. dollars" or "US$"	U.S. dollars, the lawful currency of the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"Victor Gains"	Victor Gains Limited, a company incorporated in the BVI with limited liability on February 2, 2010 and wholly-owned by Ms. Liang, and one of our substantial shareholders
"Voting Agreement"	an agreement entered into between Mr. Zhou and Ms. Liang on February 18, 2016 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"	a wholly-foreign-owned enterprise in the PRC

"White Form eIPO service"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO service at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Zhonghe Qingrun"	Beijing Zhonghe Qingrun Investment Co., Limited (北京眾和清潤投資有限公司), an investment company incorporated in the PRC with limited liability on January 25, 2005, which is owned by Ms. Liang as to 51.0%, Mr. LIANG Yanmin as to 39.0%, Ms. GAN Feng as to 5.0% and Ms. GAN Hui as to 5.0%, respectively and is a connected person of the Company

In this prospectus, the terms "associate," "connected person," "connected transaction," "controlling shareholder," "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

The English translation of the PRC entities, enterprises, nationals, facilities, laws or regulations from Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, laws or regulations and their English translations, the Chinese names shall prevail.

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"allergic purpura"	an allergic reaction that invades the skin, small arteries and capillary vessels of other organs
"ALOS"	average length of stay, equal to the aggregated hospitalization days of all inpatient visits at a certain hospital during a specified period divided by the total number of inpatient visits during that period
"amniotic fluid embolism"	a rare but life-threatening childbirth emergency in which amniotic fluid, fetal cells, hair, or other debris enters the mother's blood stream via the placental bed of the uterus and triggers an allergy-like reaction
"anti-NMDA encephalitis"	a disease caused by antibodies produced by the body's own immune system attacking the N-methyl-D-aspartate (NMDA) receptors in the brain, characterized by mental disorder, epileptic attacks, sleep disorder and dyskinesia
"associate-chief physician"	the third professional rank for physicians (副主任醫生) in the PRC; an associate-chief physician may supervise attending and resident physicians, direct research work of a specific field, and typically handle complex medial cases
"attending physician"	the second professional rank for physicians (主治醫生) in the PRC; an attending physician may supervise resident physicians and typically undertake medical treatment, teaching, research and disease prevention work
"autonomic neuropathy"	a group of symptoms that occur when there is damage to the nerves that manage everyday body functions such as blood pressure, heart rate, sweating, bowel and bladder emptying, and digestion
"beds in operation"	the fixed sum of beds that are used for clinical service in a medical institution as of a specified date, including regular beds, fold-up beds, care beds, beds that are being sterilized and repaired and out-of-service beds due to expansion or overhaul
"bronchial pneumonia"	an infection of the respiratory system that affects the bronchial tubes with patches on one or both lungs and is common among children
"CAGR"	compound annual growth rate

"cerebral palsy"	a neurological disorder caused by a non-progressive brain injury or malformation that occurs while a child's brain is under development. It primarily affects body movement and muscle coordination
"chief physician"	the highest professional rank for physicians (主任醫生) in the PRC; a chief physician is generally in charge of a specific clinical department
"Class III Hospital"	the largest regional hospitals in the PRC designated as Class III hospitals by the NHFPC hospital classification system, typically with more than 500 beds as for a general hospital, providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
"combined immune dysfunction"	a group of diseases with clinical manifestation of both antibody immune deficiency and cellular immune deficiency
"CT"	computerized tomography, a type of scan that makes use of computer-processed combinations of many X-ray images taken from different angles to produce cross-sectional tomographic images of specific areas of a scanned object, allowing the user to see inside the object without cutting
"diabetic ketoacidosis"	a serious diabetic complication due to insufficient secretion of insulin, causing accumulation of ketone, which then leads to increased acidity in the blood
"diabetes in children"	diabetes in children is an endocrine metabolic disease caused by insufficient secretion of insulin, resulting in high blood glucose and urine glucose, with easy occurrence of ketoacidosis in children
"dilated cardiomyopathy"	a condition in which the heart becomes enlarged and cannot pump blood efficiently, which can affect the lungs, liver, and other parts of the body
"early myoclonic encephalopathy in infancy"	a hereditary epileptic syndrome that occurs in early infancy primarily featuring myoclonic seizures and partial seizures
"ECG"	electrocardiogram, a test that checks for problems with the electrical activity of heart
"EEG"	a graphic produced by an electrogastrograph, which records the electrical signals that travel through the stomach muscles and control the muscles' contractions

"endocardial elastic fibers hyperplasia"	a common type of heart dermatitis in infants
"endometriosis"	a condition resulting from the appearance of endometrial tissue outside the womb and causing pelvic pain, especially associated with menstruation
"eHealth"	healthcare practice supported by electronic processes and communications
"GFA"	gross floor area
"glycerol kinase deficiency"	a series of clinical symptoms caused by insufficient secretion or deficiency of adrenal cortical hormone due to various reasons
"GMP Certificate"	Certificate of Good Manufacturing Practices for Pharmaceutical Products (藥品GMP證書)
"GSP Certificate"	The Good Supply Practices for Pharmaceutical Products Certificate (《藥品經營質量管理規範認證證書》)
"gynecology"	a branch of medicine that deals with the diseases and routine physical care of the reproductive system of women
"hand, foot and mouth disease (HFMD)"	a common infectious disease among infants and children, characterized by fever, sores in the mouth and a rash with blisters on hands, feet and also buttocks
"healthcare service"	the service practice that provides inpatient or outpatient diagnosis, treatment and prevention of human disease, illness, injury or dysfunction through the medical procedures performed by professional practitioners in medicine, optometry, dentistry, nursing, pharmacy, and other fields
"heart failure"	a condition where the heart is unable to pump sufficiently to maintain blood flow to meet the body's needs
"Hemophilia B"	Hemophilia B is a hemorrhagic disease due to a group of hereditary coagulation disorders, of which hemophilia B was caused by a deficiency of blood coagulation factor IX
"infectious myocarditis"	inflammation of the heart muscle. Severe cases may involve cardiac shocks or an acute congestive heart failure
"inpatient visit"	a patient visit during which the patient receives lodging as well as treatment before the discharge

"LDR wards"	labor-delivery-recovery wards, a birthing room or suite so equipped that a patient can remain in the same room throughout the childbirth experience
"leukemia"	a type of cancer found in blood and bone marrow, which is caused by the rapid production of abnormal white blood cells. These abnormal white blood cells are not able to fight infection and impair the ability of the bone marrow to produce red blood cells and platelets
"malignant lymphoma"	a malignant tumor originated in the lymphatic hematopoietic system, characterized by enlargement of the lymph node, liver and spleen
"Medical Insurance Designated Medical Institution"	a medical institution designated by the relevant local medical insurance authority as one that is permitted to treat patients covered by public medical insurance programs
"methylmalonic acidemia"	an inherited disorder in which the body is unable to process certain proteins and fats (lipids) properly
"mHealth"	mobile health, namely, healthcare practice supported by mobile devices
"mid- to high-end obstetric and gynecologic healthcare market"	refers to the market the revenue of which consists of (i) the total revenue of obstetric and gynecologic healthcare providers that charge over RMB30,000 per delivery for all their obstetric deliveries, and (ii) revenue of all obstetric and gynecologic healthcare providers (except those included in (i) and those that charge less than RMB30,000 per delivery for all their obstetric deliveries) generated from (a) outpatient services with a registration fee of over RMB200 per visit, (b) obstetric inpatient services that charge over RMB30,000 for each obstetric delivery and (c) gynecologic inpatient services with basic charges of over RMB1,000 per bed each day. Other expressions containing "mid- to high-end" related to the obstetric and gynecologic healthcare market or any component thereof shall be construed accordingly

"mid- to high-end pediatric healthcare market"	refers to the market the revenue of which consists of (i) the total revenue of pediatric healthcare providers that charge a registration fee of over RMB200 per visit for all their outpatient visits, and (ii) revenue of all pediatric healthcare providers (except those included in (i) and those that charge a registration fee of less than RMB200 per visit for all their outpatient visits) generated from (a) outpatient services with a registration fee of over RMB200 per visit and (b) inpatient services with basic charges of over RMB600 per bed each day. Other expressions containing "mid- to high-end" related to the pediatric healthcare market or any component thereof shall be construed accordingly
"MRI"	magnetic resonance imaging, a type of scan that uses strong magnetic fields and radio waves to produce detailed images of the inside of the body
"NICU"	neonatal intensive-care unit, an intensive-care unit specializing in the care of ill or premature newborn infants
"obstetrics"	a branch of medicine that deals with the care of women during pregnancy, childbirth, and the recuperative period following delivery
"outpatient visit"	a patient visit during which the patient is not hospitalized overnight but visits a hospital, clinic, or associated facility for diagnosis or treatment
"patient visit"	collectively, inpatient visits and outpatient visits
"pediatrics"	a branch of medicine that deals with the medical care of persons under the age of 18
"percentage ratios"	the percentage ratios as defined in Rule 14.07 of the Listing Rules
"placenta previa"	an obstetric complication in which the placenta is inserted partially or wholly in the lower uterine segment
"placental abruption"	an obstetric complication wherein the placental lining has separated from the uterus of the mother prior to delivery. It is the most common pathological cause of late pregnancy bleeding
"postpartum hemorrhage"	the loss of more than 500 milliliters or, in the case of cesarean section, 1,000 milliliters of blood within the first 24 hours following childbirth. It is a leading cause of maternal mortality

"pre-eclampsia"	an obstetric complication characterized by high blood pressure and signs of damage to another organ system, often the kidneys. Pre-eclampsia usually begins after 20 weeks of pregnancy in a woman whose blood pressure had been normal
"premature birth"	a birth that occurs before the start of the 37th week of pregnancy
"primary healthcare institutions"	medical institutions for the local residents in the communities, including community health centers and stations in urban areas, village and township healthcare center in rural areas, and other clinics and infirmaries
"refractory epilepsy"	epilepsy that relapses regularly despite anti-epileptic medication of over one year and effective blood concentration level
"refractory Kawasaki disease"	an acute disease with fever and rash. Also known as Muco Cutaneous Lymph-node Syndrome (MCLS)
"registered beds"	the number of beds that are registered in a medical institution's practicing license
"resident physician"	the entry professional rank for physicians (住院醫生) in the PRC; a resident physician must have a medical degree and may undertake basic tasks such as patient's medical record preparation and practice medicine under the supervision of attending physicians or other superiors
"respiratory failure"	inadequate gas exchange by the respiratory system, resulting in abnormal levels of arterial oxygen or carbon dioxide (or both)
"rhabdomyolysis"	a syndrome caused by injury to skeletal muscles, resulting in leakage of large quantities of substance harmful to the kidneys into the blood
"severe mycoplasma pneumonia"	pneumonia caused by mycoplasma infection, severe cases will involve a combined large area of real pulmonary changes, atelectasis, pleural effusion and combined respiratory failure
"sq.m."	square meter
"subacute necrotizing lymphadenitis"	a type of reactive lymphoid hyperplasia that results in non-tumor enlargement of the lymph node
"Takayasu arteritis"	a rare, systemic inflammation of the large vessels that most commonly affects women of childbearing age

"TCM"	Traditional Chinese Medicine, a broad range of medicine practices sharing common concepts which have been developed in the PRC and are based on a tradition of more than 2,000 years
"toxic epidermal necrolysis"	a life threatening skin disease characterized by epidermal shedding over a large surface area
"ulcerative colitis"	an inflammatory bowel disease that causes long-lasting inflammation and ulcers (sores) in the digestive tract
"uterine fibroids"	benign smooth muscle tumors of the uterus
"vacuum aspiration"	the use of aspiration to remove uterine contents through the cervix, often used as a method of induced abortion
"vertical birth"	delivery with the expectant's mother's upper torso in an upright position
"very-low-birth-weight (VLBW)"	a birth weight of a liveborn infant of less than 1,500 grams
"viral encephalitis"	an inflammation of the brain caused by a virus, which may lead to permanent brain damage. Children aged one year or less and adults aged 55 years and over are at increased risk of life-threatening complications resulting therefrom
"Wolff-Parkinson-White (WPW) syndrome"	a heart rhythm problem that causes a very fast heart rate

This prospectus contains forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management and information currently available to our management. The forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic, political and business conditions of the PRC;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control or reduce costs;
- our dividend policy;
- our operations and capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in the section headed "Financial Information" in this prospectus with respect to pricing, customer visits, operations, margins, overall market trends, risk management and exchange rates.

The words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and the negative of these words and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including those discussed in the section headed "Risk Factors" in this prospectus. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those described herein as anticipated, believed or expected, as well as from historical results. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. You should pay particular attention to the fact that all of our business is located in the PRC and we are governed by a legal and regulatory environment which may differ in some respects from that which prevails in other countries. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The trading price of our Shares could also decrease significantly due to any of these risks and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We conduct our business in a heavily regulated industry.

The operations of our medical institutions in Beijing are subject to various laws, rules and regulations at the national and local levels, such as those governing the licensing and operation of medical institutions and medical professionals, worker safety, labor regulations, social security and housing funds, environment protection, the use and safety management of pharmaceuticals and medical devices and the quality of medical services.

If we fail to obtain or maintain any license or permit required for our operations, or are found to be non-compliant with any applicable law or regulation, we may face penalties, suspension of operations or even revocation of operating licenses, depending on the nature and severity of the non-compliance, any of which could materially and adversely affect our business, financial condition and results of operations. For example, in August 2016, Chaoyang Healthcare Administration Authority notified BNC Women's and Children's Hospital that certain of its operations were performed outside the scope of its permit. See "Business — Legal Proceedings and Compliance — Non-Compliance Incidents" for details. In addition, our medical institutions and physicians are subject to periodic license or permit renewal requirements and inspections by various government agencies and departments at the national and local levels. See "Business — Licenses, Permits and Certificates" for details. If we fail to maintain or renew any major license, permit or certificate for all or any of our medical institutions, or if our medical professionals become unlicensed at any time during their practices at our medical institutions, our operations at these medical institutions could be interrupted or suspended, and we may face penalties, in which case our business, financial condition and results of operations may be materially and adversely affected.

Any adverse change in the PRC regulatory regime for the healthcare industry, particularly changes in healthcare reform policies, could have a material adverse effect on our business.

Our growth relies to a significant extent on the continued development of the PRC healthcare industry, in particular the healthcare reform. For details of healthcare reform measures in the PRC, see "Regulations — Laws and Regulations related to the Healthcare Service Sector in the PRC — Regulations on the Reform of Healthcare Institutions."

Government policies in the PRC may change significantly in the future, depending on the objectives prioritized by the PRC government, as well as the political climate at any given time and the continued development of the PRC healthcare industry. Any future change in the relevant government policies may affect public hospital reform and limit private or foreign investments in healthcare services. Such future changes or reforms, if adopted and implemented, may limit the services we are able or intend to provide and the sources of our revenue, increase the cost of our services, restrict our ability to pursue potential acquisitions and expansions, intensify the competition, or otherwise negatively affect us disproportionately compared to our competitors and may therefore adversely affect our operations and business prospects. For example, the Foreign Investment Catalogue was amended in 2015 to, among other things, limit foreign investments in medical institutions to the form of Sino-foreign equity joint venture or cooperative joint venture. As a result, we, as a foreign company, are not allowed to own 100% of the equity interest in any medical institution in the PRC and, consequently, may face difficulties in expanding our business through organic growth or acquisitions. If foreign investments in medical institutions are further restricted or even prohibited, we may be forced to sell or restructure our businesses, in which case our business, financial condition and results of operations may be materially and adversely affected. Furthermore, although we, as a private for-profit hospital group with no participation in public medical insurance programs, are currently entitled to set the fees charged for our medical services and the prices most of our pharmaceuticals and medical consumables at our discretion, we cannot assure you that we will not be subject to government regulation on our pricing in the future.

In addition, the interpretation, implementation and enforcement of government policies and regulations may vary among different regulators. We cannot ensure that our business, financial conditions and results of operations will not be materially and adversely affected by such differences in interpreting, implementing and enforcing government policies or regulations.

If we fail to maintain our cooperation relationships with third parties, our business and reputation may suffer.

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

In particular, we have cooperated with BCH to establish our BNC Children's Hospital, under which we own 65.0% and BCH owns 35.0% of the equity interest in BNC Children's Hospital and the parties have agreed to, among others, second certain medical professionals of BCH to BNC Children's Hospital and provide BNC Children's Hospital with certain office space for its business operation. Our BNC Children's Hospital also shares certain waste water and sewage facilities with BCH. In addition, our BNC Women's and Children's Hospital and BOGH have similar cooperation arrangements except that the arrangements do not include any equity investment by our cooperation partner. Such arrangements are not exclusive but give us access to critical resources at these hospitals, such as seasoned physicians and advanced facilities. For details regarding these arrangements, see "Business — Our PPP Arrangements with Public Hospitals".

There is no assurance that we can continue our cooperation arrangements with third parties when they expire. For example, our PPP arrangements with BCH and BOGH will expire on December 12, 2022 and March 1, 2017, respectively. If we fail to maintain cooperation arrangements with these third parties or if these parties fail to fulfill their obligations under the cooperation agreements, or if they form relationships with our competitors, our business, reputation, financial condition and results of operations may be adversely affected.

Our operations face competition that could adversely affect our results of operations.

The healthcare industry and, in particular, the pediatric and obstetric and gynecologic healthcare markets, are highly competitive in the PRC. We face competition from a large number of public hospitals, private hospitals and community health clinics located in the same geographic areas in which our medical institutions operate. Some of these medical institutions are general hospitals whose services also include pediatrics and obstetrics and gynecology, and some are specialty hospitals or clinics that focus on providing healthcare services to children and women like we do. Some of these public hospitals retain a larger base of seasoned pediatric and obstetric and gynecologic physicians and possess more medical resources than we do. Certain public hospitals in the PRC receive government grants and endowment or operate on a tax preference basis which private hospitals do not enjoy. Certain private hospitals operate a much larger medical institution network and have more financial resources than we do. We may not be able to compete favorably with those public and private hospitals in terms of the foregoing aspects in the near future or at all. The mid- to high-end pediatric medical service market in Beijing is expected to grow at CAGR of 23.7% between 2015 and 2020 according to Frost & Sullivan, and if we are not able to keep our future growth on pace with the expansion of that market, we might lose market share. We may also compete with future new market entrants. For example, certain leading technology companies and pharmaceutical companies are actively investing in emerging mHealth or eHealth businesses through online platforms. According to relevant PRC laws, rules and regulations, non-medical institutions, including mHealth or eHealth business providers, are currently not allowed to provide online medical diagnosis and treatment without Medical Institution Practicing License. We cannot assure you that we will compete favorably with these new market entrants. Our competitors may offer greater convenience, broader services, newer or better facilities, more medical professionals, or cheaper prices, or have strong reputation. If we are unable to compete with them effectively in these areas and manage to attract and retain customers, our customer volume and market share could decrease significantly and our business, financial condition and results of operations may be materially and adversely affected.

If we fail to manage our growth or implement our growth strategies through organic growth or acquisitions effectively, our business, financial condition and results of operations may suffer.

We have expanded our business during the Track Record Period. We increased from one hospital and one clinic, with 105 registered beds, as of December 31, 2013 to two hospitals and one clinic, with 207 registered beds, as of September 30, 2016. We have also experienced revenue growth in the nine months ended September 30, 2016. While we expect our business to continue to grow, we may not be able to maintain such growth rates in future periods. Revenue growth may slow or revenue may decline for a number of reasons, including any inability to attract and retain our customers, decreasing customer spending, increasing competition, a slowdown in the growth of the overall healthcare market, the emergence of alternative business models, and changes in government policies or general economic conditions. BNC Women and Children's Hospital has been ramping up since its establishment in 2012 and was in its preliminary development stage during the Track Record Period. If it fails to achieve operation and profit targets, it will adversely impact our consolidated financial performance.

We plan to achieve our business growth by implementing a series of strategies. For details of these strategies, see "Business — Our Strategies." The success of our growth strategies depends on many factors, including, among others, our ability to:

- maintain or grow our patient visits and average spending per patient visit;
- contain our employee benefits expenses;
- properly manage our existing medical institutions and improve their financial and operational performance;
- provide consistent, high-quality healthcare services;
- recruit, train and retain a sufficient workforce of seasoned physicians and other medical personnel, as well as maintain a reliable pipeline of future recruits, to meet our growth demands;
- negotiate acceptable lease agreements and renew them on commercially acceptable terms;
- maintain stable relationships with our suppliers;
- accurately identify suitable geographic markets for the type of services we offer, including evaluating the target markets' ability to support such expansion with respect to their population densities and income levels;
- identify suitable targets for acquisition and negotiate commercially acceptable terms;
- secure sufficient and timely financing on commercially acceptable terms and maintain sufficient capital to invest in healthcare facilities; and
- successfully integrate new healthcare facilities into our existing control structure and operations, including with respect to implementation of our standardized operating protocols, in order to provide consistently high levels of services throughout our network.

There is no assurance that our growth strategies will be successful. To manage and support our growth, we must improve our existing operational and administrative systems, as well as our financial and management controls. If we fail to expand at a pace as we plan, we may face capacity constraint in the future which may adversely affect our business and financial condition. Our continued success also depends on our ability to recruit, retain and train additional medical professionals and qualified hospital administrators, particularly when we open new medical institutions, offer new services or expand into new markets. We also need to continue to properly maintain our relationships with our suppliers and customers. All of these endeavors will require substantial management attention and efforts and significant additional expenditures. There is no guarantee that we will attract sufficient medical professionals and qualified hospital administrators and we will properly maintain our relationship with our suppliers and customers.

In addition, any successful expansion plan through acquisition requires, among others, a significant amount of acquisition planning, execution experience, sufficient and timely financing and the ability to address any PRC regulatory issue. We cannot assure you that we will be able to fully address each of the foregoing factors in any transaction, and the absence of any such factor may adversely affect our growth prospects. Nor can we guarantee that we will be able to successfully integrate the medical institutions we acquire in due course or at all, and we may incur costs in excess of what we anticipate. The profit, if any, of our newly acquired medical institutions may not be sufficient, or at all, to justify the acquisition costs and our expected future results of operations and any expected synergies among our enlarged medical network may not be achieved.

We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material and adverse effect on our business, financial condition and results of operations.

As we focus on providing mid- to high-end healthcare services, our business, financial condition and results of operations are subject to developments in medical treatments, customer preference and spending power, consumer demand and sentiment and general economic conditions in our respective markets.

We focus on providing mid- to high-end healthcare services to our customers at higher prices compared with most public hospitals and some private hospitals and clinics that provide similar services in our respective markets. We mainly target customers who are willing to pay a premium for high-quality medical treatment and healthcare services. However, with the introduction of new high-quality medical treatment which we currently do not offer, we may lose customers who are interested in such new treatment. In addition, our business may also be materially and adversely affected if any economic downturn were to result in customers cutting back on spending on mid- to high-end healthcare services and becoming less willing to pay for premium services. We are more susceptible to changes in customer preference and spending power, consumer demand and sentiment and general economic conditions in our respective markets than some of our competitors who provide similar services at lower prices. The demand for our healthcare services may reduce due to competition, industry or market changes, distrust to the domestic medical services and other factors. For example, in the first half of 2016, China Shandong illegal vaccine scandal was disclosed and 24 inland provinces were involved. This led to people’s distrust to domestic vaccines, which resulted in a decreased demand for domestic vaccine and an increased demand for imported vaccine. Any similar medical scandal would undermine the confidence of consumers, those with a higher income in particular, in the quality of domestic medical services, which may in turn result in declined demand from such consumers for premium domestic medical services. Customers may also choose not to undertake some of our treatments, procedures or services that are not considered medically necessary such as postpartum recovery services, doula services and nursing services. As a result, any adverse change in customer preference, consumer spending power and economic conditions in one or more of our respective markets may materially and adversely affect our business, financial condition and results of operations.

Our business depends significantly on our reputation. Failure to develop, maintain and enhance our reputation, or any negative publicity and allegations in the media against us and our industry, may materially and adversely affect our reputation, our business, financial condition and results of operations.

Our reputation is critical to our success in the rapidly expanding pediatric and obstetric and gynecologic healthcare markets in the PRC. We believe that we are increasingly recognized among health-conscious consumers for the service quality, accessibility and comfortable environment of our medical institutions.

Many factors, some of which are beyond our control, are important for maintaining and enhancing our reputation and may negatively affect our reputation if not properly managed, such as:

- our ability to effectively manage the quality of our services and facilities, and to monitor the performance of our physicians and other medical professionals;

- our ability to provide a comfortable, convenient and reliable customer experience;

- our ability to effectively manage the quality of other medical institutions branded under the name of "New Century Healthcare" (新世紀醫療) to which we provide hospital consulting services;

- our ability to effectively manage the quality of outsourced examination and laboratory test services;

- our ability to increase our brand awareness among existing and potential customers through various means of marketing and promotional activities; and

- our ability to adopt new technologies or adapt our systems to user requirements or emerging industry standards.

In particular, according to the management consulting services agreement entered into with Jiahua Likang, we have licensed the Likang Hospitals the right to use the "New Century Healthcare (新世紀醫療)" brand in medical certification, brand name and promotional materials. We require the Likang Hospitals to operate in accordance with the operational standards as required by us as well as the applicable national and regional medical services standards and to accept regular inspection and supervision from us on brand licensing matters. However, as we do not control the Likang Hospital, we cannot assure you that we will always be able to effectively manage the actual use of our brand name and the maintenance of our brand image by these hospitals so that our brand image will not be undermined due to the sharing of our brand. In addition, Jiahua Likang agreed to indemnify us against any losses arising from the improper use of our brand by the Likang Hospitals. However, there is no assurance that the indemnity would fully and timely cover all our losses resulting from such improper use. See “Connected Transactions — Non-Exempt Continuing Connected Transaction — Management Consulting Services Agreement” for details.

Our reputation could also be harmed if our services or facilities fail to meet the expectation of our customers, if we fail to maintain our established standards or if we become the subject of any negative media coverage with respect to patient-physician disputes. Our promotion efforts may be costly and may fail to effectively enhance our reputation or generate additional sales. Our failure, if any, to develop, maintain and enhance our reputation may result in decreased revenue and loss of customers, and in turn adversely affect our business, financial condition and results of operations.

We may also face challenges from competitors seeking to benefit from damaging our reputation. In addition, any negative publicity in relation to our services, our facilities, our peers or our industry, regardless of its merits, could seriously harm our public image and reputation which in turn may result in a loss of customers and affiliated physicians and have a material adverse effect on our business, financial condition and results of operations. For example, there were news articles reporting that in 2014, a famous search engine website rejected advertising requests from more than 7,800 hospitals affiliated with the Putian (China) Health Industry Chamber of Commerce for allegedly false healthcare information in the advertisements. More recently, there was negative news coverage in May 2016 on the fatality allegedly caused by a victim’s believing in and receiving certain medical treatment contained in the advertisements on such website. Any negative publicity on false medical advertisement or any fatality or accident caused by or associated with false advertisement may harm the perception of the general public on the healthcare industry, including us, and our business in general.

Any significant decrease in our profitability in the future would have a material adverse effect on our ability to recover our deferred income tax assets, which could have a material adverse effect on our results of operations.

We had deferred income tax assets of RMB32.9 million as of September 30, 2016. We recognize deferred income tax assets to the extent that our management estimates that it is probable that we will generate sufficient taxable profit in the foreseeable future to offset against the deductible losses. Therefore, the recognition of deferred tax assets involves significant judgment and estimates of our management on the timing and level of future taxable profits. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed, and the carrying amount of deferred income tax assets may be reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized. Accordingly, if our profitability in the future is significantly lower than our management’s estimates when our deferred income tax assets were recognized, our ability to recover such deferred income tax assets would be materially and adversely affected, which could have a material adverse effect on our results of operations.

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

Our success in operating our medical institutions is largely dependent upon our ability to attract, train and retain a sufficient number of qualified physicians. The recruitment of qualified physicians, particularly pediatric and obstetric and gynecologic specialists, is competitive in the PRC due to their shortage. The near-term supply of specialist physicians is limited due to the length of training required, including academic study and clinical training, which can take up to eight years or even longer for certain medical specialties. We believe that physicians generally consider the following key factors when selecting medical institutions to work at: the reputation and culture, the efficiency of hospital management, the quality of facilities and supporting staff, the number of patient visits, compensation, training programs and location. Our medical institutions may not compete favorably with our competitors in respect of one or more of these factors and, we may not be able to attract or retain the physicians we desire. Our physicians typically are entitled to terminate their employment or affiliation with our medical institutions at any time with a 30 days' prior written notice. In addition, our multi-site practice physicians practice at our medical institutions pursuant to the liberated physician registration regulation that allows licensed physicians to register and practice at multiple medical institutions (多點執業). If the PRC government imposes restrictions on such practice in the future, we may not be able to retain our current base of multi-site practice physicians. If we are unable to successfully attract, train or retain seasoned and qualified physicians, our business, financial condition and results of operations may be materially and adversely affected.

Our success is also dependent on our ability to recruit and retain qualified hospital administrators and other medical personnel, such as nurses, radiographers and pharmacists, and on our ability to train and manage such medical personnel. It has become increasingly costly to recruit and retain medical personnel in recent years and there is no guarantee that we will be able to recruit and retain sufficient medical personnel in the future. If we fail to do so, we may not be able to maintain the quality of our services, and the number of patient visits at our medical institutions may decrease significantly, which may materially and adversely affect our business, financial condition and results of operations.

In 2013, 2014, 2015 and the nine months ended September 30, 2016, our employee expenses of cost of revenue were RMB34.3 million, RMB48.2 million, RMB60.7 million and RMB98.5 million, representing 38.6%, 45.9%, 51.6% and 55.8% of our cost of revenue, respectively. If such costs increase significantly in the future, it may adversely affect our profitability.

We depend on the continued service of our management team and other key employees, and our business, financial condition and results of operations will suffer greatly if we lose their services.

Our future success depends on the continued service of our management team and other key employees. In particular, we rely on the expertise, experience and leadership ability of Mr. Zhou, our Chief Executive Officer and founder. We also rely on a number of key management team members, such as Ms. XIN Hong, our Chief Operating Officer, Mr. XU Han, our Chief Financial Officer, Dr. ZHOU Hong, our Chief Medical Officer, for the development and operation of our business.

If we lose the services of one or more of our key personnel, we may not be able to replace them easily or at all and may incur additional expenses to recruit and train new personnel. Consequently, our business could be severely disrupted, and our financial condition and results of operations could be materially and adversely affected. We do not maintain key person insurance for any of our key personnel. In addition, if any of our executive officers or key employees joins a competitor or forms a competing business, we may lose know-how, trade secrets, customers and key professionals and staff. Each of our employees has entered into a confidentiality agreement containing non-competition provisions with us. Although non-competition provisions are generally enforceable under the PRC laws, rules and regulations, the PRC legal practice regarding the enforceability of such provisions is not as well-developed as in other countries such as the United States. Thus, if we need to enforce our rights under the non-competition provisions, we cannot assure you that a PRC court would enforce such provisions in our favor.

Opening new medical institutions could result in fluctuations in our short-term financial performance and our new healthcare facilities may not achieve timely profitability as anticipated, or at all.

Our operating results have been, and in the future may continue to be, affected by the timing of the opening of new medical institutions. A new medical institution generally has lower income and higher operating costs during the initial stages of its operation. We may also incur substantial expenses before opening a new medical institution such as renovation costs, rental expenses and equipment costs. For example, the gross profit margin of our BNC Women's and Children's Hospital, which we acquired on November 30, 2015, was lower than that of our BNC Children's Hospital in 2015 and the nine months ended September 30, 2016, mainly because of the relatively lower profitability of obstetric and gynecologic services compared to pediatric services and the preliminary development stage of BNC Women's and Children's Hospital which has been ramping up since its establishment in 2012. See "Financial Information — Principal Components of the Consolidated Statements of Comprehensive Income — Gross Profit and Gross Profit Margin." For example, BNC Women's and Children's Hospital recorded net losses of RMB38.7 million and RMB17.2 million in 2013 and 2014, respectively, and its net profit of RMB11.4 million in the period from January 1, 2015 to November 30, 2015 was primarily due to deferred tax assets of RMB36.0 million recognized in respect of its accumulated losses. Accordingly, the number and timing of new medical institution openings have, and may continue to have, a significant impact on our profitability. As a result, our results of operations may fluctuate significantly from year to year due to any new medical institution we establish or acquire in any given years and any comparison of different periods during some of which we establish or acquire new medical institution may not be meaningful.

Our ramp-up schedule may also be affected for regulatory reasons as we are generally required to undergo certain regulatory review and approval processes, including health authorities and foreign investment administration authorities. We cannot assure you that we will be able to obtain all required approvals, permits or licenses for establishing and operating healthcare facilities in a timely manner or at all. See "— Risks Related to Our Business and Industry — We conduct our business in a heavily regulated industry."

The results of operations of new medical institutions may not be comparable to those generated at any of our existing medical institutions, and may even operate at a loss. We cannot assure you that our future medical institutions will achieve the same level of profitability of our existing medical institutions, if at all.

A portion of our revenue was settled through commercial medical insurance institutions, and our financial condition, operation results and business may be materially and adversely affected if we fail to maintain our cooperation with them or there is any default or delayed settlement by these commercial medical insurance institutions.

A portion of our customers have commercial health insurance cover, and we also have various cooperation arrangements with such commercial medical insurance institutions on direct billing settlement and packaged services for insured customers. During the Track Record Period, a significant portion of our sales was settled through commercial medical insurance institutions. We may not be able to maintain or increase customer volume covered by commercial medical insurance and to renew cooperation arrangements with the existing commercial medical insurance institutions in the future, which may materially and adversely affect our revenue and cash flows. Any default or delayed settlement by these commercial medical insurance institutions may also materially and adversely affect our financial condition, operation results and business.

We and our medical institutions have been and could become the subject of litigation and claims, and we may not be adequately insured against these liabilities.

We rely on the physicians and other medical professionals of our medical institutions to make proper clinical decisions regarding the diagnosis and treatment of the patients. However, we do not have full and direct control over every step of clinical activities undertaken at each of our medical institutions. Any incorrect clinical decision or malpractice on the part of physicians or other medical professionals, or any failure by our medical institutions to properly manage their clinical activities may result in unsatisfactory treatment outcomes, patient injury or even death, which could lead to disputes with our customers and/or their families. We may be subject to heightened risks of medical disputes as some of the complex medical conditions we handle, such as amniotic fluid embolism which has a high mortality rate and/or has no guaranteed positive outcomes even with the best medical efforts. In our experience, moreover, families of pediatric and obstetric customers tend to be more demanding on the medical services received and more sensitive to any negative outcomes. Any dispute with our customers and/or their families, regardless of its merit or eventual outcome, could result in significant legal costs and reputational damage to us and materially and adversely affect our business, financial condition and results of operations. In 2013, 2014 and 2015 and the nine months ended September 30, 2016, we had nil, 2, 2 and 2 medical disputes which were settled and individually resulted in settlement and other types of monetary compensation exceeding RMB10,000 to our patients and/or their families. In the same periods, the total amount of settlement and other types of monetary compensation paid to our patients and/or their families by us was approximately RMB27,000, RMB106,000, RMB51,000 and RMB83,000, each representing less than 0.1% of our total revenue in the relevant period. As of the Latest Practicable Date, there were three material unresolved medical disputes. See "Business — Legal Proceedings and Compliance — Legal Proceedings — Unresolved medical disputes."

We maintain medical liability insurance to cover the operations of our medical institutions. However, our medical and other liabilities may not be fully covered by the insurance. Any significant uninsured loss could have material and adverse effects on our financial condition and results of operations. In addition, as our business expands, the costs for us to maintain an adequate level of insurance may become increasingly high. We cannot ensure that we will be able to locate appropriate insurance to cover our expanding business in time, on commercially reasonable terms or at all.

We may be required to pay for our use of BNC Children's Hospital's premises if the relevant competent governmental authority requires a valuation to be conducted with respect to BNC Children's Hospital's usage of its premises and a shortfall is ascertained.

The premises of our BNC Children's Hospital are owned by BCH. BNC Children's Hospital used and will continue to use such premises pursuant to our cooperation agreement with BCH. As part of the cooperation arrangement between BCH and the Group, both parties contributed different resources to BNC Children's Hospital in addition to their capital contributions. BCH agreed to provide the premises for BNC Children's Hospital's use for business operations and the Group agreed to introduce advanced hospital management skills and provide the core management team to operate BNC Children's Hospital, without extra payments to each other. The cooperation agreement was approved by Beijing MOH when BNC Children's Hospital was established. BCH is of the view that it has complied with all regulatory procedural requirements with respect to the cooperation agreement. However, our PRC legal adviser is of the view that, pursuant to MOH's Certain Opinions Regarding Improvement of the Economic Management of Healthcare Public Entities (衛生部關於加強衛生事業單位經濟管理的若干意見) issued in 1999 and certain other regulations, BCH, as a public healthcare entity (衛生事業單位), is required to fulfill certain procedural requirements, mainly (1) conducting a valuation of the premises with respect to the usage by BNC Children's Hospital of its premises as part of the cooperation agreement and (2) submitting the valuation report together with certain other documents to the relevant competent governmental authority for approval. As of the Latest Practicable Date, such procedural requirements had not been fulfilled. See "Business — Properties" for details.

As advised by our PRC legal adviser, if the competent governmental authority requires BCH to fulfill these procedural requirements, BNC Children's Hospital, as the actual user of the premises, might be required to pay for its use of the premises if the competent governmental authority determines that the estimated fair value of the premises contributed by BCH was higher than the estimated fair value of the hospital management skills and management team provided by the Group as part of the cooperation arrangement, without taking into account the impact resulting from their equity interest ratio, if any (such difference being the "**Shortfall**"). The payment of the Shortfall, if significant, could have a material adverse effect on our cash position, results of operations and financial condition. In addition, although in order to mitigate our risk of paying for our use of BNC Children's Hospital's premises, our Controlling Shareholders have entered into a deed of indemnity in our favor, there is no assurance that the indemnity would fully and timely cover all our additional expenses as a result of such Shortfall payment. See "Business — Properties" for the indemnity.

The price of pharmaceuticals, medical consumables and medical devices, which is affected by many factors beyond our control, could adversely affect our margins and results of operations.

Our profitability is susceptible to fluctuations in the costs of pharmaceuticals, medical consumables and medical devices. In 2013, 2014, 2015 and the nine months ended September 30, 2015 and 2016, pharmaceuticals and medical consumables costs accounted for 23.3%, 23.4%, 20.1%, 18.5% and 17.6% of our cost of revenue, respectively. The availability and price of pharmaceuticals and medical consumables are affected by various factors which are beyond our control, including supply, demand, and general economic conditions. We may not predict and properly react to changes in medical supply costs by changing services offerings or adjusting service fees in the future, or we may be unable to pass these cost increases onto our customers, which could materially and adversely affect our margins and results of operations.

Our business is subject to seasonality.

Our medical institutions, in line with the healthcare service industry in the PRC, typically have fewer patient visits in the Chinese New Year holiday, during which most people usually avoid paying visits to hospitals, and typically have more outpatient visits during the period between October and February because children are especially susceptible to respiratory diseases in cold weather. We generally perform more general pediatric surgeries when children are on summer holidays. In certain years that are considered more auspicious according to the Chinese zodiac, there may also be more obstetric patients and deliveries of babies compared to other years. As such, our operating results have fluctuated and are expected to continue to vary from period to period and may not reflect our annual financial results.

We recorded net current liabilities and total deficits during the Track Record Period and we cannot assure you that we will not have net current liabilities and/or a total deficit in the future.

We had net current liabilities of RMB39.4 million as of December 31, 2015, primarily because of the significant increase in accrued employee benefits mainly as a result of those of BNC Women's and Children's Hospital we acquired in November 2015. See "Financial Information — Liquidity and Capital Resources — Working capital sufficiency." There can be no assurance that our business will generate sufficient cash flows from operations in the future. If we are unable to do so, we may face a deficiency of working capital and may not be able to finance our business operation and growth. Any of these events could have a material adverse impact on our business and results of operations.

We issued convertible preferred shares comprising Group A Shares and Group B Shares in the past. On August 29, 2016, all of the outstanding Group A Shares were converted into Shares. All Group B Shares will be automatically converted into Shares immediately prior to the closing of a Qualified IPO. Details of the terms of Group B Shares are set out in the section headed "History, Reorganization and Development — The Pre-IPO Investments" in this prospectus. The convertible preferred shares are initially and subsequently measured at fair value. Subsequent to initial recognition, the convertible preferred shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive income in the year in which they arise. As of December 31, 2015, we had a total deficit of RMB43.5 million before the equity attributable to non-controlling interests of RMB11.1 million. As of June 30, 2016, we had a total deficit of RMB323.4 million before the equity attributable to non-controlling interests of RMB33.6 million. Such deficits were primarily attributable to the Group A Shares which had been converted into Shares on 29 August 2016 and the Group B Shares which will be converted by the time of the Listing. As of September 30, 2016, we had a total equity of RMB27.3 million before the equity attributable to non-controlling interests of RMB41.0 million. There can be no assurance that we will not have total deficit in the future.

We have recognized goodwill in connection with an acquisition and may recognize goodwill in connection with acquisitions in the future. If we determine that our goodwill has become impaired, it could adversely affect our results of operations and financial position.

We recorded goodwill of RMB97.7 million as a result of our acquisition of BNC Women's and Children's Hospital in November 2015. The goodwill was primarily allocated to our pediatrics business and to a lesser extent our obstetrics and gynecology business. This goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquired entities and the fair value of any previous equity interest in the acquired entities as of the acquisition date over the fair value of the net identifiable assets we acquired.

We do not amortize goodwill, but we conduct impairment reviews at least annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, we allocate goodwill acquired in a business acquisition to each of the operating segments that we expect to benefit from the synergies of the acquisition. We compare the carrying value of the operating segments containing the goodwill to the recoverable amount, which is the higher of the operating segments' value-in-use and fair value less costs of disposal. We did not recognize any impairment losses in respect of goodwill during the Track Record Period. For further information on goodwill impairment review and the goodwill recorded by the Group during the Track Record Period, see Notes 2.6, 4(a) and 7 to our consolidated financial statements included in Appendix I — "Accountant's Report" to this prospectus.

In evaluating the potential for impairment of goodwill, we make assumptions regarding future operating performance, business trends, and market and economic conditions. This analysis further requires us to make assumptions about compounded revenue growth rates, cost and operating expense as a percentage of revenue, long-term growth rates and pre-tax discount rates. There are inherent uncertainties relating to these factors and our management's judgment in applying these factors to the assessment of goodwill recoverability. There was sufficient headroom with no impairment required for 2015 or the nine months ended September 30, 2016, if the compounded revenue growth rate had been 3% lower, if the costs and operating expenses as a percentage of revenue had been 3% higher, or if the pre-tax discount rate had been 1% higher. However, we cannot assure you that we will not experience a compounded growth rate lower than or operating expenses as a percentage of revenue higher than the ranges adopted in our sensitivity analysis. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators, including disruptions to the operations of our medical institutions, unexpected significant declines in our operating results, any divestiture of a significant component of our business or a decline in our market capitalization, any of which could be caused by our failure to successfully operate our medical institutions. Our estimates of the projected cash flows from the relevant operating segments may be susceptible to downward revision as a result of factors adversely affecting our business, or under circumstances where we fail to sustain the growth we have estimated. If we were required to recognize impairment charges, they could substantially affect our reported earnings in the periods when recognized. In addition, impairment charges could negatively affect our financial ratios, limit our ability to obtain financing and adversely affect our financial position.

We have limited control over the quality of the pharmaceuticals, medical equipment, medical consumables and other supplies we use in our operations, and cannot guarantee that none of the products we use are counterfeit.

We utilize a variety of pharmaceuticals, medical equipment, consumables and other supplies in our operations, all of which are procured from third-party suppliers. As we do not engage in the direct manufacture of such supplies, we cannot assure you that such supplies are free of defects and meet relevant quality standards or, in the case of imported supplies, verify the origin of such products. In addition, there are counterfeit pharmaceutical products manufactured without proper licenses or approvals or fraudulently mislabeled with respect to their content or manufacturer, or both, in the PRC pharmaceutical market. In some cases these products are very similar in appearance to the authentic products. Our quality control checks and processes may not be able to identify all counterfeit pharmaceutical products in our inventory. Any sale of such products by us, regardless of our knowledge as to their authenticity, may subject us to administrative sanctions, civil claims, negative publicity or reputational damage. We cannot assure you that we will be able to successfully claim full indemnity from such manufacturers of counterfeit pharmaceutical products.

We also cannot assure you that we will not encounter incidents relating to defective products used by us, or that such incidents will not materially and adversely affect us. If the products provided by our suppliers are defective, of poor quality or are otherwise unsafe or ineffective, we could be subject to liability claims, complaints or adverse publicity, any of which would materially and adversely affect our results of operations and reputation. We cannot assure you that we will find suitable replacement suppliers on commercially acceptable terms or at all.

Our suppliers are also subject to extensive PRC laws, rules and regulations. If our suppliers violate applicable laws, rules and regulations, our reputation or procurement may be materially and adversely affected. In addition, we may be exposed to reputational damages or even liabilities for defective goods provided by our suppliers or negative publicity associated with our suppliers, and our results of operations could suffer as a result.

If we fail to properly manage the registration of our medical professionals, we may be subject to penalties against our medical institutions, including fines, loss of licenses, or an order to cease practice, which could materially and adversely affect our business.

The practicing activities of medical professionals are strictly regulated under the PRC laws, rules and regulations. Medical professionals who practice at medical institutions must hold practicing licenses and may only practice within the scope of their licenses and at the specific medical institutions at which their licenses are registered. If a medical professional is found practicing at a medical institution where he or she is not properly registered, both the individual and the medical institution will be subject to administrative penalties according to relevant PRC laws, rules and regulations.

In practice, it usually takes approximately four to nine weeks for medical professionals to transfer the registration of their licenses from one medical institution to another or register an additional medical institution where they are permitted to practice. We cannot assure you that these medical professionals will complete the transfer of registration and related government procedures timely or at all, or that our medical professionals will not practice outside the permitted scope of their respective licenses.

Our failure to properly manage the registration of our medical professionals may subject us to administrative penalties against our medical institutions including fines, loss of licenses, or, in the worst case scenario, an order to cease practice, any of which could materially and adversely affect our business.

Failure to comply with the PRC anti-corruption laws, rules and regulations could subject us and/or our physicians, staff and hospital administrators to investigations and administrative or criminal penalties, which may harm our reputation and materially and adversely affect our business, financial condition, results of operations.

We have adopted policies and procedures designed to ensure that our physicians, staff and hospital administrators comply with the PRC anti-corruption laws, rules and regulations. For more details on our anti-corruption policies and procedures, see "Business — Risk Management and Internal Control". However, we operate in the healthcare sector in the PRC, which poses elevated risks of violations of anti-corruption laws, rules and regulations, and the PRC government has recently increased its anti-bribery efforts to reduce improper payments and other benefits received by physicians, staff and hospital administrators in connection with the purchase of pharmaceuticals and medical devices and the provision of healthcare services. Although we have established anti-corruption policies and procedures and have not been subject to any government investigation relating to anti-corruption violations, there is no assurance that these policies and procedures will effectively prevent our non-compliance with the PRC anti-corruption laws, rules and regulations arising from actions taken by the individual physicians, staff and hospital administrators without our knowledge. If this occurs, we and/or our physicians, staff and hospital administrators may be subject to investigations and administrative or criminal penalties, and our reputation could be significantly harmed by any negative publicity stemming from such incidents, which may materially and adversely affect our business, financial condition and results of operations.

We lease the premises in which our medical institutions are located, and face certain risks relating to such leases.

We lease the premises on which our medical institutions are located. The lease agreements we entered into for our medical institutions typically have a term of 10 to 15 years with an option to renew. For example, our lease agreement in respect of the premises of BNC Women's and Children's Hospital and BNC Harmony Clinic will expire June 30, 2030 and May 29, 2018, respectively. However, our landlords may exercise early termination of our leases, or may refuse to renew our leases on favorable terms following expiration. We cannot assure you that we will be able to enter into replacement leases or renew our leases on similar or commercially acceptable terms (including, without limitation, similar tenure and on similar rental charges) in the future, if at all. The availability of commercially attractive locations in sufficiently populous regions is important to our profitability and business expansion. If we are unable to maintain operations in such locations, our business, financial position and results of operations may be materially and adversely affected.

A technological failure, security breach or other disruptions of our computer network infrastructure and centralized information technology systems may interrupt our business.

Our computer network infrastructure and information technology systems, such as the HIS, EMRS, PACS and LIS, are critical for our operation, such as billing, financial and budgeting data, customer records and inventory. We regularly maintain, upgrade and enhance the capabilities of our information systems to meet operational needs. Any failure associated with our information technology systems, including those caused by power disruption or loss, natural disasters, computer viruses or hackers, network failures or other unauthorized tampering, may cause interruptions in our ability to provide services to our customers, keep accurate records, and maintain proper business operations. In particular, if the information technology system relating to our billing and medical insurance reimbursements were to malfunction and result in the loss of related records, we may not receive full payment from insurers, causing a material adverse impact on our business and results of operations. In addition, we may be subject to liability or damage to our reputation as a result of any theft or misuse of personal information stored on our systems, which may materially and adversely affect our business, financial condition and results of operations.

Our past performance is not necessarily indicative of future results.

Although our network of medical institutions has grown during the nine months ended September 30, 2016, such growth only reflects our past performance. Past performance is not necessarily indicative of future results. For example, our results of operations in 2015 and the nine months ended September 30, 2016 were partly attributable to our acquisition of BNC Women's and Children's Hospital in November 2015 and thus is not an indicator of our future results of operations. In addition, the effects of changing regulatory, economic, public health, environmental, competitive conditions and future expansion of our network of medical institutions, and many other factors cannot be fully predicted and may have a material adverse effect on our business, financial condition, results of operations and prospects.

Concentration of our operations in Beijing exposes us to its changing regulatory, economic, public health, environmental and competitive conditions.

Our operations are all located in Beijing. As a result, we are highly sensitive to the regulatory, economic, public health, environmental and competitive conditions in Beijing. In particular, hospitals in Beijing have been adversely affected by past outbreaks of epidemics, such as Severe Acute Respiratory Syndrome, or SARS, in 2003, the H1N1 virus, or swine flu, in 2009, and the H7N9 virus in the first half of 2013, as people chose to avoid crowds and hospitals in order to minimize the risk of contagion. Any future epidemic outbreak of any contagious disease such as Zika virus could significantly disrupt our operations. The insurance we obtain may not be sufficient to cover all our losses caused by disruption of our operation or at all. Any negative event in Beijing may have a material adverse effect on our business, financial condition and results of operations.

Failure to obtain certain trademarks in time and unauthorized use of our trademarks by third parties may materially and adversely affect our business, financial condition and results of operations.

Jiahua Yihe entered into a trademark transfer agreement with Jiahua Likang on May 10 2016, under which Jiahua Likang agreed to transfer two trademarks we use in our operations to Jiahua Yihe.

As of the Latest Practicable Date, we had submitted the application to the Trademark Office of the SAIC (國家工商行政管理總局商標局) for approving this transfer and is expected to complete within one year. The completion of the transfer of such trademarks is therefore subject to uncertainty. Before Jiahua Yihe successfully becomes the registered owner of such trademarks, our ability to stop any infringement of such trademarks, if any, would be very limited. If the transfer of such trademarks cannot be completed successfully or if such trademarks are infringed, our use of such trademarks may be materially and adversely affected which may in turn materially and adversely affect our reputation, financial condition and results of operations.

In addition, we have submitted the application for registration of 19 trademarks in the PRC and two series of trademarks in Hong Kong which we use in our operations. The registration of trademarks generally requires one year to complete and our use of these trademarks may lack legal protection during this period. Failure to obtain these trademarks in time may cause our customers' confusion over our brand and our services which may result in loss of our customers, weakening of our bargaining power with our suppliers and damage of our reputation, which may in turn materially and adversely affect our financial condition and results of operations. Any unauthorized use of such trademarks by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business and financial condition. For details of our trademarks, see "Business — Intellectual Property."

We rely on the trademark and other intellectual property laws, rules and regulations, and confidentiality agreements with our employees to protect our proprietary rights. Nevertheless, these afford only limited protection, and it can be difficult and expensive to police unauthorized use of intellectual property that we own or are entitled to use. We have taken, and will continue to take, a variety of actions to combat infringement of our intellectual property. However, the level of protection for intellectual property rights under and the enforcement of the relevant PRC laws, rules and regulations are relatively insufficient compared to those available under the legal regimes in more developed economies and therefore, we cannot assure you that we can effectively protect our intellectual property as we desire. Infringement of our intellectual property rights by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business, financial condition and results of operations.

We could be exposed to risk for our dealing with medical data.

We collect and maintain medical data from the diagnosis and treatment of our patients. PRC laws, rules and regulations generally require medical institutions to protect the privacy of their patients or customers and prohibit unauthorized disclosure of personal information. We have taken measures to maintain the confidentiality of our customers' medical information, including encrypting such information in our information technology system so that it cannot be accessed without proper authorization and setting internal rules requiring our employees to maintain the confidentiality of our customers' medical information. However, these measures may not be effective in protecting our customers' medical information. Our information technology systems could be breached through hacking activities. Personal information we maintain in our operations could be leaked due to any theft or misuse of personal information. In addition, although we do not make the customers' medical information available to the public, we use such data on an aggregate basis after redacting personal identity for marketing or research purposes. Although we believe our current usage of customers' medical information is in compliance with applicable laws, rules and regulations governing the use of such information, any change in such laws, rules and regulations could impose more stringent data protection requirements and thus affect our ability to use medical data or subject us to liability for the use of such data. Failure to protect customers' medical information, or any restriction on or liability as a result of our use of medical data, could have a material adverse effect on our business and reputation.

If we fail to maintain adequate internal controls, we may not be able to manage our business effectively and may experience errors or information lapses affecting our business.

As we continue to expand, our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. We will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business such as filings with clerical errors. Our efforts in improving our internal control system may not result in eliminating all risks. If we are not successful in discovering and eliminating weaknesses in internal controls, our ability to manage our business effectively may be affected.

Our Controlling Shareholders have substantial control over the Company and their interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholders will remain substantial control over our Company. Subject to the Articles of Association, the Companies Ordinance and the Cayman Islands Companies Law, the Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of the Controlling Shareholders may differ from the interests of other Shareholders and they are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

Compliance with the PRC advertising laws, rules and regulations may be difficult, and any non-compliance could subject us to government sanctions.

We are obligated to ensure our advertising content to comply with applicable PRC laws, rules and regulations. According to the *Administrative Measures on Medical Advertisement* (醫療廣告管理辦法) and *Notice on Further Strengthening the Administration of Medical Advertisements* (關於進一步加强醫療廣告管理的通知), our medical institutions must obtain a Medical Advertisement Examination Certificate before publishing a medical advertisement. Violation of these regulations may result in penalties against the non-compliant medical institution, including rectification, orders, warnings, suspension of operations, revocation of relevant permits to engage in the provision of specific medical services, and the revocation of the Medical Institution Practicing License of such medical institution. In addition, if the content of the published advertisement is tampered from what is approved and documented in the Medical Advertisement Examination Certificate, the competent authority may revoke the Medical Advertisement Examination Certificate and suspend any application for advertisement examination for one year. For advertisements related to certain types of products and services, such as pharmaceuticals and medical devices, we are required to confirm that the advertisers have completed filings with local authorities and obtained all requisite government approvals.

We are not in full compliance with social insurance and housing provident fund regulations.

Under PRC laws and regulations, we are required to make social insurance and housing provident funds contributions for the benefit of our employees. We did not make social insurance and housing provident funds contributions in full for certain of our employees during the Track Record Period, and we have made provision of RMB1.6 million and RMB0.8 million for social insurance and housing provident funds contributions respectively based on the provision policy. Under the relevant PRC laws and regulations, we may be ordered by the relevant authorities to pay the outstanding social insurance or housing provident funds contributions within a prescribed period, along with possible surcharges or penalties for overdue payments. We cannot assure you that such authorities will not enforce such payments, surcharges and penalties against us. See "Business — Legal Proceedings and Compliance — Non-Compliance Incidents."

RISKS RELATING TO DOING BUSINESS IN THE PRC

The PRC political, economic and social conditions could affect our business, results of operations, financial condition and prospects, and adverse developments in the PRC economy or an economic slowdown in the PRC may reduce the demand for our services and have a material adverse effect on our business, results of operations, financial condition and prospects.

We conduct most of our business in the PRC, and substantially all of our assets and operations are located, and substantially all of our revenue is derived from our operations in the PRC. Accordingly, our business, financial position, results of operations and prospects are subject to the political, economic and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

Although the PRC's economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC are still owned by the PRC government. The PRC government also has significant oversight over the economic growth of the PRC by allocating resources, regulating payments of foreign currency-denominated obligations, setting monetary policies and granting preferential treatments to particular industries or companies. Although the PRC government has implemented economic reform measures with a view to introducing market forces and establishing sound corporate governance systems and modern management systems in business enterprises in recent years, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not necessarily benefit from such measures.

The PRC's GDP growth has slowed down in recent years. For example, the GDP growth rate of the PRC decreased from 9.5% in 2011 to 7.3% in 2014, and to 6.9% in 2015. The PRC's GDP growth rate is expected to continue declining. The global economy may continue to deteriorate in the future and continue to have an adverse impact on the PRC economy. Any significant slowdown in the PRC's economy could have a material adverse effect on our business and operations.

In addition, the PRC stock market has been volatile in the past. The significant government involvement in the stock market, including suspending the IPO process and introducing and suspending the "circuit breaker" mechanism within a week, has brought further uncertainties to the market, and has had and may continue to have an adverse impact on investors' confidence in the capital markets in the PRC. Moreover, concerns over liquidity issues, geopolitical issues, the availability and cost of credit and the unemployment rate have resulted in adverse market conditions in the PRC, which may materially and adversely affect our business, results of operations, financial condition and prospects.

Furthermore, factors such as consumer, corporate and government spending, business investment, capital market volatility and inflation all affect the business and economic environment, the growth of the PRC pediatrics, obstetrics and gynecology healthcare markets and ultimately, the profitability of our business. Our labor and other costs may also increase due to pressure from inflation.

Uncertainties with respect to the PRC legal system could have a material adverse effect on our business and operations.

Our business and operations are primarily conducted in the PRC and are governed by applicable PRC laws, rules and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference, but have limited weight as precedents. Since the late 1970s, the PRC government has significantly enhanced the PRC legislation and regulations to provide protection to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention, which in turn could have a material adverse effect on our financial condition and results of operations.

You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our Directors and management.

Substantially all of our assets and a substantial portion of the assets of our Directors are located in the PRC. It may not be possible for investors to effect service of process upon us or those persons in the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "Arrangement"), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

Government control of currency conversion and future fluctuations Renminbi exchange rates could have a material adverse effect on our business, results of operations, financial condition and prospects, and may reduce the value of, and dividends payable on, our Shares in foreign currency terms.

Our revenue and expenses are substantially denominated in Renminbi, which is currently not a freely convertible currency. A portion of such revenue must be converted into other currencies in order to meet our foreign currency obligations. For example, we will need to obtain foreign currency to make payments of declared dividends, if any, on our Shares.

Under the PRC existing foreign exchange regulations, following the completion of the Global Offering, we will be able to make current account foreign exchange transactions, including paying dividends in foreign currencies without prior approval from the SAFE. However, in the future, the PRC government may take measures, at its discretion, to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. If such measures are implemented, we may not be able to pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under our capital account are subject to significant foreign exchange controls and require the SAFE's approval. These limitations could affect our ability to obtain foreign exchange through offshore financing.

The value of the Renminbi against the Hong Kong dollar and the U.S. dollar and other currencies fluctuates, and is subject to changes resulting from policies of the PRC and other governments, and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. In July 2005, the PRC government changed its policy of pegging the value of Renminbi to the U.S. dollar. Under the current policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall within stipulated ranges against different currencies each day. This change in policy has resulted in an appreciation of the value of the Renminbi against the U.S. dollar of 24.6% from July 21, 2005 to June

30, 2015. In August 2015, the PBOC announced that the mid-point exchange rate for the floating range of Renminbi against the U.S. dollar will be determined based on market maker submissions that take into account the Renminbi-U.S. dollar exchange rate at the previous day's closing of the inter-bank spot foreign exchange market, the supply and demand dynamics and the movements of other major currencies. Renminbi depreciated against the U.S. dollar by 3.7% by March 2016 following this August 2015 announcement by the PBOC. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the Hong Kong dollar and the U.S. dollar or other foreign currencies in the long-term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of the Renminbi against the U.S. dollar or other foreign currencies. We cannot assure you that Renminbi will not experience significant appreciation or depreciation against the U.S. dollar or other foreign currencies in the future.

Our proceeds from the Global Offering will be denominated in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currency may result in the decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividend payable on our Shares in foreign currencies. There are limited instruments available for us to reduce our foreign currency risk exposure at reasonable cost in the PRC, and we have not utilized, but may in the future utilize, any such instrument. Furthermore, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, results of operations, financial condition and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

SAFE regulations may limit our ability to finance our PRC subsidiaries effectively with the net proceeds from the Global Offering, which may adversely affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions.

We plan to finance our PRC subsidiaries with the net proceeds from the Global Offering through overseas shareholder loans or additional capital contributions, which require registration with, or approvals from, PRC government authorities. Any overseas shareholder loans to our foreign-invested PRC subsidiaries must be registered with the local branch of the SAFE as a procedural matter, and such loans shall not exceed the difference between the total investment amount of such subsidiaries and their respective registered capital. In addition, the amounts of the capital contributions and the amount of investment are subject to the approval of MOFCOM or its local counterpart. Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of an foreign-invested enterprise and capital in RMB obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (1) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (2) directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations; (3) directly or indirectly used for granting the entrust loans in RMB (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in RMB that have been sub-lent to the third party; and (4) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises). Violations of Circular 19 may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to making future loans or capital contributions to our PRC subsidiaries with the net proceeds from the Global Offering. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We rely on dividends paid by our subsidiaries for our cash needs, and limitations under the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilize such funds.

As a holding company, we conduct substantially all of our business through our consolidated subsidiaries incorporated in the PRC. We rely on dividends paid by these PRC subsidiaries for our cash needs, including the funds necessary to pay any dividend and other cash distributions to our Shareholders, to service any foreign currency debt we may incur and to make any offshore acquisition. The payment of dividends by PRC-incorporated entities in the PRC is subject to limitations. Current PRC regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends, loans or advances. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. These limitations on the ability of our PRC subsidiaries to transfer funds to us limit our ability to receive and utilize such funds.

We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to PRC corporate withholding tax under the EIT Law.

We are a holding company incorporated under the laws of the Cayman Islands and indirectly hold interests in our PRC operating subsidiaries. Pursuant to the EIT Law, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement.

The EIT Law provides that if an enterprise incorporated outside the PRC has its "de facto management bodies" within the PRC, such enterprise would generally be deemed a "PRC resident enterprise" for tax purposes and be subject to an EIT rate of 25.0% on its global income. "De facto management body" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation, or the SAT, promulgated a circular to clarify the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises. These criteria include: (1) the enterprise's senior management personnel and department who are responsible for managing the day-to-day production and operation perform their obligations primarily in the PRC; (2) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (4) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. According to these regulations, we may be regarded as a PRC resident enterprise by PRC tax authorities and pay EIT at a rate of 25.0% for all of our global income. In addition, the "de facto management bodies" determination is based on the principle of substance over form. The SAT further issued administrative rules in July 2011 and January 2014 regarding administrative procedures for recognizing PRC resident enterprise status of a Chinese-invested company registered abroad.

According to the foregoing SAT circulars, a Chinese-invested company registered abroad could either apply for the PRC resident enterprise status with the competent PRC tax authorities in the place where its major PRC investor is located and the application will be subject to approval by competent PRC tax authorities, or be recognized as a PRC resident enterprise by competent PRC tax authorities. In this regard, there are uncertainties regarding whether a Chinese-invested company registered abroad would be treated as a PRC resident enterprise before obtaining the relevant approval from competent PRC tax authorities, and there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises which are not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the PRC tax authorities will treat a case such as ours. We cannot assure you that we will not be considered a PRC resident enterprise for EIT purposes and be subject to the uniform 25.0% EIT rate on our global income. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempt from EIT, due to the relatively short history of the EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC-incorporated subsidiaries to us will meet such qualification requirements even if we are considered as a PRC resident enterprise for tax purposes.

Gains on the sales of Shares and dividends on the Shares may be subject to PRC income taxes.

Under the EIT Law and its implementation rules, a PRC withholding tax at the rate of 10% is applicable to dividends paid by "PRC tax resident enterprises" to investors that are "non-PRC residents"; that is, investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares of "PRC tax resident enterprises" by such investors is also subject to a PRC income tax, usually at a rate of 10% unless otherwise reduced or exempted by relevant tax treaties or similar arrangements, if such gain is regarded as income derived from sources within the PRC.

We are a holding company incorporated under the laws of the Cayman Islands and substantially all of our operations are in the PRC. There is uncertainty whether we will be considered a "PRC tax resident enterprise" for the purpose of the EIT Law. As a result, it is unclear whether dividends paid on our Shares, or any gain realized from the transfer of our Shares, would be treated as income derived from sources within the PRC and would as a result be subject to PRC income tax. If we are considered a "PRC tax resident enterprise," then any dividends paid to our Shareholders that are "non-PRC residents" and any gains realized by them from the transfer of our Shares may be regarded as income derived from PRC sources and, as a result, would be subject to a 10% PRC income tax, unless otherwise reduced or exempted. It is unclear whether, if we are considered a "PRC tax resident enterprise," our Shareholders would be able to claim the benefit of income tax treaties or agreements entered into between PRC and other countries or regions. If dividends paid to our non-PRC Shareholders that are "non-PRC residents" or gains from the transfer of our Shares are subject to PRC tax, the value of such non-PRC Shareholders' investment in our Shares may be materially and adversely affected.

Our dividend income from our foreign-invested PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.

Under the EIT Law and its implementing rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. If certain conditions and requirements under the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) (the "Hong Kong Tax Treaty"), are met, the withholding rate could be reduced to 5%. However, the SAT promulgated Circular 601 on October 27, 2009, which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be adopted based on a "substance over form" analysis to determine whether or not to grant tax treaty benefits to a "conduit" company. It is unclear whether Circular 601 applies to dividends from our PRC operating subsidiaries paid to us through the Hong Kong intermediate holding company. It is possible, however, that under Circular 601, the Hong Kong intermediate holding company would not be considered the "beneficial owner" of any such dividend, and that such dividends would, as a result, be subject to income tax withholding at the rate of 10% rather than the favorable 5% rate applicable under the Hong Kong Tax Treaty. In that case, our financial position and results of operations would be materially and adversely affected.

PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to make capital contributions into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

Under several regulations promulgated by the SAFE, PRC residents and PRC corporate entities are required to register with and obtain approval from local branches of the SAFE or designated qualified foreign exchange banks in the PRC in connection with their direct or indirect offshore investment activities. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to any material change involving that offshore company, such as an increase or decrease in capital, transfer or swap of shares, merger or division. These regulations apply to direct and indirect holders of our Shares who are PRC residents and may apply to any offshore acquisitions that we make in the future. To the best of our knowledge, as of the Latest Practicable Date, Mr. Zhou, our Controlling Shareholder, who is required to make the foreign exchange registration under Circular 37, had completed such registration with the local bank. However, we may not be fully aware or informed of the identities of all the PRC residents holding direct or indirect interests in us, and we cannot assure you that all of our shareholders and beneficial owners who are PRC residents will comply with these foreign exchange regulations.

If any PRC-resident Shareholder fails to make the required registration or update the previously filed registration, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into our PRC subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability on the related PRC-resident Shareholder or our PRC subsidiaries under PRC laws for evasion of applicable foreign exchange restrictions.

Failure to comply with PRC regulations relating to the registration of any granted shares that belong to our employees who are PRC citizens may subject such employees or us to legal or administrative sanctions.

In January 2007, the SAFE issued the *Implementing Rules for the Administrative Measures of Foreign Exchange Matters for Individuals* (個人外匯管理辦法實施細則), which, among other things, specified approval requirements for certain capital account transactions such as a PRC citizen's participation in the employee stock ownership plans or stock option plans of an overseas publicly-listed company. In addition, the *Notice on Relevant Issues Concerning the Administration of Foreign Exchange in respect of Domestic Individuals' Participating in the Share Incentive Schemes of Overseas-Listed Companies* (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), or Circular 7, was promulgated by the SAFE on February 15, 2012.

In accordance with Circular 7, PRC residents who are granted shares or share options by an overseas publicly listed company under a share incentive scheme are required, through the PRC subsidiary of the overseas publicly listed company, to entrust a PRC agent to register with the SAFE or its local counterpart and complete certain procedures relating to the share incentive schemes. We and our PRC employees who receive shares will be subject to these regulations when we are listed on the Hong Kong Stock Exchange, and we will require our PRC employees to obtain approval from the SAFE or its local branches when joining the share incentive scheme in order to comply with relevant rules. If we or our PRC employees fail to comply with these regulations, we or our PRC employees may be subject to a maximum fine of RMB300,000 and other legal or administrative sanctions.

RISKS RELATING TO THE GLOBAL OFFERING

There is no existing public market for our Shares and their liquidity and market price may fluctuate.

Prior to the Global Offering, there has been no public market for our Shares. We cannot assure you that an active trading market for our Shares will develop and be sustained following the Global

Offering. In addition, the initial issue price range for our Shares was the result of negotiations between our Company and the Joint Global Coordinators, and the Offer Price may differ significantly from the market price of our Shares following the completion of the Global Offering. We have applied for the listing of and permission to deal in our Shares on the Hong Kong Stock Exchange. The Listing on the Hong Kong Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, that it will be sustainable following the Global Offering or that the market price of our Shares will not decline after the Global Offering.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price, some of which are beyond our control:

- variations in our revenue, earnings and cash flow;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in the PRC and Hong Kong and in the global economy;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance; and
- involvement in material litigation.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, including by our Controlling Shareholders, or the issuance of new Shares by us, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us, and our Shareholders may experience dilution in their holdings upon the issuance or sale of additional securities in the future.

The market price of our Shares when trading begins could be lower than the Offer Price.

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on or about January 11, 2017 and in any event, not later than January 17, 2017. However, the Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be the fourth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We may raise additional funds in the future to finance the expansion of our capacity, the enhancement of our research and development capabilities, the development of our operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of our new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that may take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;

- increase our vulnerability to general adverse economic and industry conditions;

- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and

- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Potential investors will pay a price per Share in the Global Offering that substantially exceeds the per Share value of our net tangible assets as of September 30, 2016. Therefore, purchasers of our Shares in the Global Offering will experience immediate dilution based on our pro forma net tangible assets per Share as of September 30, 2016. See Appendix II — "Unaudited Pro Forma Financial Information". In addition, holders of our Shares may experience a further dilution of their interest if the Joint Global Coordinators (on behalf of the International Underwriters) exercise the Over-Allotment Option.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources or other sources contained in this prospectus.

Certain facts, statistics and data contained in this prospectus relating to the PRC, Hong Kong, the pediatrics, obstetrics and gynecology healthcare markets, the medical device industry and healthcare industry have been derived from various official government publications or other third party reports we generally believe to be reliable. We have taken reasonable care in the reproduction or extraction of the official government publications or other third party reports for the purpose of disclosure in this prospectus and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us or any of their affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts.

You may face difficulties in protecting your interests because we were incorporated under Cayman Islands laws, and the laws of the Cayman Islands for minority shareholders' protection may be different from those under the laws of Hong Kong or other jurisdictions.

Our corporate affairs are governed by our Memorandum and Articles of Association as well as the Cayman Islands Companies Law and the common law of the Cayman Islands. The rights of shareholders to take action against the Directors, the rights of minority shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. These differences may mean that the remedies available to the Company's minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. See Appendix III — "Summary of Articles of Association and Cayman Islands Companies Law" for further information.

We cannot assure you that we will declare and distribute any amount of dividends in the future and dividends distributed in the past may not be indicative of our dividend policy in the future.

In 2013, 2014 and 2015 and the nine months ended September 30, 2016, we declared dividends of RMB80.1 million, RMB89.9 million, RMB141.6 million and RMB2.0 million, respectively, and distributed dividends of RMB80.1 million, RMB89.9 million, RMB118.8 million and RMB24.8 million, respectively. We cannot assure you that the dividends will be declared or paid in the future.

A decision to declare or pay any dividend and the amount of dividends is subject to the discretion of our Directors, depending on, among other considerations, our operations, earnings, cash flows and financial position, operating and capital expenditure requirements, our strategic plans and prospects for business development, our constitutional documents and applicable law. In addition, as a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. The calculation of our operating subsidiaries' profit under applicable accounting standards differs in certain aspects from the calculation under HKFRSs. Accordingly, we may not have sufficient or any profit to enable us to make dividend distributions to our Shareholders in the future, even if our HKFRSs financial statements indicate that our operations have been profitable.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industry or the Global Offering.

There may have been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and/or media regarding us, our business, our industries and the Global Offering. None of us or any other person involved in the Global Offering has authorized the disclosure of information about the Global Offering in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecast, view or opinion expressed by the press and/or other media regarding our Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecast, view or opinion expressed in any such publication. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, you are cautioned to make your investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

CONNECTED TRANSACTIONS

We have entered into certain transactions, which would constitute partially-exempt continuing connected transactions of our Company under the Listing Rules after the Listing. We have applied to the Hong Kong Stock Exchange for waiver from strict compliance with the announcement requirement set out in Chapter 14A of the Listing Rules for such partially-exempt continuing connected transactions. For more details on such connected transactions and the waivers, see "Connected Transactions — Application for Waiver".

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Our Company's headquarters and our major business operations are based in the PRC and all of our three executive Directors (namely Mr. Jason ZHOU, Ms. XIN Hong and Mr. XU Han) have been, are and are expected to be based in the PRC and are not ordinarily resident in Hong Kong. We believe it would be more effective and efficient for most of our executive Directors to be based in a location where we have significant operations and so that the Group's management is best able to attend to its functions by being based in the PRC. As such, we will not be able to comply with the requirements of Rule 8.12 of the Listing Rules for sufficient management presence in Hong Kong.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange. The two authorized representatives are Mr. XU Han, an executive Director, and Mr. JIA Xiaofeng, a joint company secretary. They will be able to meet with the Hong Kong Stock Exchange on reasonable notice upon the request of the Hong Kong Stock Exchange and be readily contactable by telephone, facsimile and email by the Hong Kong Stock Exchange;

(b) each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters;

(c) each of the Directors who are not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period of time, if required;

(d) we have, in compliance with Rule 3A.19 of the Listing Rules, engaged Anglo Chinese Corporate Finance, Limited, as our compliance adviser, who will act as an additional channel of communication with the Hong Kong Stock Exchange; and

(e) to enhance communications among the Hong Kong Stock Exchange, the Directors will provide their respective mobile phone numbers, office phone numbers, email addresses and fax numbers to the authorized representatives as well as the Hong Kong Stock Exchange, and in the event that a Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives.

JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules, which stated that a company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. Below are the academic or professional qualifications as set out in Note (1) to Rule 3.28 of the Listing Rules, where the Hong Kong Stock Exchange considers acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note (2) to Rule 3.28 of the Listing Rules, in assessing "relevant experience," the Hong Kong Stock Exchange will consider the individual's:

(a) length of employment with the listing applicant and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance and the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code");

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. JIA Xiaofeng as a joint company secretary. Mr. Jia has approximately nine years of experience in corporate finance and investments and approximately 14 years' experience in the healthcare industry. While the Directors consider Mr. Jia is capable of discharging his duty as a company secretary of the Company by virtue of his academic background, professional qualifications and experience, he is neither a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance nor a professional accountant, as required under Note (1) to Rule 3.28 of the Listing Rules. We have therefore appointed Ms. WONG Sau Ping to act as a joint company secretary. Ms. Wong is a Fellow of the Hong Kong Institute of Chartered Secretaries. Accordingly, Ms. Wong fully complies with the requirements as stipulated under Rules 3.28 and 8.17 of the Listing Rules. We have engaged Ms. Wong as joint company secretary commencing from the Listing Date, during which she will assist and guide Mr. Jia to enable him to acquire the "relevant experience" under Note (2) to Rule 3.28 of the Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant to us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. The waiver is granted on the condition that we engage Ms. Wong, who possesses all the requisite qualifications required under Rule 3.28 of the Listing Rules, to assist Mr. Jia in his discharge of duties as a joint company secretary and in gaining the "relevant experience" as required under Note (2) to Rule 3.28 of the Listing Rules. Our Company understands that, upon expiry of the three-year period, the Hong Kong Stock Exchange will re-evaluate the merits of this waiver as set out in Listing Decision HKEx-LD35-1. Our Company will also evaluate the qualifications and experience of Mr. Jia and the need for ongoing assistance. Our Company understands and acknowledges that the waiver will be revoked if Ms. Wong ceases to provide assistance to Mr. Jia as our joint company secretary within the three-year period after Listing.

For further details of Mr. Jia's and Ms. Wong's biographies, see "Directors and Senior Management — Joint Company Secretaries."

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public about us. The Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date.

The Offer Price is expected to be fixed by the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around January 11, 2017 and, in any event, not later than January 17, 2017 (unless otherwise determined by the Joint Global Coordinators (on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company on or before January 17, 2017, the Global Offering will not become unconditional and will lapse immediately.

Further information about the Underwriters and the underwriting arrangements is set out in "Underwriting."

RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalization Issue, the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-Allotment Option) and conversion of the Group B Shares upon completion of the Global Offering.

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-Allotment Option and Stabilization are set forth in “Structure of the Global Offering”.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained by Walkers Corporate Limited in the Cayman Islands.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders’ risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated.

EXCHANGE RATES

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK$1.00 to RMB0.89477, Renminbi into U.S. dollars at the rate of US$1.00 to RMB6.9489 and Hong Kong dollars into U.S. dollars at the rate of US$1.00 to HK$7.7661. The RMB to HK$ and US$ to RMB exchange rates are quoted by the PBOC for foreign exchange transactions prevailing on the Latest Practicable Date.

No representation is made that any amounts in HK$, RMB and US$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Director		
Mr. Jason ZHOU	No. 1, Floor 12 No. A51 Xiaoguan Street Chaoyang District Beijing PRC	Canadian
Ms. XIN Hong (辛紅)	No. 4, Unit 5, Dongli Building A3 Yungang South Zone Fengtai District Beijing PRC	Chinese
Mr. XU Han (徐瀚)	No. 201, Gate 3, Floor 1 No. 7 Courtyard Songyu North Chaoyang District Beijing PRC	Chinese
Non-executive Directors		
Ms. LIANG Yanqing (梁艷清)	Room 1501, 2-3 Xinghewanlangyuan Siji Xinghe West Road Chaoyang District Beijing PRC	Chinese
Dr. HE Xin (何欣)	155 Valley Shore Drive Guildford Connecticut, 06437 U.S.	Chinese
Mr. WANG Siye (王思業)	No. 124, Xianger Hutong Dongcheng District Beijing PRC	Chinese

Name	Residential Address	Nationality
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Independent Non-executive Directors

Mr. WU Guanxiong (吳冠雄)	112, Gate 1, Building 19 Wanquanzhuang Haidian District Beijing China	Chinese
Mr. SUN Hongbin (孫洪斌)	Room 601, No. 11, Lane 180 Huafa Road, Xu Hui District Shanghai China	Chinese
Mr. JIANG Yanfu (姜彥福)	1105, Building 2, Lan Qi Ying Haidian District Beijing China	Chinese
Dr. MA Jing (馬晶)	79 Clatlin St Belmont, MA 02478-3249	Chinese

For further details of our Directors, see the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Merrill Lynch Far East Limited** 55/F, Cheung Kong Center 2 Queen's Road Central, Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street, Central Hong Kong
Joint Global Coordinators	**Merrill Lynch International** 2 King Edward Street London EC1A 1HQ United Kingdom
	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street, Central Hong Kong
Joint Bookrunners	**Merrill Lynch International** 2 King Edward Street London EC1A 1HQ United Kingdom
	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street, Central Hong Kong
	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48th Floor, One Exchange Square 8 Connaught Place Central Hong Kong

Joint Lead Managers	**Merrill Lynch Far East Limited (in relation to the Hong Kong Public Offering)** 55/F, Cheung Kong Center 2 Queen's Road Central, Central Hong Kong
	Merrill Lynch International (in relation to the International Offering) 2 King Edward Street London EC1A 1HQ United Kingdom
	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street, Central Hong Kong
	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
Legal Advisers to our Company	As to Hong Kong and U.S. laws: **Sullivan & Cromwell (Hong Kong) LLP** 28th Floor Nine Queen's Road Central Hong Kong
	As to PRC law: **Commerce & Finance Law Offices** 6/F, NCI Tower A12 Jianguomenwai Avenue Beijing PRC

	As to Cayman Islands law: **Walkers** 15th Floor, Alexandra House 18 Chater Road, Central Hong Kong
Legal Advisers to the Joint Sponsors and the Underwriters	As to Hong Kong and U.S. laws: **Paul Hastings** 21-22/F, Bank of China Tower 1 Garden Road, Central Hong Kong
	As to PRC law: **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing PRC
Reporting Accountant	**PricewaterhouseCoopers** Certified Public Accountants 22/F, Prince's Building Central, Hong Kong
Industry Consultant	**Frost & Sullivan** Suite 1014-1018, Tower B 500 Yunjin Road Xuhui District Shanghai PRC
Compliance Adviser	**Anglo Chinese Corporate Finance, Limited** 40th Floor, Two Exchange Square 8 Connaught Place, Central Hong Kong
Receiving Bank	**Standard Chartered Bank (Hong Kong) Limited** 15/F Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong

Registered office	c/o Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road George Town Grand Cayman KY1-9008 Cayman Islands
Headquarters 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
Place of business in Hong Kong registered under Part 16 of the Companies Ordinance	36/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's Website	www.ncich.com.cn *(The information on the website does not form part of this prospectus)*
Joint Company Secretaries	Mr. JIA Xiaofeng (賈曉鋒) 51 Wangjing North Road Chaoyang District Beijing PRC Ms. WONG Sau Ping (黃秀萍) *(ACIS; ACS)* 36/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
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Mr. JIA Xiaofeng (賈曉鋒)
51 Wangjing North Road
Chaoyang District
Beijing
PRC

Audit Committee

Mr. SUN Hongbin (Chairman)
Dr. HE Xin
Mr. JIANG Yanfu

Remuneration Committee

Mr. WU Guanxiong (Chairman)
Ms. LIANG Yanqing
Dr. Ma Jing

Nomination Committee

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

Cayman Islands Principal Share Registrar and Transfer Agent

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

Hong Kong Share Registrar

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

Principal Banker

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

The information presented in this section is, including certain facts, statistics and data, derived from the market research report prepared by Frost & Sullivan, which was commissioned by us, unless otherwise indicated. We believe that this source and other sources, including official governmental and other publications are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside of the PRC. In addition, certain data in 2015 for the relevant PRC markets or industries had not been published and was unavailable as of the Latest Practicable Date.

SOURCE OF INFORMATION

In connection with the Global Offering, we have commissioned Frost & Sullivan, an Independent Third Party, to conduct an analysis of, and to report on, the PRC pediatric and obstetric and gynecologic healthcare market. The report we commissioned, or the Frost & Sullivan Report, has been prepared by Frost & Sullivan independent of our influence. The fee charged by Frost & Sullivan for preparing the Frost & Sullivan Report is RMB972,000, which we consider reflects market rates for similar services. Founded in 1961, Frost & Sullivan has 48 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research and market strategies and provides growth consulting and corporate training. Frost & Sullivan has been covering the PRC market from its offices in the PRC since the 1990s.

The Frost & Sullivan Report includes information on the PRC pediatric and obstetric and gynecologic healthcare market as well as other market and economic data, which have been quoted in this prospectus. Frost & Sullivan's independent research was undertaken through (1) researching different markets in different development stages; (2) referencing publications and reports; (3) focusing on challenges, problems, and the needs of industry participants; (4) relying on primary market research; (5) focusing on detailed, comprehensive, "bottom-up" data collection techniques; and (6) utilizing systematic measurements. Projected data was obtained from historical data analysis plotted against macroeconomic data as well as specific industry-related drivers. Frost & Sullivan adopted the following assumptions: (1) the PRC economy is likely to maintain steady growth in the next decade; (2) the social, economic and political environment in the PRC is likely to remain stable in the forecast period, which ensures the stable and healthy development of the PRC pediatric and obstetric and gynecologic healthcare industry; and (3) there will be no wars or large scale disasters during the forecast period.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm, after making reasonable enquiries, that there has been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict with or have an impact on the information included in this section.

THE PRC HOSPITAL MARKET

Overview

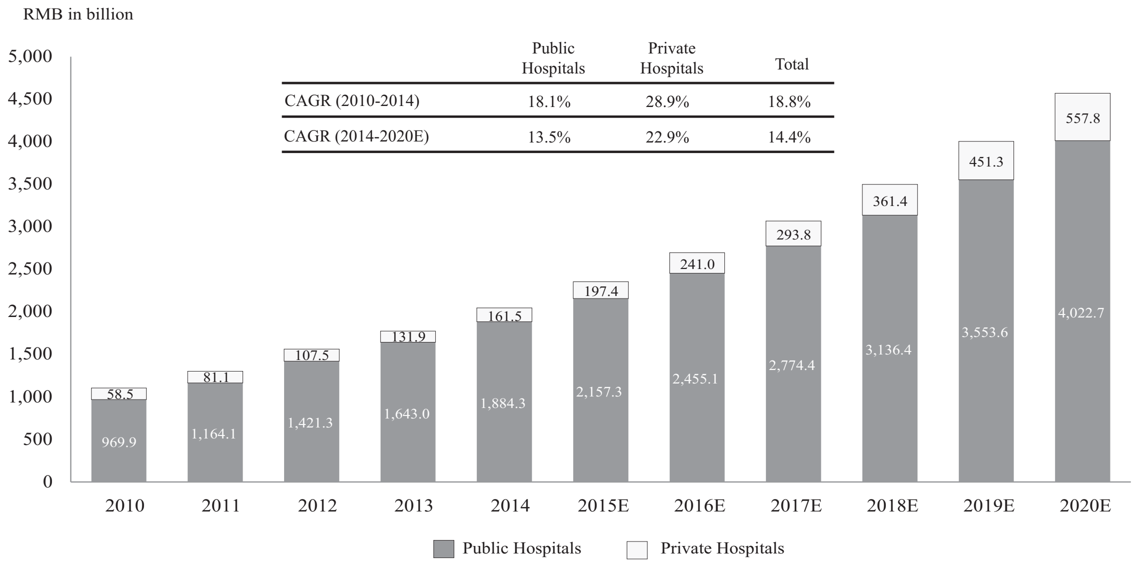
The PRC healthcare market has seen rapid development in recent years. The total healthcare expenditure in the PRC has grown at a CAGR of 15.3% from RMB1,998.0 billion, or 4.9% of its GDP, in 2010, to RMB3,531.2 billion, or 5.6% of its GDP, in 2014. The PRC's healthcare expenditure is expected to experience a steady growth in the next few years and reach RMB6,188.9 billion, or 6.6% of its projected GDP, in 2020, representing a CAGR of 9.8% from 2014 to 2020.

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. As of December 31, 2014, there were 25,860 hospitals and 917,335 primary healthcare institutions in the PRC. In an effort to optimize the allocation of medical resources across the country, the PRC government has been working in recent years to create a tiered healthcare system primarily following those in developed countries. Under such system, primary healthcare institutions handle the majority of patient visits and transfer those involving more severe conditions to hospitals, thereby alleviating the strain on the capacity of hospitals.

By the type of ownership, hospitals in the PRC can be generally classified into public hospitals and private hospitals. The PRC private hospital market has seen rapid development in recent years. The number of beds in operation of private hospitals as a percentage of the total number of beds in operation in the PRC continued to increase, from 11.0% as of December 31, 2010 to 16.8% as of the same date in 2014. 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 angiocardiopathy and pediatrics, in order to compete more effectively with other specialty hospitals.

In recent years, the PRC government has been encouraging the development of private hospital groups. Promoting the development of private "professional hospital management groups" is listed as a priority of the PRC government in both the Certain Opinions on Promoting the Development of the Healthcare Services Industry by the State Council (國務院關於促進健康服務業發展的若干意見) issued in 2013 and the Outlines of National Healthcare Services System Planning (2015-2020) (全國醫療衛生服務體系規劃綱要 (2015-2020)). Although the PRC hospital group market is currently in its initial stage of development and highly fragmented, with the top five private hospital groups in terms of the number of beds in operation accounting for less than 5% of the total number of beds in operation of private hospitals in the PRC as of the end of 2014, Frost & Sullivan expects an increase in the level of consolidation in such market and the emergence of a number of leading hospital groups. Hospitals with a standardized and replicable business model, strong profitability and a leading position in certain specialties are more likely to develop into successful hospital groups. Due to their significant efficiency and synergies, Frost & Sullivan expects hospital groups to utilize remote medical diagnostic technologies to handle the increasing demand for remote diagnostic services.

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:



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.

Increasing demand for private and mid- to high-end healthcare services. Various demographic and public health factors, such as an acceleration in population aging and the increasing prevalence of chronic diseases, have substantially increased PRC residents' demand for healthcare services. Scarce and unevenly distributed medical resources at public hospitals are unable to satisfy such growing needs, which, coupled with the rising spending power of PRC residents, has prompted the demand for private healthcare services. In addition, with the increasing disposable income of PRC residents, mid- to high-end medical services, which focus more on customization or privacy, are called for by such group of people. Compared to public hospitals which are restrained on offering mid- to high-end healthcare services, private hospitals have the advantage in developing such services.

Incentive healthcare reform policies. The PRC government made the development of private hospitals a priority in the "13th Five-Year Plan" ("十三五"計劃) and has since promulgated various incentive policies in this regard, such as granting preferential tax treatments to private hospitals, extending the coverage of public medical insurance programs to include certain private hospitals and encouraging the privatization of inefficiently managed public hospitals. In addition, the PRC government has liberalized physician registration regulation in certain cities and provinces, including Beijing, to allow physicians to register and practice at multiple medical institutions, which gives private hospitals better access to seasoned physicians at public hospitals.

Substantial capital inflows. The PRC private hospital market has seen substantial inflows of private capital in recent years, having seen 122 M&A deals between 2012 and 2015. Frost & Sullivan expects such capital inflows to continue in the near future considering the strong policy support of the government.

Similarly, benefiting from the higher per capita disposable income, stronger demand for mid- to high-end healthcare services and local government's support, the private hospital markets in Beijing and other Tier 1 Cities are expected to continue to grow. For example, in 2015 the per capita annual disposable income of residents in each of Tier 1 Cities ranged from RMB44,600 to RMB49,900, which is significantly higher than that of the PRC residents, which was RMB22,000 only. Similarly, in 2013 the per capita annual healthcare expenditure of residents in each of Tier 1 Cities ranged from RMB5,170 to RMB6,958, which is significantly higher than that of the PRC residents, which was RMB2,327 only.

Frost & Sullivan also 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 Pilot (國務院辦公廳關於城市公立醫院綜合改革試點的指導意見), certain customized and premium services (特需醫療服務) 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 the above 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 private pediatrics specialty hospitals and private 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 private specialty hospitals in the PRC during the same period at 13.8%. Furthermore, the development of the PRC insurance industry, supported by the government and the healthcare reform, will promote the development of commercial medical healthcare insurance, which can provide better payment ability for high-end healthcare services including the pediatric and obstetric and gynecologic services the Company is engaged in.

PPP Model in the PRC Private Hospital Market

There are different ways to enter the PRC private hospital market, including establishing new private hospitals, acquiring existing private hospitals, participating in the restructuring of public hospitals and entering into PPP arrangements with public hospitals. PPP arrangements can be broadly classified as equity-based or contractual depending on whether sharing of ownership or mere contractual arrangements are involved. For example, under the "invest-operate-transfer", or IOT, model, which is a contractual PPP model, the private partner invests in the renovation of a public hospital, operates it in return for management fees, and transfers the management rights back to the owner of the public hospital upon expiry of the relevant contractual arrangements. No sharing of ownership with the public hospital is involved in the IOT model.

The main advantage of the PPP model, whether equity-based or contractual, is that it provides immediate access to the talent pool and technical prowess of public hospitals, both of which are otherwise difficult for hospital operators to obtain in the short term. The reputation of the public hospitals in a PPP model can also benefit the marketing and expand the customer base of the private parties in such model. However, the PPP model is also more demanding of the qualification and experience of the private party, as public hospitals are generally selective in choosing PPP partners, especially with respect to their reputation, track record and management expertise.

Key Barriers to Entry of the PRC Private Hospital Market

New entrants to the PRC private hospital market face the following barriers to entry: (i) complexity of regulatory approval processes; (ii) difficulty in recruiting and retaining seasoned physicians; and (iii) demanding upfront capital requirement.

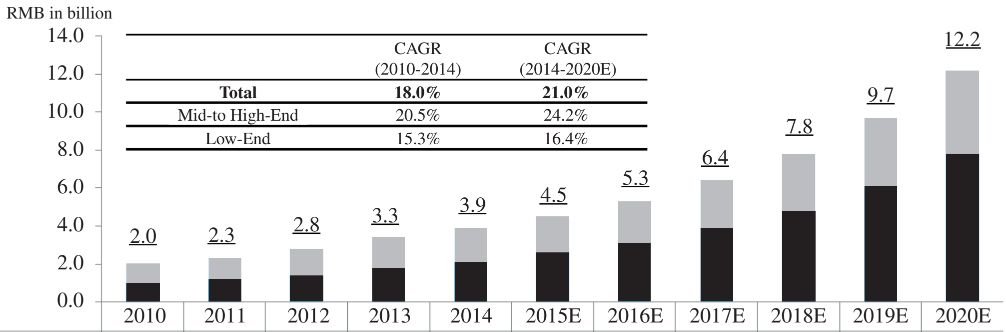
Complexity of regulatory approval processes. Obtaining the requisite regulatory approvals to establish and operate a hospital in the PRC can be a lengthy and complicated process highly dependent on the political climate on both the national and local levels. For example, new market entrants may be subject to enhanced scrutiny by local authorities while relevant rules and guidelines may change in an unpredictable manner during the application process. Such uncertainty is heightened in the case of private market players as they generally have less experience in navigating such an intricate process.

Difficulty in recruiting and retaining seasoned physicians. Private hospitals generally have greater difficulty in recruiting seasoned physicians than public hospitals, primarily because public hospitals in general offer more research and academic opportunities as well as a larger base of complicated cases, all of which are vital to the promotion of physicians along the professional ranks. In addition, individual doctors typically feel less assured about the quality of medical services and the internal control of private hospitals.

Demanding upfront capital requirement. New hospitals generally require a significant capital outlay to cover rental costs, renovation costs, equipment costs and other expenses, which are especially high for hospitals in large cities. In addition, it takes an average of three to eight years of operation for new hospitals to achieve profitability, depending on various factors such as their financial strength, location, demand of healthcare services and quality of physicians and medical professionals. This places a high demand on the financial resources of new market entrants, especially for private parties who do not have financial support from the government.

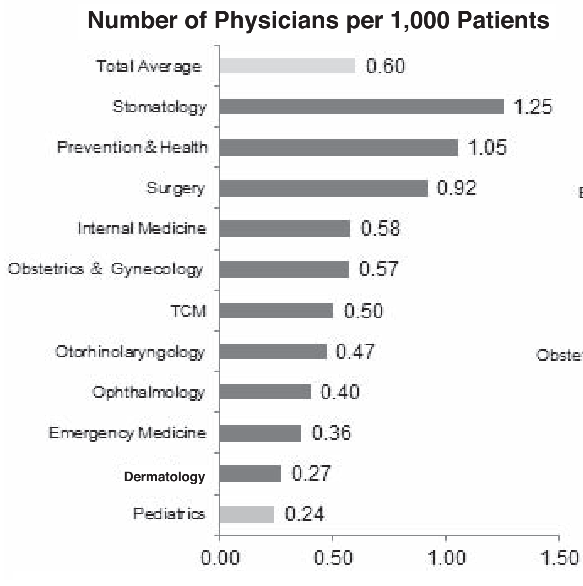
THE PRC PEDIATRIC HEALTHCARE MARKET

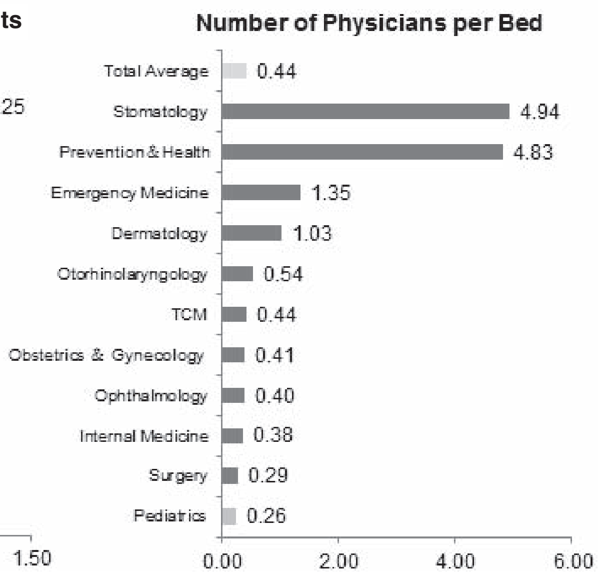
The total revenue of the PRC pediatric healthcare market grew at a CAGR of 14.6% from RMB41.6 billion in 2010 to RMB71.6 billion in 2014, and is expected to further increase to RMB184.0 billion in 2020, representing a CAGR of 17.0% between 2014 and 2020. Similarly, the total revenue of the pediatric healthcare market in Beijing grew at a CAGR of 17.0% from RMB3.3 billion in 2010 to RMB7.2 billion in 2015, and is expected to further increase to RMB16.8 billion in 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 grew at a CAGR of 20.5%, as compared to a CAGR of 15.3% of the low-end segment during the same period. 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 are estimated to 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:



	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

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:





Competitive Landscape of the Private and the Mid- to High-End Pediatric Healthcare Markets in the PRC and in Beijing

The PRC private pediatric healthcare market is relatively fragmented, with the top five market participants in terms of the revenue from their pediatric services accounting for only 38.8% of the market in 2015. Participants in this market include private general hospitals that offer pediatric services, private pediatrics specialty hospitals and private primary healthcare institutions that offer pediatric services. In 2015, the total market size of (i) the private mid- to high-end pediatric healthcare market in the PRC, (ii) the private pediatric healthcare market in Beijing and (iii) the mid- to high-end pediatric healthcare market in Beijing is estimated to be RMB2,586.8 million, RMB972.1 million and RMB809.8 million, respectively. The following tables set forth the top five pediatric healthcare providers in terms of the relevant 2015 market share:

Rank	Healthcare Group/Hospital	Market share of the private mid- to high-end pediatric healthcare market in the PRC
1	Competitor A	12.5%
2	Our Group(1)	11.4%
3	Competitor B	3.7%
4	Competitor C	3.2%
5	Competitor D	1.5%

Rank	Healthcare Group/Hospital	Market share of the private pediatric healthcare market in Beijing
1	Our Group(1)	30.4%
2	Competitor A	28.4%
3	Competitor B	19.1%
4	Competitor C	4.3%
5	Competitor D	1.9%

Rank	Healthcare Group/Hospital	Market share of the mid- to high-end pediatric healthcare market in Beijing
1	Our Group(1)	36.5%
2	Competitor A	22.9%
3	Competitor B	14.9%
4	Competitor C	6.5%
5	Competitor D	3.4%

(1) We included the revenue from the pediatric services of BNC Women's and Children's Hospital throughout 2015 in the calculation of our market share. If the revenue from the pediatric services of BNC Women's and Children's Hospital in 2015 and prior to our acquisition on November 30, 2015 is excluded, our Group ranked (i) second in the private mid- to high-end pediatric healthcare market in the PRC with a market share of 9.6%, (ii) second in the private pediatric healthcare market in Beijing with a market share of 25.4%, and (iii) first in the mid- to high-end pediatric healthcare market in Beijing with a market share of 30.5%.

In addition, our Group ranked second among private pediatric healthcare providers in Beijing in terms of the number of both pediatric outpatient visits and pediatric inpatient visits in 2015. We also rank first among private pediatric healthcare providers in Beijing in most brand attributes, including the two most important brand attributes: "Comprehensive Pediatric Specialties" and "Short Waiting Time for Surgery and Inpatient Treatment," according to a survey conducted by Frost & Sullivan in September 2016. Frost & Sullivan interviewed 100 respondents of different age groups, marital and child-raising status and gender as well as household income levels in several key districts of Beijing, the sampling of which is intended to be an adequate representation of the customer base of private pediatric healthcare providers in Beijing. Respondents were asked to indicate their familiarity with different pediatric healthcare providers in Beijing and evaluate such providers' performance in several key aspects such as the comprehensiveness of pediatric services offerings, waiting time for treatment and the adequacy of consultation per visit.

Trends in the PRC Private Pediatric Healthcare Market

The following trends are witnessed among private pediatric healthcare providers in the PRC: (i) provision of comprehensive pediatric services offerings; (ii) movement toward the mid- to high-end market; and (iii) expansion into the obstetric and gynecologic healthcare market.

Provision of comprehensive pediatric services offerings. Many pediatric healthcare providers, including the pediatric departments of general hospitals, currently only provide pediatric internal medicine and pediatric preventive medicine services to meet the basic healthcare needs of children. It is expected that private pediatric healthcare providers will tap into the unmet demand for more advanced pediatric services by covering a wider variety of pediatric specialties.

Movement toward the mid- to high-end market. The typically low profit margin of the low-end segment of the pediatric healthcare market has driven many providers to move toward the mid- to high-end segment, which is supported by the rising spending power of PRC residents who increasingly demand premium pediatric services. Frost & Sullivan expects such trend to accelerate in the near future. In addition, innovative services have been and will continue to be introduced to cater to the need of mid- to high-end pediatric healthcare market customers such as membership programs with designated family doctors and utilizing specialized and complementary clinical capabilities to offer innovative treatments.

Expansion into the obstetric and gynecologic healthcare market. Pediatrics, obstetrics and gynecology are inherently complementary and synergistic because newborns are likely to develop pediatric conditions while their mothers may also have gynecologic needs. Most obstetrics and gynecology specialty hospitals, however, are currently unable to provide services beyond basic medical care for newborns as pediatrics in general is more medically complex, thus leaving a significant market niche for pediatric healthcare providers.

Barriers to Entry of the PRC Mid- to High-End Private Pediatric Healthcare Market

New entrants to the mid- to high-end segment of the PRC private pediatric healthcare market face the following barriers to entry: (i) difficulty in recruiting pediatricians and medical technicians; (ii) complexity of pediatric diagnosis and treatment; and (iii) creating an established brand.

Difficulty in recruiting pediatricians and medical technicians. Pediatrics has different specialties, such as pediatric ophthalmology, pediatric dermatology and pediatric surgery. With the current shortage of pediatricians in the PRC, it is difficult to recruit sufficient pediatricians for each pediatric specialty. In addition, medical technicians working at pediatrics specialty hospitals customarily should have prior experience in pediatric examination. Such medical technicians are also relatively scarce in the PRC. The difficulty in recruiting qualified pediatricians and medical technicians is aggravated in the case of private pediatrics specialty hospitals as medical professionals in the PRC prefer to work at public hospitals in general. See "Industry Overview — The PRC Hospital Market — Key Barriers to Entry of the PRC Private Hospital Market — Difficulty in Recruiting and Retaining Seasoned Physicians."

Complexity of pediatric diagnosis and treatment. Pediatric diseases typically have an acute outbreak of symptoms followed by rapid exacerbation. In addition, pediatric patients are often unable to clearly express themselves. As a result, accurate diagnosis and effective treatment of pediatric diseases particularly rely on highly skilled and seasoned pediatric physicians and advanced medical equipment, to which private hospitals have limited access. This makes it more difficult for private hospitals to enter the mid- to high-end segment, where the perception of the quality of medical services by patients and their families is critical to a successful operation.

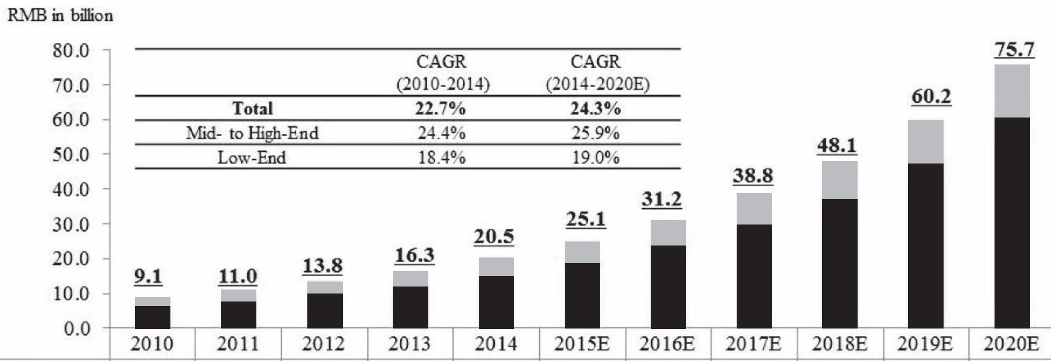
Creating an established brand. Branding is vital to a successful pediatric practice as families of pediatric patients attach high value to a trusted brand. This is especially true for the mid- to high-end segment as wealthy families tend to be more selective. A well-established brand may also facilitate business expansion by quickly gaining the trust of potential partners, physicians and local customers. However, it is difficult for new entrants to build a successful brand with a limited operational history.

THE PRC OBSTETRIC AND GYNECOLOGIC HEALTHCARE MARKET

Overview

The total revenue of the PRC obstetric and gynecologic healthcare market grew at a CAGR of 18.3% from RMB95 billion in 2010 to RMB186.1 billion in 2014, and is expected to further increase to RMB560.1 billion in 2020, representing a CAGR of 20.2% between 2014 and 2020. Similarly, the total revenue of the obstetric and gynecologic healthcare market in Beijing grew at a CAGR of 20.9% from RMB4.7 billion in 2010 to RMB12.0 billion in 2015, and is expected to further increase to RMB35.4 billion in 2020. 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 grew at a CAGR of 24.4%, as compared to a CAGR of 18.4% of the low-end segment 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:



	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

Competitive Landscape of the Private and the Mid- to High-End Obstetric and Gynecologic Healthcare Markets in Beijing

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 74.4% of the total revenue of RMB1,821.6 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.

In terms of the 2015 market share, our BNC Women's and Children's Hospital ranked ninth in the private obstetric and gynecologic healthcare market in Beijing with a market share of 2.3% and seventh in the mid- to high-end obstetric and gynecologic healthcare market in Beijing with a market share of 2.6%. In addition, we owned the most LDR wards among private obstetric and gynecologic healthcare providers in Beijing as of December 31, 2015.

Key Drivers of the PRC Private Obstetric and Gynecologic Healthcare Market

Future growth of the PRC obstetric and gynecologic healthcare market is expected to be primarily driven by:

Implementation of the Two-Child Policy. 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 expects the birth rate in the PRC to rise as a result, which will increase demand for obstetric and gynecologic services.

Development of commercial medical insurance. Obstetric healthcare expenditure settled by commercial medical insurance providers in the PRC grew at a CAGR of 23.9% from RMB0.4 billion in 2010 to RMB1.1 billion in 2015. Such development is expected to significantly improve the affordability of services of private obstetric and gynecologic healthcare providers in particular, who generally have close cooperative relationships with commercial medical insurance providers as a result of limited coverage of obstetric and gynecologic services under public medical insurance programs.

Trends in the PRC Private Obstetric and Gynecologic Healthcare Market

The PRC private obstetric and gynecologic healthcare market has relatively few barriers to entry; market players who cannot provide differentiated services may face intense competition. As a result, the following trends are witnessed among private obstetric and gynecologic healthcare providers in the PRC: (i) movement toward the mid- to high-end market; and (ii) wider use of advanced medical technologies.

Movement toward the mid- to high-end market. Privacy and comfort are of particular importance to obstetric and gynecologic patients. As a result, they are more willing to pay for premium services. It is expected that an increasing number of obstetric and gynecologic healthcare providers will position themselves in the mid- to high-end segment to exploit the growth opportunities made available by the rising spending power of PRC residents who value privacy and comfort in the course of receiving healthcare services. In addition, innovative services have been and will continue to be introduced to cater to the need of mid- to high-end obstetric and gynecologic patients such as the combination of certain pediatric and gynecologic services and obstetric and pediatric services, the provision of LDR wards, midwife prenatal care services and breastfeeding support.

Wider use of advanced medical technologies. As an increasing number of market players move toward the mid- to high-end segment, Frost & Sullivan expects to see more widespread utilization of advanced medical technologies by private obstetric and gynecologic healthcare providers to explore unmet demand for high-quality and personalized medical services.

THE HEALTHCARE EXPENDITURE PAYER MIX IN THE PRC

Healthcare expenses in the PRC are either paid out-of-pocket by patients or reimbursed by medical insurance providers. Public medical insurance programs, sponsored by the government, only provide coverage for basic healthcare services. Patients who are not covered by these programs or need additional coverage may choose to purchase commercial medical insurance.

Encouraged by the PRC government to provide differentiated and more comprehensive insurance coverage, the commercial medical insurance business in the PRC has seen steady growth in recent years. Medical expenses settled by commercial medical insurance providers in the PRC grew at a CAGR of 30.4% from RMB26.4 billion in 2010 to RMB76.3 billion in 2015 and is expected to further increase to RMB306.6 billion in 2020, representing a CAGR of 32.1% between 2015 and 2020. Meanwhile, commercial medical insurance premiums in the PRC grew at a CAGR of 28.9% from RMB67.7 billion in 2010 to RMB241.0 billion in 2015 and is expected to further increase to RMB1,358.7 billion in 2020, representing a CAGR of 23.6% between 2015 and 2020. The percentage of healthcare expenditure in the PRC settled by commercial medical insurance providers grew from 1.3% in 2010 to 1.6% in 2014 and is expected to further increase to 5.0% in 2020. Frost and Sullivan expects commercial medical insurance to continue its growth in light of the government's policy support.

The rapid development of commercial medical insurance business in the PRC is expected to lead to closer cooperation between commercial medical insurance providers and private hospitals in particular as public medical insurance programs offer limited coverage for services provided at private hospitals. When tapping into unmet demand for medical insurance coverage at private hospitals, commercial medical insurance providers tend to adopt the following strategies: (i) partnering with reputable mid- to high-end hospitals; and (ii) jointly offering packaged services with partner hospitals.

Partnering with reputable mid- to high-end hospitals. Patients at reputable mid- to high-end hospitals generally have greater need for insurance coverage and are able to afford higher premiums. In addition, commercial medical insurance providers have more assurance in the quality of medical services and the internal control of such hospitals.

Jointly offering packaged services with partner hospitals. Certain commercial medical insurance providers and their partner hospitals have jointly offered packaged services that include both an insurance plan and enrolment in the membership programs, or entitlement to other discount services, of such hospitals. Through the marketing and provision of such packaged services, the commercial medical insurance provider and its partner hospital are able to tap into each other's existing customer base and thereby expand their own.

Our business operations are subject to extensive supervision and regulation by the PRC government. This section sets out an introduction to a summary of the main applicable laws, rules, regulations and policies, which may have a significant impact on our business.

LAWS AND REGULATIONS RELATED TO THE HEALTHCARE SERVICE SECTOR IN THE PRC

Regulations on the Reform of Healthcare Institutions

Opinions on Promoting Further Reform of the Healthcare System

The Opinions on Promoting Further Reform of the Healthcare System (中共中央國務院關於深化醫藥衛生體制改革的意見) (the "Opinions"), which were promulgated by the State Council on March 17, 2009, advocate a range of measures to reform healthcare institutions in the PRC and establish a basic healthcare system covering urban and rural residents. Measures aimed at reforming healthcare institutions include the separation of: (i) government agencies from public healthcare institutions, (ii) for-profit healthcare institutions from not-for-profit healthcare institutions, (iii) sponsorship from operations of public hospitals, and (iv) pharmaceutical dispensing from pharmaceutical prescription. The Opinions include proposals for the establishment and improvement of corporate governance systems of public healthcare institutions, and checks and balances in decision-making, execution and supervision processes between organizers and operators of public healthcare institutions. The Opinions also encourage private capital to invest in healthcare institutions (including investments by foreign investors), the development of private healthcare institutions and the reform of public healthcare institutions (including those established by state-owned enterprises) through private capital investment.

Notice on Further Encouraging and Guiding Private Capital to Invest in Healthcare Institutions

The Notice of the State Council on Forwarding the Opinions of the NDRC, the NHFPC and other Departments on Further Encouraging and Guiding Private Capital to Invest in Medical Institutions (關於進一步鼓勵和引導社會資本舉辦醫療機構意見的通知) ("Order No. 58"), which was promulgated by the General Office of the State Council on November 26, 2010, stipulates that the PRC government encourages and supports investments by private investors in healthcare institutions of various types. Private investors are permitted to apply to establish for-profit or not-for-profit healthcare institutions. Private investors are also encouraged to participate in the reform of existing public hospitals, including those established by state-owned enterprises, by converting them into not-for-profit healthcare institutions in order to systematically reduce the proportion of public hospitals in the system. Private healthcare institutions with experience in the provision of healthcare services and good reputation shall be selected as participants in the restructuring of public hospitals. The restructuring of public hospitals may be carried out through pilot reform programs in hospitals established by state-owned enterprises. Private healthcare institutions are encouraged to modernize hospital management, establish standardized corporate governance structures, step up cost control and quality management systems, and employ professional managers to manage the hospital. Private investors are encouraged to set up hospital management companies to provide specialized services. Private healthcare institutions are encouraged to engage or authorize domestic or overseas healthcare institutions with professional experience to participate in the management of hospitals to improve their efficiencies. Healthcare institutions are encouraged to develop into large, sophisticated, technology-intensive medical groups and adopt brand-focused development strategies to build good reputation and image. Private healthcare institutions are encouraged to improve their clinical research and build their research and development teams.

Several Opinions on Promoting the Development of Healthcare Service Industry

Several Opinions on Promoting the Development of Healthcare Service Industry (國務院關於促進健康服務業發展的若干意見) (the "2013 Opinions") was promulgated by the State Council on September 28, 2013. The 2013 Opinions encourage the private sector to invest in the healthcare service industry by various means including new establishment and participation in restructuring, and also encourage private capital investment in not-for-profit healthcare institutions for provision of basic health care services. The 2013 Opinions proposes the idea of the relaxation of the requirements for sino-foreign equity joint or cooperative joint healthcare institutions and expand eligibility in the pilot program for wholly foreign-invested healthcare institutions.

Several Opinions on Accelerating the Development of Medical Institutions with Social Capital

Several Opinions on Accelerating the Development of Medical Institutions with Social Capital (關於加快發展社會辦醫的若干意見), which were promulgated on December 30, 2013 by NHFPC and the State Administration of Traditional Chinese Medicine, stipulate the policies that support the development of private-invested healthcare institutions, including the (i) gradual relaxation of investment in healthcare institutions by foreign capital; (ii) relaxation of requirements for service sectors, allowing social capital's investment in the areas which are not explicitly prohibited; (iii) relaxation of requirements for the deployment and use of large medical equipment in private hospitals; (iv) improvement of supporting policies for the development of private hospitals in aspects such as medical insurance and price control; (v) acceleration of the approval processing regarding the establishment and operation of private hospitals.

Notice on Printing and Distributing the Outline of the National Medical and Healthcare Service System Plan (2015-2020)

The Notice on Printing and Distributing the Outline of the National Medical and Healthcare Service System Plan (2015-2020) (關於印發全國醫療衛生服務體系規劃綱要(2015—2020)的通知), which was promulgated by the General Office of the State Council on March 6, 2015, stipulates that private medical institutions are significant and integral parts of the medical and healthcare service system as well as an effective approach to fulfilling people's multilevel and diversified medical and healthcare service needs. Private medical institutions may provide basic medical services, compete with public medical institutions in an orderly manner, provide top service to fulfill extra needs which are beyond basic needs and provide services in great demand such as rehabilitation and geriatric services to complement public medical institutions.

Up to 2020, planning shall be reserved for private medical institutions ensuring that each one thousand residents are entitled to no less than 1.5 hospital beds. Reservation shall also be made for the setup of diagnosis and treatment subjects and the allocation of large medical equipment. Requirements for the qualifications of medical institution sponsors shall be reduced as well as the conditions of setup medical institution through Sino-foreign equity/cooperative joint venture. The pilot scheme of establishment of medical institutions solely invested by qualified overseas capitals shall be expanded steps by steps. The requirements of service scope shall also be reduced and the social capitals shall be allowed to invest in areas not explicitly prohibited by the laws and regulations. Not-for-profit medical institutions are entitled to prior support. Private medical institutions shall be guided to develop into a high and large-scale level. Professional hospital management group shall develop. Support shall be made to the allocation of large medical equipment of private medical institutions. The review and approval formalities shall be more efficient. Where the private medical institution is qualified, the corresponding approval shall be assumed and the process shall be simplified to improve the approval efficiency.

Several Policies and Measures Regarding the Promotion of Accelerating the Development of the Medical Institutions Invested by Private Capital

Several Policies and Measures Regarding the Promotion of Accelerating the Development of the Medical Institutions Invested by Private Capital (關於促進社會辦醫加快發展若干政策措施的通知), which were promulgated by the General Office of the State Council on June 11, 2015 and came into effect on the same day, stipulate that, (i) the elimination and cancellation of unreasonable preceding items for examination and approval and the reduction in the time required for making such examination and approval; (ii) the reasonable control of the number and scale of the public medical institutions and the exploration of the space for development of the medical institutions invested by private capital; (iii) the support for the listing and financing of such eligible and qualified for-profit medical institutions invested by private capital; (iv) and that private investors with managerial experience in medical institutions are encouraged to participate in the management of public medical institutions through various forms including hospital management groups and subject to the clear distribution of power and responsibilities.

Notice on Printing Guiding Principles for the Allocation Planning of Medical Institutions (2016-2020)

The Notice on Printing Guiding Principles for the Allocation Planning of Medical Institutions (2016-2020) (國家衛生計生委關於印發醫療機構設置規劃指導原則(2016-2020年)的通知), which was promulgated by NHFPC on July 21, 2016, encourages the medical institutions with social capital and stipulates (i) the acceleration of the scale and high-level development of medical institutions with social capital, and the involvement of medical institutions with social capital in relevant planning to reserve space for the allocation of resources such as beds and large medical equipment according to a certain proportion; (ii) the cancellation of limitations on the amount and location of medical institutions with social capital in terms of the accordance with total amount and structure of planning; (iii) the preference to the allocation approval of resource-scarce and not-for-profit specialized medical institutions established by social capital; (iv) the encouragement of the establishment of private clinics by medical practitioners with middle and high professional title.

Regulations on the Administration and Classification of Healthcare Institutions

Administrative Measures on Medical Institutions and the Medical Institution Practicing License

The Administrative Measures on Medical Institutions (醫療機構管理條例), which were promulgated on February 26, 1994 by the State Council and came into effect on September 1, 1994 and amended on February 6, 2016, and the Implementation Measures of the Administrative Measures on Medical Institutions (醫療機構管理條例實施細則), which were promulgated by the NHFPC on August 29, 1994 and came into effect on September 1, 1994, stipulate that the establishment of healthcare institutions shall comply with the relevant regional planning requirements as well as the basic standards of healthcare institutions. Any entity or individual that intends to establish a healthcare institution must follow the application approval procedures and register with the relevant healthcare administrative authorities to obtain a Medical Institution Practicing License (醫療機構執業許可證).

Law on Maternal and Infant Healthcare and Its Implementation Measures

The Law of the People's Republic of China on Maternal and Infant Healthcare (中華人民共和國母嬰保健法), which was promulgated by the Standing Committee of the NPC on October 27, 1994 and came into effect on June 1, 1995, and the Implementation Measures of the Law of the People's Republic of China on Maternal and Infant Health Care (中華人民共和國母嬰保健法實施辦法), which were promulgated by the State Council on June 20, 2001 and came into effect on the same day, stipulate that medical institutions engaged in (i) genetic disease diagnosis and prenatal diagnosis, (ii) pre-marital medical examinations, or (iii) midwifery services, ligature operations or operations for termination of gestation, shall be licensed by the public health administrative authority of different levels as stipulated to obtain the corresponding qualification certificates.

Administrative Measures for the Examination of Medical Institutions (For Trial Implementation)

The Administrative Measures for the Examination of Medical Institutions (For Trial Implementation) (醫療機構校驗管理辦法(試行)) (the "Administrative Measures for Examination"), which were promulgated by the NHFPC and came into effect on June 15, 2009, stipulate a healthcare institution's Medical Institution Practicing License is subject to periodic examinations and verifications by the registration authorities, and will be cancelled if such healthcare institution fails to pass the examination.

Opinions on Implementing Classification Administration of Urban Medical Institutions

The Opinions on Implementing Classification Administration of Urban Medical Institutions (關於城鎮醫療機構分類管理的實施意見), which were jointly promulgated by the Ministry of Health, State Administration of Chinese Traditional Medicine, MOF and NDRC on July 18, 2000 and came into effect on September 1, 2000, provide that not-for-profit and for-profit healthcare institutions shall be classified based on their business objectives, service purposes and implementation of various financial, taxation, pricing and accounting policies. Also, governments shall not operate for-profit healthcare institutions. Healthcare institutions shall file with relevant authorities of health written statements of their not-for-profit/for-profit status when they go through application, registration and re-examination procedures in accordance with relevant laws, and the handling authority of health shall, jointly with other relevant authorities, decide the not-for-profit/for-profit status for such healthcare institution based on the source of its investment and the nature of its business.

Categories of Healthcare Institutions in the PRC

According to the Basic Standards for Medical Institutions (For Trial Implementation) (醫療機構基本標準(試行)) which was promulgated on September 2, 1994 and revised on August 2, 2010 and December 5, 2011 and the Interim Measures for the Assessment of Medical Institutions (醫院評審暫行辦法) promulgated by the NHFPC on September 21, 2011, medical institutions in the PRC can be graded into three classes (Class I, II and III) with regard to their medical practice conditions, including but not limited to, the amount of registered beds, treatment departments, personnel, properties, equipment as well as completeness of their internal rules and regulations.

Regulations on the Supervision over Pharmaceuticals and Medical Equipment in Healthcare Institutions

Measures for the Supervision and Administration of Pharmaceuticals in Medical Institutions (for Trial Implementation)

The Measures for the Supervision and Administration of Pharmaceuticals in Medical Institutions (for Trial Implementation) (醫療機構藥品監督管理辦法(試行)), which were promulgated by the CFDA and came into effect on October 11, 2011, stipulate that healthcare institutions must purchase pharmaceuticals from enterprises qualified for the production or distribution of pharmaceuticals and comply with certain standards in respect of the storage, safekeeping, preparations and use of such pharmaceuticals. Pharmaceutical preparation produced by a healthcare institution must only be used by and for that healthcare institution. Healthcare institutions are prohibited from selling prescription pharmaceuticals to the public by such means as post, online transaction and open-shelf selection.

Administrative Measures for the Control of Radioactive Pharmaceuticals

The Administrative Measures for the Control of Radioactive Pharmaceuticals (放射性藥品管理辦法), which were promulgated by the State Council and came into effect on January 13, 1989 and revised on January 8, 2011, require healthcare institutions to comply with relevant national regulations and rules concerning radioisotope health protection when using radioactive pharmaceuticals. Any healthcare institution that wants to use radioactive pharmaceuticals must obtain a License for the Use of Radioactive Pharmaceuticals from the public security departments, the environmental protection departments and the public health departments at the provincial, regional or municipal levels, as applicable. The License for the Use of Radioactive Pharmaceuticals is valid for five years and is of varying grades based on the technical skill and professional level of the radiological personnel and the equipment of the healthcare institution. In addition, before a healthcare institution holding a License for the Use of Radioactive Pharmaceuticals commences the preparation of radioactive drugs for clinical use, it must submit an application to the health administration department at the provincial, regional or municipal level for approval and complete filing procedures with the NHFPC.

Regulations on the Administration of Narcotic Pharmaceuticals and Psychotropic Substances

The Regulations on the Administration of Narcotic Pharmaceuticals and Psychotropic Substances (麻醉藥品和精神藥品管理條例), which were promulgated by the State Council on August 3, 2005 and revised on December 7, 2013, provide that, where a healthcare institution needs to use any narcotic pharmaceutical or Class I psychotropic substance, it shall, upon approval by the competent public health department, obtain the Seal Card for the Purchase and Use of Narcotic Pharmaceuticals and Class I Psychotropic Substances (the "Seal Card"). If a healthcare institution with a Pharmaceutical Preparation Certificate for Medical Institutions (醫療機構製劑許可證) and a Seal Card needs to dispense for clinical use any narcotic pharmaceutical or psychotropic substance which is not available on the market, the preparation shall be subject to approval by the competent provincial, regional or municipal pharmaceutical regulatory department where the healthcare institution is located. The pharmaceutical preparations of a narcotic pharmaceutical or psychotropic substance dispensed by the healthcare institution may only be used in the institution itself and may not be marketed.

Administrative Measures on the Radiotherapy

The Administrative Measures on the Radiotherapy (放射診療管理規定), which were promulgated by the NHFPC on January 24, 2006 and came into effect on March 1, 2006 and amended on January 19, 2016, set out the basic statutory framework for healthcare institutions engaged in the clinical diagnosis and treatment using radioisotopes and radiation-emitting devices. Depending on the specific radiotherapy treatment, healthcare institutions shall apply for and obtain the License for radiotherapy issued by the competent public health administrative authorities. During the course of radiotherapy, healthcare institutions shall take protective measures in accordance with the relevant laws and regulations.

Regulations on the Safety and Protection of Radioisotopes and Radiation-emitting Devices

The Regulations on the Safety and Protection of Radioisotopes and Radiation-emitting Devices (放射性同位素與射線裝置安全和防護條例), which were promulgated by the State Council on September 14, 2005 and came into effect on December 1, 2005 and amended on July 29, 2014, stipulate that any entity engaging in the production, sale or use of radioisotopes or radiation-emitting devices of different categories shall obtain a corresponding license from the competent environment protection department. In addition, healthcare institutions using radioisotopes or radiation-emitting devices for diagnosis and treatment shall obtain a license for diagnostic and therapeutic technique with radioactive sources and medical radiation.

Administrative Measures on the Deployment and Use of Large Medical Equipment

The Administrative Measures on the Deployment and Use of Large Medical Equipment (大型醫用設備配置與使用管理辦法), which were jointly promulgated by the NHFPC, the NDRC and the MOF on December 31, 2004 and came into effect on March 1, 2005, provide that the management of large medical equipment is subject to the allocation planning and licensing system. Large medical equipment refers to those medical equipment listed in the catalog issued by the public health administrative authorities of the State Council or those unlisted medical equipment deployed for the first time within the provincial regions with a unit price above RMB5 million. Medical institutions that wish to purchase large medical equipment shall apply to the competent public health administrative authorities and purchase the approved large medical equipment upon receipt of a License for the Deployment of Large Medical Equipment. Operating personnel of the large medical equipment (including doctors, operation staff, engineers and technicians) shall accept corresponding job training and obtain corresponding operating qualifications.

Laws and Regulations on Medical Personnel of Healthcare Institutions

Law on Medical Practitioners of the People's Republic of China

The Law on Medical Practitioners of the People's Republic of China (中華人民共和國執業醫師法), which was promulgated by the Standing Committee of the NPC on June 26, 1998 and came into effect on May 1, 1999, provides that physicians in the PRC must obtain qualification licenses for their medical profession. Qualified physicians and qualified assistant physicians must register with the relevant public health administrative authorities at or above the county level. After registration, physicians may work at healthcare institutions in their registered location in the types of jobs and within the scope of medical treatment, disease-prevention or healthcare business as provided in their registration.

The Notice on Issues concerning Multi-sited Practices of Physicians

The Notice on Issues concerning Multi-sited Practices of Physicians (衛生部關於醫師多點執業有關問題的通知), which was promulgated by the NHFPC on September 11, 2009 and came into effect on the same date, provides that a classification administration system shall be implemented for physicians' multi-sited practices. Physicians can practice in its cooperative healthcare institutions after performing relevant record-filing procedures with the authorities with which physicians' Medical Institution Practicing License registered. The local NHFPC shall implement its multi-sited practices policies after being approved by NHFPC. On July 12, 2011, the Notice of the Office of the NHFPC on Expanding the Pilot Scope of Multi-sited Practices of Physicians (衛生部辦公廳關於擴大醫師多點執業試點範圍的通知) further expands the trial areas of physicians' multi-sited practices. Qualified physicians in the pilot areas can apply for at most three locations as their practicing sites. Several Opinions on Accelerating the Development of Medical Institutions with Social Capital (關於加快發展社會辦醫的若干意見), which were promulgated on December 30, 2013 by NHFPC and the State Administration of Traditional Chinese Medicine, specifically stipulate that multi-sited practices of physicians shall be permitted and relevant authorities should permit the orderly movements of the medical personnel among medical institutions of various sponsorship.

Regulations on Nurses

The Regulations on Nurses (護士條例), which were promulgated by the State Council on January 31, 2008 and came into effect on May 12, 2008, provide that a nurse must obtain a nurse's Practicing Certificate, which is valid for five years. The number of nurses on staff at a healthcare institution shall not be less than the standard number as prescribed by the public health administrative authority of the State Council.

Laws and Regulations on Medical Malpractice

The General Principles of the Civil Law of the People's Republic of China

The General Principles of the Civil Law of the People's Republic of China (中華人民共和國民法通則), which was promulgated by the National People's Congress on April 12, 1986, came into effective on January 1, 1987 and amended on August 27, 2009, provided that contracting parties shall perform their obligations in full as agreed.

Contract Law of the People's Republic of China

The Contract Law of the People's Republic of China (中華人民共和國合同法), which was promulgated by the National People's Congress on March 15, 1999 and came into effect on October 1, 1999, provide that the contracting parties shall observe the principle of honesty and good faith in exercising their rights and performing their obligations. A lawfully established contract shall be legally binding on the contracting parties, each of whom shall perform its own obligations in accordance with the terms of the contract, and no party shall unilaterally modify or terminate the contract.

Tort Liability Law of the People's Republic of China

The Tort Liability Law of the People's Republic of China (中華人民共和國侵權責任法), which as promulgated by the Standing Committee of the NPC on December 26, 2009 and came into effect on July 1, 2010, provides that, if a healthcare institution or its medical personnel are at fault for damage inflicted on a patient during the course of diagnosis and treatment, the healthcare institution will be liable for compensation. The damage caused to the patient by the failure of the medical personnel to fulfill their statutory obligations in the course of diagnosis and treatment will be paid by the healthcare institution. Healthcare institutions and their medical personnel will protect the privacy of their patients and will be liable for damage caused by divulging the patients' private or medical records without consent.

Regulations on Handling Medical Malpractice

The Regulations on Handling Medical Malpractice (醫療事故處理條例), which were promulgated by the State Council on April 4, 2002 and came into effect on September 1, 2002, provide a legal framework and detailed provisions regarding the prevention, identification, disposition, compensation and penalties of or relating to cases involving personal injury to patients caused by healthcare institutions or medical personnel due to malpractice.

Regulations on Medical Advertising in the PRC

Advertisement Law of the People's Republic of China

The Advertisement Law of the People's Republic of China (中華人民共和國廣告法), which was promulgated by the Standing Committee of National People's Congress on October 27, 1994 and came into effect on February 1, 1995 and further amended and came into effect on September 1, 2015, provides that advertisements shall not contain false statements and be deceitful or misleading to consumers. Advertisements legally required to receive censorship, including those that are relating to pharmaceuticals and medical devices, shall be reviewed by relevant authorities in accordance with relevant rules before being distributed by broadcasting, movies, television, newspapers, journals or otherwise. The amended Advertisement Law further stipulates that any advertisement for medical treatment, pharmaceuticals or medical devices shall not contain: (i) any assertion or guarantee for efficacy and safety; (ii) any statement on cure rate or effective rate; (iii) any comparison with the efficacy and safety of other pharmaceuticals or medical devices or with other healthcare institutions; (iv) any use of endorsements or testimonials; or (v) other items as prohibited by laws and administrative regulations.

Interim Measures for the Administration of Internet Advertisement

The Interim Measures for the Administration of Internet Advertisement (互聯網廣告管理暫行辦法), which was promulgated by the State Administration of Industry and Commerce on July 4, 2016 and came into effect on September 1, 2016, provides that Internet advertisement shall be identifiable and clearly identified as an "advertisement" so that consumers will tell it is an advertisement. Paid search advertisements shall be clearly distinguished from natural search results. No entity and individual may publish any advertisement of over-the-counter medicines or tobacco by means of the Internet. No advertisement of any medical treatment, medicines, foods for special medical purpose, medical apparatuses, pesticides, veterinary medicines, dietary supplement or other special commodities or services which are subject to review by advertisement review authorities as stipulated by laws and regulations shall be released unless it has passed such review.

Administrative Measures on Medical Advertisement

The Administrative Measures on Medical Advertisement (醫療廣告管理辦法), which were jointly promulgated by the State Administration of Industry and Commerce and the NHFPC on November 10, 2006 and came into effect on January 1, 2007, require that medical advertisements shall be reviewed by relevant health authorities and obtain a Medical Advertisement Examination Certificate (醫療廣告審查證明) before they may be released by a healthcare institution. Medical Advertisement Review Certificate has an effective term of one year and may be renewed upon application.

Regulations on Environmental Protection related to Healthcare Institutions

Regulations on the Management of Medical Waste and its implementation measures

The Regulations on the Management of Medical Waste (醫療廢物管理條例), which were promulgated by the State Council on June 16, 2003 and came into effect on the same day, and the Implementation Measures of the Management of Medical Waste (醫療衛生機構醫療廢物管理辦法), which were promulgated by the NHFPC on October 15, 2003 and came into effect on the same day, stipulate that healthcare institutions must timely deliver medical waste to a specially designated location for centralized disposal of medical waste and categorize the medical waste in accordance with the Classified Catalog of Medical Waste. High-risk waste such as the culture medium or specimens of pathogens and the preserving liquid of bacteria strains or virus strains must be sterilized on the spot before disposal. Sewage generated by any healthcare institution and excretion of its patients or patients suspected of infectious diseases must be sterilized in accordance with the relevant laws, rules and regulations, and must not be discharged into sewage until the relevant standards are met.

Regulations on Urban Drainage and Sewage Treatment

The Regulations on Urban Drainage and Sewage Treatment (城鎮排水與污水處理條例), which were promulgated by the State Council on October 2, 2013 and came into effect on January 1, 2014, require that urban entities and individuals shall dispose sewage through urban drainage facilities covering their geographical area in accordance with relevant rules. Companies or other entities engaging in medical activities shall apply for a Sewage Disposal Drainage License (污水排入排水管網許可證) before disposing sewage into urban drainage facilities. Sewage-disposing entities and individuals shall pay sewage treatment fee in accordance with relevant rules.

Laws and Regulations on Pharmaceutical Distribution

The Opinions on Promoting Drug Pricing Reform

The Opinions on Promoting Drug Pricing Reform (推進藥品價格改革的意見), which were promulgated by the NDRC, NHFPC, CFDA, MOFCOM and other three departments on May 4, 2015, and came into effect on the same day, set forth that from June 1, 2015, except for narcotic drugs and Class I psychotropic drugs, the restrictions on the prices of the drugs that were subject to government pricing will be cancelled. Specifically, the prices of narcotic drugs and Class I psychotropic drugs are still subject to maximum factory prices and maximum retail prices set by the NDRC for the time being. The medical insurance regulatory authority shall, along with other competent departments, draw up provisions in relation to the standards, procedures, basis and methods of the payment of drugs paid by medical insurance funds. With regard to patent drugs and exclusively produced drugs, the prices thereof are set through transparent and public negotiation among multiple parties. The prices for blood products not listed in the Medical Insurance Drugs List, immunity and prevention drugs that are purchased by the State in a centralized manner, and AIDS antiviral drugs and contraceptives provided by the State for free, shall be set through tendering purchase or negotiation. Except as otherwise mentioned as above, the prices for other drugs may be determined by the manufacturers and the operators on their own on the basis of production or operation costs and market supply and demand.

LAWS AND REGULATIONS RELATED TO FOREIGN INVESTMENT IN THE PRC

Company Law of the People's Republic of China

The Company Law of the People's Republic of China (中華人民共和國公司法), which was promulgated by the Standing Committee of National People's Congress on December 29, 1993 and came into effect on July 1, 1994 (subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013), provides that companies established in the PRC may take form of company of limited liability or company limited by shares. Each company has the status of a legal person and owns its assets itself. Assets of a company may be used in full for the company's liability. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

Wholly Foreign-Owned Enterprise Law of the People's Republic of China and its implementation measures

The Wholly Foreign-Owned Enterprise Law of the People's Republic of China (中華人民共和國外資企業法), which was promulgated by the Standing Committee of the NPC and amended on October 31, 2000 and came into effect on the same day, and the Implementation Measures for the Wholly Foreign-Owned Enterprise Law (中華人民共和國外資企業法實施細則), which were promulgated by the State Council and amended on February 19, 2014, stipulate that foreign enterprises and other economic organizations or individuals may establish wholly foreign-owned enterprises ("WFOEs") in the PRC. The application for the establishment of a WFOE is subject to the examination and approval by the competent commercial departments before an Approval Certificate is issued. The Decision on Revising Four Laws including the Wholly Foreign-Owned Enterprise Law of the People's Republic of China (關於修改<中華人民共和國外資企業法>》等四部法律的決定) , which was promulgated by the Standing Committee of the State Council on September 3, 2016 and will come into effect on October 1, 2016, changes the above requirement of examination and approval to filing for the wholly foreign-owned enterprises which do not involve any special administrative measure for admittance prescribed by the state.

Interim Provisions on Investment Made by Foreign-Invested Enterprises in the PRC

The Interim Provisions on Investment Made by Foreign-Invested Enterprises in the PRC (關於外商投資企業境內投資的暫行規定), which were jointly promulgated by MOFCOM and the State Administration of Industry and Commerce on July 25, 2000, stipulate that the provisions of the Interim Provisions Guiding Foreign Investment Direction and the Industry Catalog for Guiding Foreign Investment will govern foreign-invested enterprises' investment in the PRC. Foreign-invested enterprises are not permitted to invest in any sector prohibited to foreign investment. Where a foreign-invested enterprise makes investment in a restricted sector, the foreign-invested enterprise must file an application with the provincial commercial department of the place where the investee company is located. The relevant company registration authority will, in accordance with the relevant provisions of the Company Law and the Regulations on the Administration of Company Registration of the People's Republic China (中華人民共和國公司登記管理條例), decide whether to approve the registration or not. If the registration is approved, a Business License of an Enterprise Legal Person will be issued with the designation "Invested by a Foreign-Invested Enterprise" added. The foreign-invested enterprise is required to report the establishment of the investee company within 30 days of the date of its establishment to the original examination and approval authority for record-filing.

Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定) (the "M&A Rules"), which were jointly promulgated by the

MOF, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration of Industry and Commerce, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange on August 8, 2006, came into effect on September 8, 2006 and subsequently amended on June 22, 2009, require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by relevant commerce authorities.

The Industry Catalogue for Guiding Foreign Investment and Interim Provisions Guiding Foreign Investment Direction

The current Industry Catalogue for Guiding Foreign Investment (外商投資產業指導目錄) (the "Foreign Investment Catalogue") was jointly promulgated by the NDRC and MOFCOM on March 10, 2015 and came into effect on April 10, 2015, and the Provisions Guiding Foreign Investment Direction (指導外商投資方向規定), which were promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, classify all foreign investment projects into four categories: (1) encouraged projects, (2) permitted projects, (3) restricted projects, and (4) prohibited projects. If the industry in which the investment is to occur falls into the encouraged category, foreign investment, in certain cases, may enjoy preferential policies or benefits. If restricted, foreign investment may be conducted in accordance with applicable legal and regulatory restrictions. If prohibited, foreign investment of any kind is not allowed. According to the current Foreign Investment Catalogue, foreign investment in healthcare institutions is restricted to the form of sino-foreign cooperation or joint venture.

Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions

The Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (中外合資、合作醫療機構管理暫行辦法), which were promulgated by the NHFPC and Ministry of Commerce on May 15, 2000 and came into effect on July 1, 2000, allow foreign investors to partner with Chinese medical entities to establish a healthcare institution in the PRC by means of equity joint venture or cooperative joint venture. Establishment of equity joint venture or cooperative joint venture shall meet certain requirements, including that total investment sum is not less than RMB20 million, and that the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. Establishment of equity joint venture or cooperative joint venture shall be subject to approval by relevant authorities.

Notice on Further Encouraging and Guiding Private Capital to Invest in Healthcare Institutions

Pursuant to Order No. 58 (關於進一步鼓勵和引導社會資本舉辦醫療機構意見的通知), foreign investors are permitted to establish for-profit or not-for-profit healthcare institutions in the PRC as foreign-invested projects. Overseas healthcare institutions, enterprises and other economic organizations are permitted to establish medical facilities together with domestic healthcare institutions, enterprises or other economic organizations in the form of equity or cooperative joint ventures, and the restrictions on equity proportion for foreign capital will be gradually removed. A pilot program will be introduced and gradually expanded to permit eligible foreign investors to establish wholly foreign owned healthcare institutions.

Additional Provisions to the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions

The Additional Provisions to the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》的補充規定), which were jointly promulgated by the Ministry of Commerce and the NHFPC on December 30, 2007 and came into effect on January 1, 2008, provide that the total investment by Hong Kong or Macau service provider in establishing equity or cooperative healthcare institution in the PRC shall not be less than RMB10 million. Hong Kong and Macau service providers shall comply with the Closer Economic Partnership Arrangement between Mainland China and Hong Kong (內地與香港關於建立更緊密經貿關係的安排) and Arrangement regarding Establishing Closer Economic Partnership between Mainland China and Macau (內地與澳門關於建立更緊密的經貿關係的安排), respectively. The Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (中外合資、合作醫療機構管理暫行辦法) apply to equity or cooperative healthcare institutions invested by Hong Kong or Macau service providers to the extent not provided under the Additional Provisions to the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions.

Additional Provisions (Second) to the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions

The Additional Provisions (Second) to the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》的補充規定二), which were jointly promulgated by the Ministry of Commerce and the NHFPC on December 7, 2008 and came into effect on January 1, 2009, allow Hong Kong and Macau service providers to establish wholly-owned clinics within Guangdong Province without limitation of total investment. Hong Kong and Macau service providers may partner with Chinese medical entities to establish a clinic in Guangdong Province by means of equity joint venture or cooperative joint venture without limitation on total investment or equity percentage.

LAWS AND REGULATIONS RELATED TO LABOR PROTECTION IN THE PRC

Labor Law of the People's Republic of China

The Labor Law (中華人民共和國勞動法), which was promulgated by the Standing Committee of the NPC on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection equipment that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Workers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer must develop a vocational training system. Vocational training funds must be set aside and used in accordance with national regulations and vocational training for workers must be carried out systematically based on the actual conditions of the company.

Labor Contract Law of the People's Republic of China and its implementation regulations

The Labor Contract Law (中華人民共和國勞動合同法), which was promulgated by the Standing Committee of the NPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law (勞動合同法實施條例) which were promulgated on September 18, 2008 and came into effect on the same day, regulate employer and the employee relations and contain specific provisions involving the terms of the labor contract. Labor contracts must be made in writing and may, after reaching agreement upon due negotiations, be for a fixed-term, an un-fixed term, or conclude upon the completion of certain work assignments. An employer may legally terminate a labor contract and dismiss its employees after reaching an agreement upon due negotiations with the employee or by fulfilling the statutory conditions.

Laws and Regulations on the Supervision over the Social Security and Housing Funds

According to the Temporary Regulations on the Collection and Payment of Social Insurance Premium (社會保險費徵繳暫行條例), the Regulations on Work Injury Insurance (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例) and the Trial Measures on Employee Maternity Insurance of Enterprises (企業職工生育保險試行辦法), enterprises in the PRC must provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and must pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance (中華人民共和國社會保險法), which was promulgated on October 28, 2010 and came into effect on July 1, 2011, regulate basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

The Regulations on the Administration of Housing Provident Fund (住房公積金管理條例), which were promulgated and came into effective on April 3, 1999, and were amended on March 24, 2002, stipulate that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer all belong to the individual employee.

LAWS AND REGULATIONS RELATED TO TAXATION IN THE PRC

Enterprise Income Tax

According to the Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the "EIT Law"), which was promulgated by the NPC on March 16, 2007 and came into effect on January 1, 2008, and the Implementation Regulations on the EIT Law (企業所得稅法實施條例), which were promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, a uniform income tax rate of 25% will be applied to domestic enterprises, foreign-invested enterprises and foreign enterprises that have established production and operation facilities in the PRC. These enterprises are classified as either resident enterprises or non-resident enterprises. Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not established institutions in the PRC, or if they have established institutions in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions set up by them, enterprise income tax is set at the rate of 10%.

Withholding Tax and International Tax Treaties

According to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the "Tax Treaty"), if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns a 25% or more interest in the PRC enterprise, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities. The determination of beneficial ownership is clarified under the Notice on Understanding and Determining Beneficial Owners (國家稅務總局關於如何理解和認定稅收協定中「受益所有人」的通知) issued by the SAT on October 27, 2009, which expressly excludes from the definition of a beneficial owner any company not engaged in actual operations such as manufacturing, sales or management but that is established for the purpose of avoiding or reducing tax obligations or transferring or accumulating profits.

Pursuant to the Notice on the Several Issues of the Implementation of Tax Treaty (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated by the SAT and came into effect on February 20, 2009, the non-resident taxpayer or the withholding agent is required to obtain and keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty. Pursuant to the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (非居民納稅人享受稅收協定待遇管理辦法), which was promulgated by the SAT on August 27, 2015, any non-resident taxpayer fulfilling conditions for enjoying the convention treatment may be entitled to the convention treatment on its own when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

Business Tax

The Temporary Regulations on Business Tax (營業稅暫行條例), which were promulgated by the State Council on December 13, 1993, became effective on January 1, 1994, and amended on November 10, 2008 and came into effect on January 1, 2009, provide that entities and individuals must pay business tax if they are engaged in the provision of services with respect to the industries of transportation, construction, finance and insurance, post and telecommunication, culture and sports, entertainments and service prescribed in Temporary Regulations on Business Tax, or transfer of intangible assets or sale of real estate within China's territory. Healthcare services provided by hospitals, clinics and other healthcare institutions are exempt from business tax.

Value-Added Tax

The Temporary Regulations on Value-added Tax (增值稅暫行條例), which were promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and amended on November 10, 2008 and February 6, 2016, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (增值稅暫行條例實施細則), which were promulgated by the MOF and became effective on December 25, 1993, and were amended on December 15, 2008 and October 28, 2011, set out that all taxpayers selling goods or providing processing, repairing or replacement services and importing goods in the PRC shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling or importing various goods and on taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

According to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (營業稅改徵增值稅試點方案), which were promulgated by the MOF and the SAT, the government launched gradual taxation reforms starting from January 1, 2012, whereby it collected value-added tax in lieu of business tax on a trial basis in regions and industries showing strong economic performance, such as transportation and certain modern service industries.

Furthermore, according to the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知), all business tax payers in consumer service industry shall pay value-added tax in lieu of business tax from 1 May 2016 and the taxpayer may continue to enjoy tax incentives of VAT in accordance with the relevant provisions in the remaining period of tax incentives if tax incentives of business tax before the application of pilot collection of VAT in lieu of business tax has already been enjoyed.

LEGAL SUPERVISION OVER FOREIGN EXCHANGE IN THE PRC

The Regulations on the Control of Foreign Exchange

The Regulations on the Control of Foreign Exchange (外匯管理條例), which were promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and amended on January 14, 1997 and August 5, 2008, set out that foreign exchange receipts of domestic institutions or individuals may be transferred to the PRC or deposited abroad and that the SAFE shall specify the conditions for transfer to the PRC or overseas and other requirements in accordance with the international receipts, payments status and requirements of foreign exchange control. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Domestic institutions or individuals that make direct investments abroad or are engaged in the distribution or sale of valuable securities or derivative products overseas should register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with other competent authorities shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

The Regulations on the Administration of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), which were promulgated by the PBOC on June 20, 1996 and came into effect on July 1, 1996, provide that foreign exchange receipts under the current account of foreign-invested enterprises may be retained to the fullest extent specified by the foreign exchange bureau. Any portion in excess of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange swap center.

On July 4, 2014, the SAFE issued Notice on Issues Relating to Foreign Exchange Control on Offshore Investment, Financing and Round-trip Investment by Domestic Residents Through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or Circular 37, and states that (i) a PRC resident, including a PRC resident natural person or a PRC legal person, shall register with the local branch of the SAFE before it contributes the assets of or its equity interest into a special purpose vehicle for the purpose of investment and financing as defined in the implementing guidelines of Circular 37, the definition of PRC resident also includes certain foreigners who have economic connections in the PRC, and (ii) when the special purpose vehicle undergoes change of basic information, such as change of a PRC resident natural person shareholder, name or operating period, or a material event, such as change in share capital of a PRC resident natural person, merger or split, the PRC resident shall register such change with the local branch of the SAFE timely.

The Notice on Further Improving and Adjusting Policies Relating to Foreign Exchange Administration in Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知), which was promulgated by the SAFE on November 19, 2012 and came into effect on December 17, 2012, improves foreign exchange administration in direct investment by repealing or adjusting certain approval items for foreign exchange administration in direct investment.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) ("Circular 19"), which came into effect on June 1, 2015. According to Circular 19, the foreign exchange capital of foreign invested enterprises shall be subject to the Discretional Foreign Exchange Settlement(''Discretional Foreign Exchange Settlement''). The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of an foreign invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of an foreign invested enterprise is temporarily determined as 100%. The RMB converted from the foreign exchange capital will be kept in a designated account and if an foreign invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks. Furthermore, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of an foreign invested enterprise and capital in RMB obtained by the foreign invested enterprise from foreign exchange settlement shall not be used for the following purposes: (1) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;(2) directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations; (3) directly or indirectly used for granting the entrust loans in RMB (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in RMB that have been sub-lent to the third party; and (4) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

OVERVIEW

The history of our Group can be traced back to December 2002 when we established BNC Children's Hospital, whose name was initially Beijing New Century International Children's Healthcare Services Co., Ltd, pursuant to a cooperation agreement with BCH, an Independent Third Party public hospital at the time. Pursuant to the arrangement, we and BCH held 65.0% and 35.0% equity interests, respectively, in BNC Children's Hospital, which commenced operations in June 2006. Subsequently, we opened predecessor of BNC Harmony Clinic in November 2008. We further expanded our medical institution network in November 2015 when we acquired BNC Women's and Children's Hospital from Jiahua Likang. Jiahua Likang is a holding company of a few hospitals in the PRC, and is a joint venture established in 2009 and is currently owned by Mr. Zhou, Zhonghe Qingrun, in which Ms. Liang held a 51.0% equity interest, and CDH Investments I. Jiahua Likang is a connected person of our Company. See "Relationship with Our Controlling Shareholders — Delineation of Businesses and Competition — Jiahua Likang and Its Hospitals" for details. Mr. Zhou initially developed the business of our Group using his own funds, which were generated from his previous business activities and personal savings.

OUR MILESTONES

The following table sets forth our key development milestones:

Year		Event
2002	—	We entered into a cooperation agreement with BCH to establish Beijing New Century International Children's Healthcare Services Co., Ltd (whose name was changed to BNC Children's Hospital in 2009).
2005	—	BNC Children's Hospital commenced trial operations.
2006	—	BNC Children's Hospital commenced operations.
2007	—	We launched our membership program "Doctor Panda Club (熊貓醫生俱樂部)".
2008	—	Predecessor of BNC Harmony Clinic commenced operations.
2012	—	Predecessor of BNC Harmony Clinic was upgraded from a branch to a subsidiary.
2015	—	Our Company was incorporated in the Cayman Islands.
	—	We acquired BNC Women's and Children's Hospital.

CORPORATE DEVELOPMENT

The following sets forth the corporate history of members of our Group.

Our Company

Our Company was incorporated on July 31, 2015 in the Cayman Islands as an exempted company with limited liability with an initial authorized share capital of US$50,000 divided into 50,000 shares of US$1 each. It is the holding company of our subsidiaries and its principal business activity is investment holding. For details of the changes in the share capital of our Company pursuant to the Reorganization, see "— Our Reorganization — The Offshore Restructuring" in this section. As a result of the Reorganization, our Company directly or indirectly holds the equity interests in our subsidiaries. See "— Our Reorganization" for further details.

Our Subsidiaries

The following table sets forth certain information of our subsidiaries as of the Latest Practicable Date:

Name of Subsidiary	Date of Establishment	Equity Interest Held by the Group	Place of Establishment	Principal activities
New Millennium	August 14, 2015	100.0%	BVI	Investment holding
New Century Healthcare HK	July 21, 2015	100.0%	Hong Kong	Investment holding
Jiahua Yihe	June 15, 2015	100.0%	PRC	Management consulting services
BNC Children's Hospital	December 13, 2002	65.0%	PRC	Pediatric healthcare services
BNC Women's and Children's Hospital	January 4, 2012	70.0%	PRC	Pediatric, obstetric and gynecologic healthcare services
BNC Harmony Clinic	May 30, 2012	70.0%	PRC	Pediatric, gynecologic and general healthcare services

New Millennium, New Century Healthcare HK and Jiahua Yihe

As part of the Reorganization, we established a number of intermediate holding entities between June and August 2015, including New Millennium in the BVI, New Century Healthcare HK in Hong Kong, and Jiahua Yihe in the PRC.

New Millennium was incorporated on August 14, 2015 as a limited liability company in the BVI with a share capital of US$50,000 divided into 50,000 shares of US$1 each. New Millennium is an investment holding company which directly holds all the issued shares in New Century Healthcare HK.

New Century Healthcare HK was incorporated in Hong Kong on July 21, 2015 as a limited liability company, with a share capital of HK$1 with one issued ordinary share. New Century Healthcare HK is an investment holding company which directly holds 100.0% of the equity interests in Jiahua Yihe.

Jiahua Yihe was established in the PRC on June 15, 2015 as a limited liability company with a registered capital of RMB150,000 as part of the Reorganization. It is principally engaged in the business of management consulting services. In November, 2015, Jiahua Yihe increased its registered capital from RMB150,000 to RMB200.0 million.

As a result of the Reorganization, each of New Millennium, New Century Healthcare HK and Jiahua Yihe became a wholly-owned subsidiary of our Company.

BNC Children's Hospital, BNC Harmony Clinic and BNC Women's and Children's Hospital

BNC Children's Hospital was established in the PRC on December 13, 2002 as a limited liability company with a registered capital of RMB20.0 million, and was initially held as to 65.0% by an entity controlled by Mr. Zhou and 35.0% by BCH. The 65.0% equity interest was transferred to Jiahua Kangyong in 2007, which was held as to 90.0% by Mr. Zhou and as to 10.0% by Ms. Zhao.

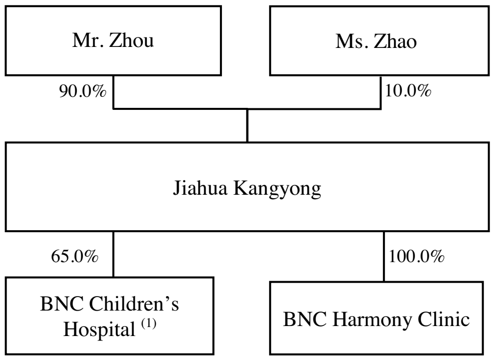
The predecessor of BNC Harmony Clinic was established in the PRC in 2008 by Jiahua Kangyong as a branch medical clinic. BNC Harmony Clinic was established by Jiahua Kangyong in the PRC on May 30, 2012 as a limited liability company with an initial registered capital of RMB8.0 million, which was reduced to RMB3.0 million in September 2014, to assume the business of the predecessor of BNC Harmony Clinic.

BNC Women's and Children's Hospital was established in the PRC on January 4, 2012 as a limited liability company with an registered capital of RMB20.0 million by Jiahua Likang, our connected person.

As part of the Reorganization, a series of share transfers in respect of each of BNC Children's Hospital, BNC Harmony Clinic and BNC Women's and Children's Hospital were conducted. As a result of the Reorganization, our Company held 65.0% of the equity interest in BNC Children's Hospital and 70.0% in each of BNC Harmony Clinic and BNC Women's and Children's Hospital. See "— Our Reorganization — The Onshore Restructuring" for details.

OUR REORGANIZATION

In preparation for the Listing, we commenced the Reorganization in June 2015 and further implemented a structure under which our Company became the holding company of our Group. The following chart illustrates our corporate structure immediately prior to the incorporation of our Company and the commencement of the Reorganization.



(1) The remaining 35.0% is held by BCH, an Independent Third Party public hospital which will, upon Listing, become a connected person of the Company at the subsidiary level.

The Onshore Restructuring

Step 1: Establishment of Jiahua Yihe and acquisitions of the Hospitals and the Clinic

As part of and for the purposes of facilitating the Reorganization, on June 15, 2015, Jiahua Yihe was incorporated in the PRC with a registered capital of RMB150,000 by Ms. Zhao, who as the spouse of Mr. Zhou, held all the shares in Jiahua Yihe on behalf of Mr. Zhou. On November 11, 2015, Jiahua Yihe increased its registered capital from RMB150,000 to RMB200.0 million, following which Ms. Zhao transferred 1.0% of her equity interest in Jiahua Yihe to Ms. ZHOU Jie (Mr. Zhou's sister) for a consideration of RMB2 million. This consideration was determined based on the registered capital of Jiahua Yihe and was settled on June 17, 2016 when New Century Healthcare HK acquired Jiahua Yihe.

On November 16, 2015, Jiahua Kangyong sold its 65.0% equity interest in BNC Children's Hospital to Jiahua Yihe for a total consideration of RMB21.7 million. This consideration was determined based on a valuation of BNC Children's Hospital as of October 31, 2015 conducted by an independent valuer, and the consideration was paid in cash and settled on November 30, 2015.

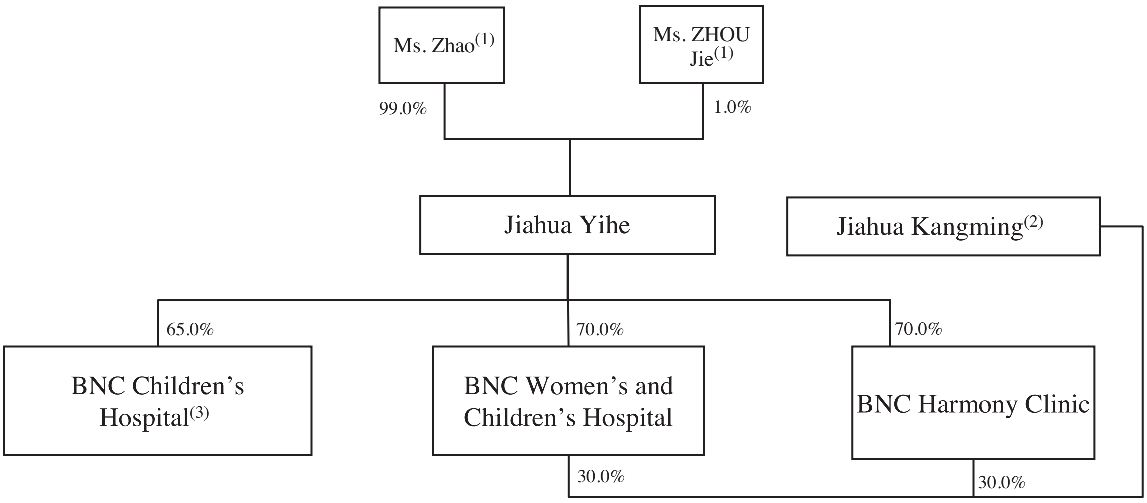
On November 23, 2015, Jiahua Kangyong sold its 100.0% equity interest in BNC Harmony Clinic to Jiahua Yihe for a total consideration of RMB3.0 million which was determined based on the registered capital of BNC Harmony Clinic, and the consideration was paid in cash and settled on November 30, 2015.

On November 30, 2015, Jiahua Likang transferred its 100.0% equity interest in the BNC Women's and Children's Hospital to Jiahua Yihe for a consideration of RMB20.0 million, representing the registered capital of BNC Women's and Children's Hospital. The consideration was determined based on arm's length negotiations with Jiahua Likang pursuant to Mr. Zhou's agreement with Ms. Liang and CDH Investments I, being the other shareholders of Jiahua Likang, in December 2012. See "— Our Reorganization — The Offshore Restructuring — Step 2: Change of authorized share capital, issue of new Shares and Group A Shares" for details. The consideration was paid in cash and settled on November 30, 2015.

Step 2: Transfer of 30.0% equity interest in BNC Women's and Children's Hospital and BNC Harmony Clinic to Jiahua Kangming

To address certain PRC foreign investment restrictions, on January 22, 2016 and January 30, 2016, respectively, Jiahua Yihe transferred its 30.0% equity interest in each of BNC Harmony Clinic and BNC Women's and Children's Hospital to Jiahua Kangming, our connected person, for a consideration of RMB900,000 and RMB6.0 million respectively. The consideration was determined based on the respective registered capital of BNC Harmony Clinic and BNC Women's and Children's Hospital and was paid in cash and settled on August 26, 2016 and respectively.

The following chart illustrates the shareholding structure of Jiahua Yihe and the equity interests it held in our medical institutions immediately after completion of the onshore restructuring steps outlined in Steps 1 to 2 above:



(1) Ms. Zhao is Mr. Zhou's spouse; Ms. ZHOU Jie is Mr. Zhou's sister.

(2) Jiahua Kangming is currently held as to 99.0% by Ms. Zhao and as to 1.0% by Ms. ZHOU Jie (Mr. Zhou's sister), and is expected to be beneficially held by Jiahua Kangyong as to 46.4%, Zhonghe Qingrun as to 16.0%, Ms. GAN Feng as to 6.7%, CDH Fuji as to 8.3%, CDH Fuyi as to 8.3%, CDB GJ as to 5.5% and Boyu AH as to 8.8% prior to the Listing, and is a connected person of our Company.

(3) The remaining 35.0% is held by BCH, an Independent Third Party public hospital which will, upon Listing, become a connected person of the Company at the subsidiary level.

Step 3: Consolidation of Jiahua Yihe

On May 24, 2016, New Century Healthcare HK acquired 100.0% equity interest in Jiahua Yihe from Ms. Zhao and Ms. ZHOU Jie, Mr. Zhou's sister, for a total consideration of RMB200.0 million. The consideration was determined based on the registered capital of Jiahua Yihe, and was paid in cash and settled on June 2, 2016.

Compliance with the PRC laws

Our PRC legal adviser has confirmed that all the share transfers and changes in the registered capital in respect of our PRC subsidiaries throughout its corporate development as described above have been approved by and/or filed with the relevant PRC government authorities and the procedures involved are in accordance with PRC laws and regulations.

The Offshore Restructuring

Step 1: Incorporation offshore holding entities

Our Company was incorporated on July 31, 2015. The initial sole share of our Company was allotted and issued to the initial subscriber who immediately transferred that share to JoeCare. New Millennium was incorporated on August 14, 2015, with the sole share allotted and issued to the Company. New Century Healthcare HK was incorporated on July 21, 2015, with the sole share issued and allotted to Mr. Zhou who subsequently transferred it to New Millennium on November 19, 2015 for a consideration of HK$1.

Step 2: Change of authorized share capital, issue of new Shares and Group A Shares

On February 18, 2016, our Company conducted a 1:10,000 share sub-division to amend its authorized share capital to US$50,000 divided into 500,000,000 shares of a par value of US$0.0001 each. Our Company also conducted a series of share class re-designations, following which our Company's authorized share capital comprised three classes of shares including (i) 476,063,732 Shares of a par value of US$0.0001 each; (ii) 16,394,266 Group A Shares of a par value of US$0.0001 each; and (iii) 7,542,002 Group B Shares of a par value of US$0.0001 each.

Immediately thereafter, our Company allotted and issued at par value each (i) 83,605,734 Shares, including 59,355,734 Shares to JoeCare, 2,757,487 Shares to Century Star, and 21,492,513 Shares to Victor Gains; and (ii) 16,394,266 Group A Shares, including 8,197,133 to CDH Fuji and 8,197,133 to CDH Fuyi, two Pre-IPO Investors, resulting in Mr. Zhou, Ms. Liang and CDH Investments II (consisting of CDH Fuji and CDH Fuyi) beneficially owning 62.1%, 21.5% and 16.4% of our Company's share capital, respectively. All subscription consideration for such allotments and issues was paid in cash and settled between May 31, 2016 and June 30, 2016, respectively.

Such initial shareholding of our Company was based on certain agreements among Mr. Zhou, Ms. Liang and CDH Investments I (consisting of CDH Asana, CDH Weixin and CDH Weisen): Pursuant to an agreement in December 2012 among Mr. Zhou, Ms. Liang and CDH Investments I, being joint venture partners of Jiahua Likang, in light of BNC Children's Hospital's plan for a potential initial public offering in the future, to maximize the network effect and synergies and further BNC Children's Hospital's business strategies to develop the business in Beijing: (i) Jiahua Likang agreed to sell BNC Women's and Children's Hospital to the potential listing group comprises BNC Children's Hospital at a price to be determined based on the registered capital of BNC Women's and Children's Hospital in future IPO reorganization; (ii) in return, Mr. Zhou agreed to procure that he, Ms. Liang and CDH Investments I have the equity interests of 58.9%, 23.6% and 17.5% in the potential listing group, respectively; and (iii) the payment of the acquisition price and the transfer of shares between the listing group and Jiahua Likang in the potential listing group will be settled at the future IPO reorganization of BNC Children's Hospital. In August 2015, when the relevant parties were negotiating transaction documents of the Reorganization, such proportion was adjusted to 62.1%, 21.5% and 16.4%, respectively, taking into account the inclusion of interest in BNC Harmony Clinic in our Group.

Step 3: Share transfers and issue of Group B Shares

Immediately following Step 2, further investments made by certain pre-IPO investors took place. On February 18, 2016, JoeCare sold 10,125,000 Shares to Smooth Yu, Ms. Liang's wholly-owned entity, at a price of RMB24.0 per Share. The total consideration of RMB243.0 million was determined based on arm's length negotiations with reference to an agreed valuation, and was paid in cash and settled in installments between April 8, 2016 and June 1, 2016.

On the same day, Boyu AH, an Independent Third Party at the time, acquired 6,548,602 Shares from Smooth Yu for a total consideration of RMB182,586,480. Unicorn Best, acquired 3,576,398 Shares and 3,800,000 Shares from Smooth Yu and Victor Gains, respectively for a consideration of RMB99,716,232.9 and RMB105,950,647.8, respectively. The consideration for each of such transfers represented a transfer price of RMB27.9 per Share, which was determined based on arm's length negotiations with reference to an agreed valuation, and was paid in cash and settled on May 30, 2016, June 1, 2016 and June 1, 2016 respectively.

On the same day, the Company allotted and issued 7,542,002 new Group B Shares at a price of RMB28.6 per Group B Share, including (i) 4,124,532 Group B Shares to CDB GJ for a consideration of RMB118,034,742.6; (ii) 2,121,188 Group B Shares to Boyu AH for a consideration of RMB60,703,581.9; (iii) 648,141 Group B Shares to CDH Fuji, Pre-IPO Investor, for a total consideration of RMB18,548,316.7; and (iv) 648,141 Group B Shares to CDH Fuyi for a total consideration of RMB18,548,316.7. The consideration for each of such subscriptions represented a subscription price of RMB28.6 per Group B Share, which was determined based on arm's length negotiations with reference to an agreed valuation, and was paid in cash and settled on May 30, 2016, May 30, 2016, May 31, 2016 and May 31, 2016 respectively.

Step 4: Share transfers by JoeCare to certain Pre-IPO Investors

On February 18, 2016, JoeCare transferred 3,560,993 Shares it held, including (i) 1,947,418 Shares to CDB GJ for a consideration of RMB55,730,689.6; (ii) 1,001,529 Shares to Boyu AH for a consideration of RMB28,661,497.5; (iii) 306,023 Shares to CDH Fuji for a total consideration of RMB8,757,679.8; and (iv) 306,023 Shares to CDH Fuyi for a total consideration of RMB8,757,679.8. The consideration for each of such transfers represented a transfer price of RMB28.6 per Share, which was determined based on arm's length negotiations with reference to an agreed valuation, and paid in cash and settled on May 30, 2016, May 30, 2016, May 31, 2016 and May 31, 2016 respectively.

Conversion of Group A Shares into Shares

On August 29, 2016, all the 8,197,133 Group A Shares held by CDH Fuji and the 8,197,133 Group A Shares held by CDH Fuyi were converted into the same numbers of Shares held by them, respectively.

RSA Scheme

On September 6, 2016, our Company allotted and issued 2,757,744 Shares at par value each, representing 2.5% of its current issued share capital as enlarged, to the RSA Scheme Nominee pursuant to the RSA Scheme, credited as fully paid. See Appendix IV — "Statutory and General Information — E. RSA Scheme" to this prospectus.

Compliance with the Cayman Islands Laws

Our legal adviser as to the laws of the Cayman Islands has confirmed that the above alternation to the Company's authorized and issued share capital, issuances and transfers of shares of the Company as mentioned under Steps 1 to 4 and the RSA Scheme, were completed and settled in compliance with applicable laws and regulations in the Cayman Islands.

No Further Material Acquisitions or Disposals

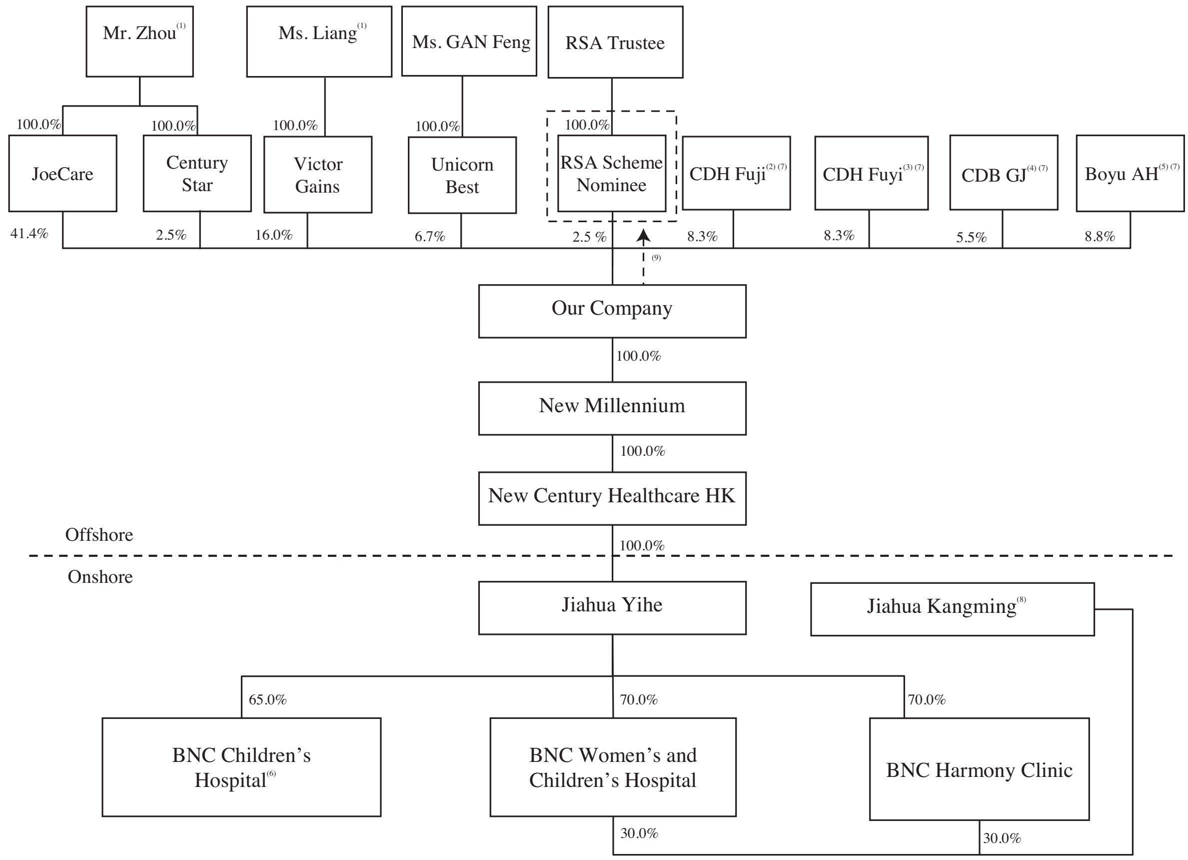
Except for the acquisitions described above and in the section "— Our Reorganization", our Group has not undertaken any other major acquisitions, disposals or mergers during the Track Record Period.

The Voting Agreement and Lock-up Arrangements

On February 18, 2016, Mr. Zhou and Ms. Liang entered into an agreement 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. Ms. Liang and Victor Gains (through which Ms. Liang holds the Shares in the Company) have entered into a deed of lock-up undertaking in favor of, among others, the Company, to give certain lock-up undertakings in respect of their Shares in the Company. See "Underwriting — Undertakings by Other Shareholders of the Company — (A). Undertakings by Ms. Liang and Victor Gains" for details.

Our Group Structure After the Reorganization

The following chart illustrates our corporate and shareholding structure immediately following the completion of the Reorganization, but before the Capitalization Issue and the Global Offering:



(1) 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.

(2) 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) See "— Our Reorganization — The Pre-IPO Investments — Information regarding the Pre-IPO Investors" for details.

(3) 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) See "— Our Reorganization — The Pre-IPO Investments — Information regarding the Pre-IPO Investors" for details.

(4) CDB GJ is a limited liability partnership organized and existing under the laws of the PRC. The general partner of CDB GJ is CDB Kai Yuan Capital Management Co., Ltd. (國開開元股權投資基金管理有限公司). See "— Our Reorganization — The Pre-IPO Investments — Information regarding the Pre-IPO Investors" for details.

(5) 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). See "— Our Reorganization — The Pre-IPO Investments — Information regarding the Pre-IPO Investors" for details.

(6) The remaining 35.0% is held by BCH, an Independent Third Party public hospital which will, upon Listing, become a connected person of the Company at the subsidiary level.

(7) The shareholding percentage of each Shareholder is calculated on the assumption that all Group B Shares are converted into Shares on a 1:1 basis upon completion of the Global Offering pursuant to the agreements in relation to the Pre-IPO Investments.

(8) Jiahua Kangming is currently held as to 99.0% by Ms. Zhao and as to 1.0% by Ms. ZHOU Jie (Mr. Zhou's sister), and is expected to be beneficially held by Jiahua Kangyong as to 46.4%, Zhonghe Qingrun as to 16.0%, Ms. GAN Feng as to 6.7%, CDH Fuji as to 8.3%, CDH Fuyi as to 8.3%, CDB GJ as to 5.5% and Boyu AH as to 8.8% prior to the Listing, and is a connected person of our Company.

(9) The RSA Scheme Nominee is consolidated by the Company when preparing the consolidated financial statements. For the details, please see Note 15(g) to our consolidated financial statements included in Appendix I — "Accountant's Report" to this prospectus.

THE PRE-IPO INVESTMENTS

Overview

In order to further develop our business, bring in institutional investors that have industry expertise, as part of our Reorganization, our Group completed the Pre-IPO Investments by CDH Investments II (consisting of CDH Fuji and CDH Fuyi), CDB GJ and Boyu AH in May 2016.

On August 31, 2015, our Company, New Century Healthcare HK, Jiahua Yihe, BNC Children's Hospital, BNC Women's and Children's Hospital, BNC Harmony Clinic, JoeCare, Century Star, Victor Gains, Smooth Yu, Mr. Zhou, Ms. Liang and the Pre-IPO Investors entered into a Group B Preferred Shares Purchase Agreement. According to the Group B Share Purchase Agreement, the Group B Investors acquired 7,542,002 Group B Shares and 3,560,993 Shares for a total consideration of RMB317,742,504.6. See "— Our Reorganization — The Offshore Restructuring — Step 3: Share transfers and issue of Group B Shares" and "— Our Reorganization — The Offshore Restructuring — Step 4: Share transfers by JoeCare to certain Pre-IPO Investors and conversion into Group B Shares" for details.

The following table sets forth certain key information of the Pre-IPO Investments:

Names of Pre-IPO Investors	CDH Investments II	CDB GJ	Boyu AH
Number of Group B Shares or Shares acquired	• Group B Shares: 1,296,282 • Shares: 17,006,312[(1)]	• Group B Shares: 4,124,532 • Shares: 1,947,418	• Group B Shares: 2,121,188 • Shares: 7,550,131
Cost per Group B Share or Share paid under the Pre-IPO Investments	• Group B Shares: RMB28.6 per share • Shares: RMB28.6 per share[(1)]	• Group B Shares: RMB28.6 per share • Shares: RMB28.6 per share	• Group B Shares: RMB28.6 per share • Shares: RMB28.0[(2)] per share

Names of Pre-IPO Investors	CDH Investments II	CDB GJ	Boyu AH
Total consideration paid	• Group B Shares: RMB37,096,633.2; • Shares: RMB17,515,359.6[1]	• Group B Shares: RMB118,034,742.6; • Shares: RMB55,730,689.6	• Group B Shares: RMB60,703,581.9; • Shares: RMB211,247,977.5
Date consideration paid	• Group B Shares: May 31, 2016 • Shares: May 31, 2016	• Group B Shares: May 30, 2016 • Shares: May 30, 2016	• Group B Shares: May 30, 2016 • Shares: May 30, 2016
Basis of determination of the consideration	See "— Our Reorganization — The Offshore Restructuring" for details.		
Use of proceeds and whether they have been fully utilized	The proceeds have been and will be used for the expansion of the Group's business and the acquisition costs as part of the Reorganization and general working capital purpose. As of the Latest Practicable Date, the proceeds had been nearly fully utilized.		
Strategic benefits	Our Directors are of the view that our Company could benefit from the additional capital provided by the Pre-IPO Investors and our Company could also leverage the Pre-IPO Investors' network, knowledge and experience in the healthcare service industry.		
Percentage of total share capital of our Company after completion of the initial subscription and immediately before completion of the Capitalization Issue and the Global Offering	16.6%	5.5%	8.8%
Discount/(premium) to mid-point of the Offer Price range	• Group B Shares: (33.1)% • Shares: (33.1)%[1]	• Group B Shares: (33.1)% • Shares: (33.1)%	• Group B Shares: (33.1)% • Shares: (30.3)%

Names of Pre-IPO Investors	CDH Investments II	CDB GJ	Boyu AH
Percentage of shareholding in our Company immediately after completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised)[(3)]	12.4%	4.1%	6.6%
Lock-up[(4)]	Subject to a lock-up period of six months from the Listing Date		
Public Float.	CDH Investments II will hold 12.4% of the total issued share capital of our Company immediately after completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised) and is a substantial shareholder and therefore a core connected person of our Company. The Shares held by CDH Investments II are therefore not considered as part of the public float for the purposes of Rule 8.08 of the Listing Rules.	Our Shares held by each of CDB GJ and Boyu AH are considered as part of the public float for the purposes of Rule 8.08 of the Listing Rules as each of CDB GJ and Boyu AH (i) is not a core connected person of our Company; (ii) the subscription of its respective shareholding interest in our Company was not financed directly or indirectly by any core connected person of our Company; and (iii) is not accustomed to take instructions from a core connected person in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it.	

(1) Of the Shares held by CDH Investments II, 16,394,266 Shares were converted from Group A Shares on August 29, 2016, which was issued at par value. See "— Our Reorganization — The Offshore Restructuring — Step 2: Change of authorized share capital, issue of new Shares and Group A Shares" for the background.

(2) This represents the average price of the Shares acquired by Boyu AH from Smooth Yu and JoeCare.

(3) This assumes all Group B Shares are converted into Shares.

(4) See "Underwriting — Undertakings by Other Shareholders of the Company — (B). Undertakings by Pre-IPO Investors" for details.

Key terms of the Group B Shares

Set forth below are the key terms of the Group B Shares prior to their conversion into Shares:

Voting Rights:	Each Group B Shareholder is entitled to vote on an "as converted" basis of one vote per share. The holders of Group B Shares shall vote separately as a class or shall vote together as a single class as required by the applicable laws, the memorandum of association or the articles of association of the Company.
Conversion Rights:	Each Group B Shareholder shall have the right, at its option, to convert its Group B Shares into Shares, at the initial conversion price which is equal to the original issue price of RMB28.6 per Group B Share from time to time, subject to adjustments below on "Anti-Dilution Protections". All Group B Shares shall automatically be converted into Shares immediately prior to the closing of a Qualified IPO.
Liquidation Preference:	Each Group B Shareholder shall be entitled to receive prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares, the amount equal to the issue price of RMB28.6 per share. After paying in full such preference amounts to the Group B Shareholders, the remaining assets of the Company shall be distributed to holders of Group B Shares and Shares, based on the number of Shares then held by each Shareholder on an as-converted basis.
Anti-Dilution Protections:	The conversion price shall only be subject to customary adjustment events including share dividends, distributions in the form of securities, subdivisions, consolidations and reclassifications of shares, under which the conversion price will be proportionately adjusted such that the shareholding among shareholders will not change.

Special Rights

Under the Pre-IPO Shareholders Agreement, each Pre-IPO Investor was granted a number of special rights in relation to our Group. All parties to the Pre-IPO Shareholders Agreement further agree that, with respect to the Shares acquired in Step 4 of the Reorganization, the Pre-IPO Investors shall enjoy the same special rights as Group B Shares. Set forth below is a summary of the principal special rights granted to the Pre-IPO Investors. All special rights will terminate automatically upon the Listing.

Right of First Refusal:	No Shareholder may transfer any of its shares unless it first offers them for sale to the Company or each Pre-IPO Investor at a price and on the terms and conditions fixed by such selling Shareholder.
Co-sale Right:	If the Company or a Pre-IPO Investor chooses not to exercise its right of first refusal stated above, it will have the right to participate in the sale of a specified portion of their shares to the prospective third-party purchaser at the same price and on the same terms and conditions as those available to the selling Shareholder.
Other Restrictions on Transfers:	Without the prior written approval of holders of more than 85.0% of the Group B Shares, neither JoeCare, Century Star, Victor Gains, Smooth Yu, Mr. Zhou or Ms. Liang (the "**Existing Shareholders**") shall transfer any of its equity interests in the Company to any person prior to 180 days from the consummation of a Qualified IPO.
Pre-emptive Rights:	If our Company issues certain new securities, each Pre-IPO Investor will have the right to subscribe for its own pro rata share of such new securities for the price and upon the terms and conditions specified in the notice given by the Company in relation to such new issue.
Redemption Rights:	The Pre-IPO Investors enjoy certain redemption rights when a Qualified IPO does not take place: Each Pre-IPO Investor may require the Company to redeem any and all outstanding Group B Shares at any time, if: (i) the Company fails, to consummate a Qualified IPO by June 1, 2020; (ii) there is a material breach by any member of our Group and/or Existing Shareholder under the transaction documents under the Group B Share Purchase Agreement which would result in the failure to complete a Qualified IPO; or (iii) the Company fails to consummate a Qualified IPO due to reasons from any controlling shareholder of the Company, Existing Shareholder and/or senior management of members of our Group. The redemption price would be calculated based on (a) 12.0% compound annual return on the investment amount in the case of (i); and (b) 20.0% compound annual return on the investment amount in the case of (ii) and (iii).
Information Rights and Inspection Rights:	The Pre-IPO Investors have the right to receive our periodic financial information, inspect our facilities and properties and examine its books and records and discuss with us our business, operations, and conditions.

Board and Committee Representation:	The board shall consist of up to seven directors, and each of the Pre-IPO Investors shall be entitled to nominate one director to the board. Each of the compensation and audit committee of the Company shall also consist of seven members, and the Pre-IPO Investors shall each be entitled to nominate one member to each of the committees.
Protective/Veto Rights:	Certain matters relating to significant business decisions and corporate actions of our Company, New Century Healthcare HK and Jiahua Yihe require the approval of the majority of the directors of the board, including depending on the type of business decision or corporate action, the affirmative vote of all, or one of the directors appointed by the Pre-IPO Investors.
Certain Rights to be Granted Equally to the Pre-IPO Investors:	If our Company grants registration rights, information rights, rights of first offer, right of first refusal, co-sale right, price-based anti-dilution protection, co-investment, protective voting provisions, indemnification or other similar rights to new investors in a subsequent financing involving the issuance of additional series of preferred shares or more senior securities than the preferred shares held by the Pre-IPO Investors, such rights shall be extended to the Pre-IPO Investors on the same basis granted to the new investors, unless it would result in a breach by the directors of their fiduciary duties.

Information regarding the Pre-IPO Investors

CDH Investments II (consisting of CDH Fuji and CDH Fuyi)

CDH Fuji and CDH Fuyi are two investment funds in the PRC.

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 34.2% 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 65.8% by certain other shareholders, none of which is entitled to exercise or control the exercise of one third or more of the voting rights of Tianjin Taiding Investment.

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 Equity Investment Management (Tianjin) Co., Ltd., which is in turn owned directly as to 85.4% by Tianjin Taiding Investment. Tianjin Taiding Investment is owned directly as to 34.2% by Tianjin Haoyong Investment Management Co., Ltd. (whose entire issued share capital is held by Mr. WU Shangzhi) and as to 65.8% by certain other shareholders, none of which is entitled to exercise or control the exercise of one third or more of the voting rights of Tianjin Taiding Investment.

CDB GJ

CDB GJ is a limited liability partnership organized and existing under the laws of the PRC. The general partner of CDB GJ is CDB Kai Yuan Capital Management Co., Ltd. (國開開元股權投資基金管理有限公司) which is an investment company primarily engaged in investment management, investment consultancy and financial consultancy. CDB Kai Yuan Capital Management Co., Ltd is owned by CDB Finance as to 70.0% and by a wholly-stated-owned company as to 30.0%. CDB Finance is wholly owned by CDB.

Boyu AH

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. Boyu Guangqu (Shanghai) Investment Management Co., Ltd. is an investment company primarily engaged in investment management, asset management, investment consultancy and financial consultancy.

Joint Sponsors' Confirmation

The Joint Sponsors have confirmed that the Pre-IPO Investments are in compliance with (i) the Interim Guidance on Pre-IPO Investments issued by the listing committee of the Hong Kong Stock Exchange, as the consideration paid by each of the Pre-IPO Investors was settled on or before May 31, 2016 which was more than 28 clear days before the date of our submission of the listing application form to the Listing Division of the Hong Kong Stock Exchange in relation to the Listing; (ii) the guidance letter HKEx-GL43-12 issued by the Hong Kong Stock Exchange; and (iii) the guidance letter HKEx-GL44-12 issued by the Hong Kong Stock Exchange.

COMPLIANCE WITH PRC LAWS, RULES AND REGULATIONS

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定) (the "M&A Rules"), which were jointly promulgated by the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC and the SAFE on August 8, 2006, came into effect on September 8, 2006 and subsequently amended on June 22, 2009, require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by the relevant commerce authorities. Article 11 of the M&A Rules stipulates that an offshore special purpose vehicle established or controlled by a PRC domestic company, enterprise or natural person shall obtain approval from the MOFCOM prior to the acquisition of any domestic enterprise related to such company, enterprise or natural person. As advised by our PRC legal adviser, as the Controlling Shareholder of the Company, Mr. Zhou became a citizen of Canada on June 22, 2012, Mr. Zhou was no longer a "PRC domestic natural person" under the M&A Rules at the time of the transfer of the 100% equity interest in Jiahua Yihe. Accordingly, the transfer of equity interest in Jiahua Yihe is not subject to approval from MOFCOM under the M&A Rules.

Under the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (the "JV Interim Measures") (中外合資、合作醫療機構管理暫行辦法), which were promulgated by MOFCOM and the MOH and have been in effect since July 2000, foreign parties cannot directly hold more than 70.0% in a sino-foreign equity or cooperative joint venture medical institution. However, the JV Interim Measures does not stipulate any restriction on the equity percentage of a medical institution indirectly held by a non-PRC entity through its subsidiary in the PRC.

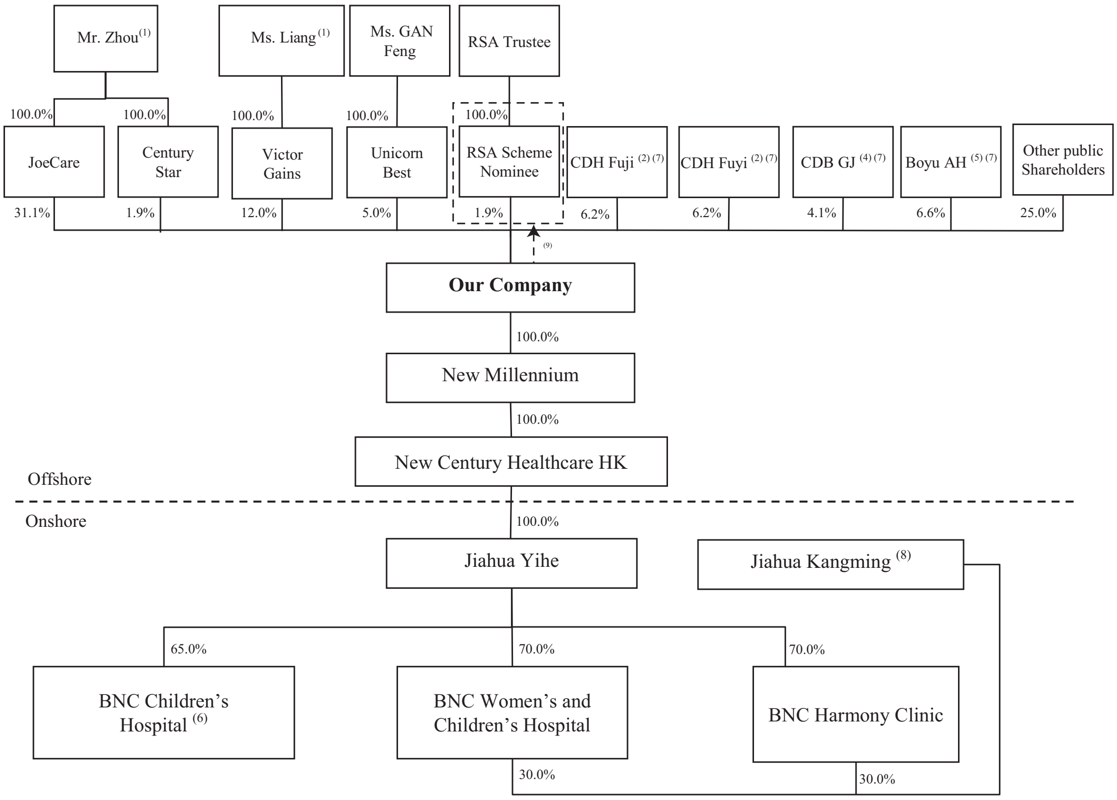
According to the applicable Foreign Investment Catalogue (2015), which came into effect on April 10, 2015, our business falls within the restricted category, where foreign investment in medical institutions are restricted to the form of sino-foreign equity joint venture or cooperative joint venture. As a result, private-sector foreign invested companies like us are restricted from owning 100% of the equity interest in establishing or acquiring new hospitals. However, the Foreign Investment Catalogue (2015) does not stipulate any upper limit on the permitted shareholding percentage of foreign investors in such joint venture. As such, the exact percentage of interests that a foreign investor can indirectly hold in a PRC medical institution remains a matter of discretion by the provincial MOFCOM. Therefore, Beijing MOFCOM, as the competent authority in approving our Company's acquisition of Jiahua Yihe, decided to refer to the restrictions for foreign investor's direct investment in PRC medical institutions as stipulated in the JV Interim Measures, i.e. our indirect shareholding ratio in a medical institution in Beijing shall not exceed 70.0%.

In addition, as advised by our PRC legal adviser (i) Mr. Zhou, our Controlling Shareholder, and other PRC individual shareholders of our Company, namely Ms. Liang and Ms. GAN Feng, who are subject to the registration requirements under Circular 37, completed their registrations with Bank of Jiangsu Beijing Branch on March 4, 2016; and (ii) Mr. XU Han and Ms. XIN Hong, who are subject to the registration requirements under Circular 37, completed their registrations with Bank of Jiangsu Beijing Branch on September 6, 2016.

As confirmed by our PRC legal adviser, we have obtained and completed all requisite approvals and/or registrations in all material aspects from the relevant PRC authorities in respect of the Reorganization, and the Reorganization has, in all material aspects, complied with the applicable PRC laws, regulations and rules.

GROUP STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE GLOBAL OFFERING

We expect the corporate and shareholding structure of our Group immediately following completion of and the Capitalization Issue and the Global Offering (assuming no exercise of the Over-Allotment Option and no Restricted Shares are granted and vest pursuant to the RSA Scheme) will be as follows:



(1) 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.

(2) 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). See "— Our Reorganization — The Pre-IPO Investments — Information regarding the Pre-IPO Investors" for details.

(3) 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). See "— Our Reorganization — The Pre-IPO Investments — Information regarding the Pre-IPO Investors" for details.

(4) CDB GJ is a limited liability partnership organized and existing under the laws of the PRC. The general partner of CDB GJ is CDB Kai Yuan Capital Management Co., Ltd. (國開開元股權投資基金管理有限公司). See "— Our Reorganization — The Pre-IPO Investments — Information regarding the Pre-IPO Investors" for details.

(5) 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). See "— Our Reorganization — The Pre-IPO Investments — Information regarding the Pre-IPO Investors" for details.

(6) The remaining 35.0% is held by BCH, an Independent Third Party public hospital which will, upon Listing, become a connected person of the Company at the subsidiary level.

(7) The shareholding percentage of each Shareholder is calculated on the assumption that all Group B Shares are converted into Shares on a 1:1 basis upon completion of the Global Offering pursuant to the agreements in relation to the Pre-IPO Investments.

(8) Jiahua Kangming is currently held as to 99.0% by Ms. Zhao and as to 1.0% by Ms. ZHOU Jie (Mr. Zhou's sister), and is expected to be beneficially held by Jiahua Kangyong as to 46.4%, Zhonghe Qingrun as to 16.0%, Ms. GAN Feng as to 6.7%, CDH Fuji as to 8.3%, CDH Fuyi as to 8.3%, CDB GJ as to 5.5% and Boyu AH as to 8.8% prior to the Listing, and is a connected person of our Company.

(9) The RSA Scheme Nominee is consolidated by the Company when preparing the consolidated financial statements. For the details, please see Note 15(g) to our consolidated financial statements included in Appendix I — "Accountant's Report" to this prospectus.

OVERVIEW

We are the leading private pediatric healthcare provider in Beijing, operating three medical institutions under the brand name "New Century Healthcare (新世紀醫療)." According to Frost & Sullivan, in terms of the 2015 market share, our three medical institutions ranked first in both the private pediatric healthcare market and the mid- to high-end pediatric healthcare market in Beijing, with a market share of 30.4% and 36.5%, respectively, and ranked second in the private mid- to high-end pediatric healthcare market in the PRC with a market share of 11.4%. We ranked second in the private pediatric healthcare market in Beijing in terms of both inpatient visits and outpatient visits in 2015. We expanded into obstetric and gynecologic services in November 2015 by acquiring BNC Women's and Children's Hospital to broaden our service offerings, which has enabled us to achieve network effects and synergies with our leading pediatric services, enhance customer loyalty and enlarge our revenue base.

We generate our revenue primarily from providing pediatric and obstetric and gynecologic specialty services at our three medical institutions in Beijing. We also generate a portion of our revenue from providing hospital consulting services, which we commenced in December 2015.

We are the first and one of the few private for-profit healthcare service providers in Beijing that can offer comprehensive and specialized pediatric services, as well as integrated pediatric and obstetric and gynecologic services. We focus on the mid- to high-end healthcare market, targeting families that generally have a higher household income or a preference for premium healthcare services. We uphold the principle of providing high-quality, customer-centered healthcare services to enhance the customer experience and our reputation. Our brand name "New Century Healthcare (新世紀醫療)" has achieved the highest recognition among our competitors in most key brand attributes, according to Frost & Sullivan.

In 2013, 2014, 2015 and the nine months ended September 30, 2015 and 2016, our revenue was RMB238.8 million, RMB249.0 million, RMB258.2 million, RMB174.5 million and RMB340.0 million, respectively. In the same periods, our gross profit was RMB149.8 million, RMB143.9 million, RMB140.5 million, RMB96.1 million and RMB163.6 million, respectively. We experienced a 94.8% and 70.2% growth in revenue and gross profit, respectively, in the nine months ended September 30, 2016 compared to the same period in 2015, primarily due to our acquisition of BNC Women's and Children's Hospital in November 2015 and the growth of BNC Children's Hospital.

OUR STRENGTHS

We believe that we have the following competitive strengths:

The Leading Private Pediatric Healthcare Provider in Beijing

We are the leading private pediatric healthcare provider in Beijing in terms of the 2015 market share, according to Frost & Sullivan, focusing on the mid- to high-end healthcare market. In terms of the 2015 market share, our three medical institutions ranked first in both the private pediatric healthcare market and the mid-to high-end pediatric healthcare market in Beijing, with a market share of 30.4% and 36.5%, respectively, and ranked second in the private mid- to high-end pediatric healthcare market in the PRC, with a market share of 11.4%.

We are one of the earliest entrants in the private pediatric healthcare market in Beijing. With our decade-long operating experience, we have accumulated deep industry knowledge and have developed market-leading expertise, management systems and medical resources, making us one of the few private hospitals in Beijing that can offer a comprehensive range of pediatric services and conduct a broad range of complex pediatric surgeries. Our pediatric services currently consist of 14 pediatric clinical departments offering 50 specialties supported by the largest team of employed pediatric physicians. With our hospital operating experience and proven track record of providing high-quality healthcare services, we have successfully attracted and retained a strong base of seasoned physicians, skilled nurses and medical technicians. This allows us to conduct a broad range of pediatric surgeries and treat complex pediatric diseases, as well as to provide first-rate customer service, earning us a well-recognized brand name. According to Frost & Sullivan, we ranked first among private pediatric healthcare providers in Beijing in terms of both brand awareness and brand perception. Our brand name "New Century Healthcare (新世紀醫療)" enjoys the highest recognition in most brand attributes among private pediatric hospitals in Beijing, including the two most important brand attributes — "Comprehensive Pediatric Specialties" and "Short Waiting Time for Surgery and Inpatient Treatment". Furthermore, our obstetric and gynecologic services are complementary to and create significant synergies with our leading pediatric services and enable us to offer one-stop healthcare services. As a reputable pediatric healthcare provider enjoying high brand recognition, we have been chosen by many insurance companies as a preferred cooperation partner for direct billing arrangements.

The pediatric healthcare market, in particular the private mid- to high-end market, in the PRC is vast and fast-growing. According to Frost & Sullivan, the overall pediatric healthcare market in the PRC is forecasted to reach RMB184.0 billion in 2020, representing a CAGR of 17.0% from 2014 to 2020. The private mid- to high-end pediatric healthcare market in the PRC is expected to grow faster than the overall pediatric healthcare market, reaching RMB7.8 billion in 2020, representing a CAGR of 24.2% from 2014 to 2020. Leveraging our first-mover advantage and leading position, we believe we are well-positioned to capture and benefit from this rapid market growth in the future.

Standardized Management System and Group-Wide Best Practices

Leveraging our decade-long operating experience, we have developed a standardized management system and best practices, which allow us to offer consistent, high-quality services under our "New Century Healthcare (新世紀醫療)" brand name at all our medical institutions and to replicate our success elsewhere.

We have an executive management committee at our Group level that forms our Group's overall strategy and supervises each executive management committee at the hospital level. The executive management committee of each hospital is in charge of the hospital's development strategy, business plan, annual budget, key operational procedures and appointment of key management personnel. The business plans are further implemented by each operational department at the hospital as an operating unit of which the operational and financial performance is assessed independently by the executive management committee. Our management system ensures that group strategy is fulfilled and business plans of medical institutions are well-coordinated and effectively supervised by the group headquarters, while preserving management flexibility at the medical institution level. The "operating unit" management system is designed to clearly define the responsibility of each operational department of a medical institution for the implementation of business plans and daily operations, and effectively tracks the operating and financial performance of such operational department, which in turn enhances our operational efficiency.

We also pride ourselves in our group-wide best practices for medical services and operations, implemented in each of our medical institutions. These best practices encompass primarily guidelines relating to examinations, diagnosis, treatment and other medical procedures. Our group-wide best practices were formulated and developed in line with well recognized industrial standards on the key parameters such as clinical quality control, operational procedures, emergency codes and patient and hospital management. Our best practices have been further tested and refined over the years based on our years of clinical experience and accumulation. Our team of medical professionals benefits from interacting with various reputable national and local medical professional associations to exchange cutting edge clinical experiences and know-how from time to time. Furthermore, by participating in programs and services offered by these associations, we have been able to gain access to the latest industry knowledge and clinical developments on pediatrics, which we use to improve our management and best practices from time to time. Our best practices are designed to maximize the efficiency and accuracy of the relevant procedures, enhance the customer experience and ensure that consistent, high-quality services are provided at our different medical institutions. With these best practices, all of our customers can enjoy the "New Century Healthcare" customer experience, which is the foundation of our brand and reputation. Furthermore, we are able to leverage on our best practices to provide hospital consulting services.

In addition, our standardized management system and Group-wide best practices, together with our success in operating our BNC Children's Hospital and BNC Women's and Children's Hospital, make us an attractive business partner for public hospitals. Under the PPP arrangements, we are able to provide the physicians of our PPP partners an opportunity to practice on a high-quality private healthcare service platform. When entering into PPP arrangements, public hospitals prefer their PPP partners to have successful track records in providing high-quality healthcare services under PPP arrangements and well-recognized brand name. When we expand into a new market, we have a competitive edge in pursuing PPP opportunities because of our thorough understanding of the concerns of public hospitals and our successful track record in executing PPP arrangements with them.

Proven Ability to Attract, Retain and Cultivate High-Caliber Medical Professionals

Pediatric healthcare market faces a relatively challenging supply of pediatric physicians. Our ability to attract, retain and cultivate seasoned physicians and other medical professionals is critical to our future business prospects and sustaining our success. We place great emphasis on recruiting, training and retaining high-caliber medical professionals.

We believe that our established reputation, outstanding professional capabilities, systematic training system and appealing career development opportunities are attractive to seasoned physicians and other medical professionals and enable us to retain and cultivate our team of high-caliber medical professionals. Our reputation in the industry as a high-quality healthcare service provider with excellent and highly specialized pediatric clinical capabilities is attractive to seasoned physicians. We offer opportunities for them to work with and learn from industry-leading clinical experts and to have extensive exposure to the diagnosis and treatment of many complicated pediatric diseases. Our physicians also enjoy the full support of our strong team of skillful nurses and medical technicians. In addition, we have a systematic professional training system that provides our physicians and nurses with a comprehensive suite of onsite and offsite academic and clinical training programs run by internal and external experts. Moreover, we offer our medical staff competitive compensation packages, attractive promotion opportunities and a respectful and professional working environment. In particular, our physicians' compensation is tied to their performance, which is attractive to many seasoned physicians. As of the Latest Practicable Date, more than 90.0% of our physicians are attending physicians or above with at least five years of pediatric clinic experience. As of the Latest Practicable Date, we had 441 physicians.

Network Effects and Synergies within Our Medical Institutions

As our business has grown and developed, we have leveraged our leading market position and extensive operational and management experience in pediatric services to expand into obstetric and gynecologic services. With a broader service offering, we have been able to achieve network effects and synergies with our leading pediatric services, enhance customer loyalty and enlarge our revenue base.

According to Frost & Sullivan, due to the high barrier to entry to provide specialized and comprehensive pediatric services, most obstetric and gynecologic healthcare providers are able to offer only basic medical care for newborns and not specialty medical care for late infancy and children. We expanded into obstetric and gynecologic services and further developed our business in Beijing by acquiring BNC Women's and Children's Hospital in 2015. Offering integrated pediatric and obstetric and gynecologic services enables us to provide competitive and cost-effective one-stop healthcare solutions to families, as newborns, children and women within the same family can enjoy our high-quality healthcare services. In addition, by offering obstetric and gynecologic services, we gain access to potential customers as early as when women who plan to have children come to us for gynecologic services. At the same time, our reputation as a leading and specialized pediatric healthcare provider is attractive to families looking for specialized diagnostic and preventive medical care to fetuses and newborns, as well as high-quality, continuing pediatric services to newborns. During the Track Record Period, 22.5% of all the newborns delivered in BNC Women's and Children's Hospital became members of our "Doctor Panda Club"—a family doctor membership program. With the liberalization of the one-child policy, we believe we are well-positioned to further benefit from these network effects and synergies.

Furthermore, the breadth of our specialty services, together with our internal patient referral system, create significant network effects and synergies among our medical institutions and help optimize utilization across our platform.

Innovative Services Responsive to Mid- to High-End Market Demand

We focus on innovating customer-centered services in order to further penetrate the mid- to high-end market. Most notably, to offer more personalized services and improve the customer experience, we introduced the concept of "family doctor" in 2007 and launched our first membership program — "Doctor Panda Club". Each member of the program is assigned a family doctor who provides general pediatric services to the member and makes appropriate referrals to specialists for the member when needed. This system helps build familiarity and trust between our patients and their respective family doctors, thereby creating significant customer loyalty and generating incremental revenue for our specialized medical services.

In addition, we leverage our specialized and complementary clinical capabilities to innovate quickly in response to market demand. For example, we took advantage of our anesthesia service for children and developed pediatric stomatologic treatment under oral local anesthesia in 2008, which improves the treatment experience and patient satisfaction and is appealing to many parents. As of the Latest Practicable Date, only a few hospitals in Beijing offered these services. During the Track Record Period, we handled 501 of these cases. We also team up pediatric and gynecologic physicians to provide consulting services on perinatal nutrition and metabolism management for mothers. With seasoned physicians covering both obstetrics and pediatrics, we utilize the latest technology and resources to identify and treat "high risk" conditions during pregnancy and to care for and manage challenging situations that can arise before, during and after pregnancy and childbirth. We have also introduced advanced overseas technology to offer vertical birth services, which increase the ease of birth and the safety of delivery. Due to our specialized premium services, capabilities in performing complex surgeries and innovation, our profitability is higher than the average industry level, according to Frost & Sullivan.

We believe our ability to innovate our services will continue to improve our customers' experience and satisfaction, help us identify and capture unmet customer demand, enlarge our revenue base, enhance our customer loyalty and enable us to further penetrate the mid- to high-end market.

A Stable and Experienced Management Team

Our core management team consists of a group of seasoned professionals with an in-depth understanding of the healthcare market in the PRC. Their diverse industry experience, innovative vision and strong execution capabilities have enabled us to achieve robust growth and profitability. Members of our senior management have an average experience in the healthcare industry of ten years. Most of them have worked with us for more than ten years. Mr. Jason ZHOU, our Chairman and Chief Executive Officer, has spent over 14 years in hospital operations and management and is a pioneer in introducing the PPP model into the pediatric healthcare market in Beijing. Ms. XIN Hong, our Chief Operating Officer, has more than 14 years of experience in hospital operations and management and has extensive experience in representing our Group in international medical exchanges and its participation in international and regional healthcare organizations. Mr. XU Han, our Chief Financial Officer, has more than 22 years of experience in financial management, including 13 years in the medical industry. Ms. ZHOU Hong, our Chief Medical Officer, is a chief physician who has spent over 33 years in pediatric services. Mr. JIA Xiaofeng, our Investment Director, has over 14 years of experience in the medical industry, including nine years of experience in corporate finance and investments. Ms. TENG Lan, our Chief Human Resources Officer, has nearly 20 years of experience in human resources management, including more than 15 years in the medical industry. See "Directors and Senior Management" for more details.

Moreover, we have a team of 62 operating unit managers who support the management and operations of our medical institutions. With our effective leadership and management, we believe we are able to continue to build on a successful track record of growth.

OUR STRATEGIES

Our goal is to become a world-class healthcare group focusing on the provision of high-quality healthcare services to children and women. To achieve this goal, we intend to implement the following strategies:

Further Strengthen Our Existing Pediatric and Obstetric and Gynecologic Services

Leveraging our first-mover advantage and established reputation of our pediatric services, we plan to further strengthen our pediatric and obstetric and gynecologic services at our existing medical institutions in Beijing to reinforce network effects and synergies. We will continue to position our BNC Children's Hospital as the best private pediatric specialty hospital in Beijing that primarily deals with most of complicated pediatric diseases. We also plan to strengthen our pediatric and obstetric and gynecologic services in our BNC Women's and Children's Hospital and to position the hospital as one of the best private women's and children's hospitals in Beijing to offer one-stop, high-quality pediatric and obstetric and gynecologic services to women and children. We also plan to improve the medical capabilities of BNC Harmony Clinic to deal with more complicated pediatric diseases by developing eHealth technology and facilities.

Furthermore, we plan to further integrate our leading pediatric services and obstetric and gynecologic services to develop and offer medical solutions involving multiple disciplines, such as high-risk pregnancies and perinatal nutrition and metabolism, as well as other customer-centered and integrated healthcare services that differentiate us from our competitors.

Expand Our Medical Network in Beijing and Other Tier 1 Cities

By leveraging our past decade's experience in hospital operation and management, we plan to expand our medical network in Beijing, where our brand "New Century Healthcare" (新世紀醫療) is well known, to foster our leading position and to enlarge the geographic coverage of our services in Beijing. We plan to take advantage of our extensive experience in operating and managing our medical institutions to open one new hospital and two clinics and acquire three clinics in Beijing. To further enhance the network effects among our medical institutions, we also plan to construct a remote medical diagnostic center and upgrade a surgery center in Beijing for the purposes of optimizing our existing medical resources and expertise to capture new growth opportunities.

We also plan to expand our business into other Tier 1 Cities with demographic features and medical resources that are similar to Beijing by opening new and acquiring operating hospitals and clinics when desirable opportunities arise. Our current intention is to open one new hospital and two clinics and acquire one hospital and two clinics in Tier 1 Cities other than Beijing. As of the Latest Practicable Date, we had not identified any target hospitals and/or clinics. See "— Our Future Expansion" for more details.

As of the Latest Practicable Date, we had not implemented the expansion plans and no expenditure had been incurred by us for such plans. The Company's expansion plans are inevitably subject to the Group's operations and the market conditions from time to time and the Company may make adjustments accordingly for the best interests of the Group.

When expanding by acquisition, in respect of hospitals, we will primarily target operating pediatric and obstetric and gynecologic hospitals that have been fully operational for approximately three years with annual revenue of approximately RMB80 million or net profit of approximately RMB5 million. In respect of clinics, we will primarily target operating pediatric clinics each of which has a GFA of approximately 500 square meters and has reached the cash flow breakeven point. We will also consider other factors, such as consumer spending power in the local market, location of the hospital and its proximity to large community, the existing clinical departments, operational scale (ideally with relatively confined premises with registered beds ranging from 120 to 150) and quality of medical professionals of the target, the target's professional reputation and its compatibility with our corporate culture and existing medical institutions. We plan to invest in and re-brand these acquired hospitals to bring them in line with our existing medical institutions' standards. We believe that our strong corporate culture, standardized management system and best practices for medical services and operations will help us successfully integrate the acquired hospitals. Currently, we have not developed any specific acquisition plans, identified any specific targets or entered into any definitive agreements with any potential targets.

Furthermore, in growing our business, we will consider the possibility of entering into PPP arrangements with selected public hospitals. To achieve this objective, we plan to increase our influence and reputation through providing our hospital consulting services to other hospitals. Our hospital consulting services also serve as a platform for us to enhance our hospital management skills and our PPP experience and to identify suitable acquisition targets that meet our criteria and are aligned with our expansion strategies. When desirable opportunities arise, we may adopt the PPP model to invest in or acquire suitable hospitals to expedite our expansion.

Further Improve Our Capabilities of Offering High-Quality Healthcare Services

We will continue to improve the quality of our healthcare services, which remains our top priority. We will continue to attract, retain and cultivate seasoned physicians, nurses and medical technicians and ensure that they are motivated to provide first-class healthcare services to our customers. We plan to increase our collaboration and information exchanges with leading institutions and experts in different medical areas in order to improve our diagnosis, treatment and research capabilities and quality. We will continue to invest in advanced medical facilities and equipment in order to enhance the quality of our services. To support our business expansion and growth and further improve the customer experience, we intend to continue to upgrade and improve our information technology by incorporating intelligent electronic healthcare systems so as to optimize our medical resources and expertise.

Further Enhance Our Brand Name Recognition

With our good reputation in pediatric services, we have relied primarily on word-of-mouth marketing. As our business continues to grow, we believe that successful branding through effective marketing strategies is critical for us to maintain our reputation and attract new customers. To continue to maintain and promote our brand as a leading private pediatric healthcare provider and to further promote our integrated healthcare services, we plan to increase our publicity and brand awareness by organizing more marketing events and by leveraging our existing customer base and more cost-efficient social media marketing tools.

Furthermore, we plan to further strengthen our cooperation with insurance companies to develop and promote the insurance products that are both designed for pediatric, obstetric and/or gynecologic services and suitable for our customers, which we believe helps our customers afford our high-quality healthcare services and increases their loyalty to us. We also intend to expand our cooperation with enterprises and organizations to boost our customer base. We believe that well-planned marketing strategies would further strengthen our position as a leading private pediatric healthcare provider and further promote our integrated healthcare services.

OUR BUSINESS MODEL

We own and operate a network of three medical institutions in Beijing, including one children's hospital in Xicheng District, one women's and children's hospital in Chaoyang District and one clinic in Shunyi District, which together provide pediatric and obstetric and gynecologic specialty services to children and women. All of our medical institutions are for-profit private medical institutions. We also provide hospital consulting services to Jiahua Likang for the Likang Hospitals, which are all outside Beijing. All of our medical institutions and the Likang Hospitals are branded under the name "New Century Healthcare" (新世紀醫療). We generate our revenue primarily from providing healthcare services and a portion of our revenue from hospital consulting services.

Service Offerings Network

Our medical services consist of two major segments: pediatric services and obstetric and gynecologic services, which are complementary to each other. Among our three medical institutions, BNC Children's Hospital offers a broad range of pediatric services and has medical capabilities and resources to deal with most complicated pediatric diseases; BNC Women's and Children's Hospital provides comprehensive obstetric and gynecologic services and a smaller range of pediatric services, and is best positioned to deal with diseases involving both obstetrics and pediatrics as well as relatively complicated pediatric diseases; and BNC Harmony Clinic mainly deals with common pediatric diseases and gynecologic diseases. Where more specialized services are needed, the patients can be easily referred to our medical institutions that have the most relevant capability. We have implemented an internal patient referral mechanism to enhance the utilization of the specialty practices in our medical institutions. Furthermore, our established reputation and leading market position in pediatric services in Beijing may help attract new patients for our obstetric and gynecologic services, and our obstetric and gynecologic services in turn may help generate new patients for our pediatric services. See "— Our Healthcare Services — Network Effects and Synergies" for details.

PPP Arrangements with Public Hospitals

We have accumulated in-depth experience of PPP arrangements with public hospitals. Our first hospital, BNC Children's Hospital, was established through a PPP arrangement with BCH in 2002. Under the arrangement, we own 65.0% and BCH owns 35.0% of the equity interests in BNC Children's Hospital. Pursuant to the arrangement, BCH has agreed, among other things, to second certain medical professionals to BNC Children's Hospital and provide the premises for BNC Children's Hospital. In exchange, we provide BCH's physicians an opportunity to practice on a high-quality private healthcare service platform. Our second hospital, BNC Women's and Children's Hospital, which we acquired in November 2015, is based on a non-equity cooperation arrangement with BOGH. This arrangement provides for, among other things, the secondment of medical professionals to BNC Women's and Children's Hospital. Over the years, we have formed strong and long-standing relationships with renowned public hospitals and the governmental authorities overseeing the healthcare sector. Our thorough understanding of the concerns of public hospitals and our successful track record in executing PPP arrangements give us an advantage when entering into PPP arrangements with public hospitals. We have also accumulated a wealth of hospital operation and management expertise through our provision of hospital consulting services to the Likang Hospitals, many of which operate under PPP arrangements. We capitalize on our knowledge and experience when we see opportunities to expand our operations through PPP arrangements with suitable PPP partners. See "— Our PPP Arrangements with Public Hospitals" for details.

Hospital Consulting Services

We began providing hospital consulting services in December 2015 to Jiahua Likang, a connected person of the Group, for the Likang Hospitals. In 2015 and the nine months ended September 30, 2016, we generated RMB1.8 million and RMB20.3 million, respectively, from such consulting services. See "— Hospital Consulting Services" and "Connected Transactions — Non-Exempt Continuing Connected Transaction — Management Consulting Services Agreement " for details.

OUR HEALTHCARE SERVICES

We provide pediatric and obstetric and gynecologic specialty services in our medical institutions in Beijing. We are one of the few private for-profit healthcare institutions in Beijing that can offer comprehensive pediatric services and additionally offer integrated pediatric and obstetric and gynecologic services.

Pediatric Services

We provide pediatric services at all our medical institutions. We focus on the mid- to high-end healthcare market. Our three medical institutions ranked first in both the private pediatric healthcare market and the mid- to high-end pediatric healthcare market in Beijing in terms of the 2015 market share, according to Frost & Sullivan. Since the opening of our first children's hospital in 2006, we have been committed to providing high-quality pediatric services. We place great emphasis on engaging seasoned pediatric physicians in Beijing from a wide spectrum of medical fields in order to provide private and personalized services in a comfortable and fun environment. We employ advanced technologies in our diagnosis and treatment of pediatric diseases, including digital EEG assessment, genetic testing for drug allergies, pediatric color ultrasound imaging and other tests and screenings. We have NICUs with 15 beds to support our pediatric services. Our NICUs primarily provide intensive medical care for newborns 28 days old or younger who are born prematurely or with congenital diseases or other diseases, such as jaundice. We have adopted a "one baby, one nurse" service model to ensure the newborns in the NICUs receive the special care and attention they need.

Comprehensive pediatric services offerings

Due to the insufficient pediatric physicians supply and high employee turnover to other medical positions, there is a significant shortage in pediatric physicians in the PRC, according to Frost & Sullivan. See "Industry Overview — The PRC Pediatric Healthcare Market — Barriers to Entry of the PRC Mid- to High-End Private Pediatric Healthcare Market." The lack of pediatric physicians in the PRC makes it difficult to open and operate a specialty children's hospital, especially one that is able to provide a broad range of pediatric services like BNC Children's Hospital. We are currently one of the few private hospitals in Beijing that have the medical resources and capabilities to offer a comprehensive range of pediatric services, according to Frost & Sullivan. We also offer family doctor services to our "Doctor Panda Club" members, under which each child member is assigned a family doctor. Supported by a team of medical professionals with strong professional experience, BNC Children's Hospital currently consists of 14 clinical departments offering 50 specialties. In addition, all our medical institutions other than BNC Harmony Clinic offer pediatric emergency care, 24 hours a day and seven days a week. Our pediatric services also include vaccinations, regular health assessments and other related services for children. The following table sets forth the pediatric specialties by clinical department we offer in our medical institutions as a whole:

Clinical Department[(1)]	Specialties
Department of Pediatric Internal Medicine:	Neonatology; Pediatric Infectious Disease; Pediatric Digestion; Pediatric Respiration; Pediatric Cardiology; Pediatric Kidney Specialty; Pediatric Blood Disease Specialty; Pediatric Neurology; Pediatric Endocrinology; Pediatric Genetic Disease; Pediatric Immunology
Department of Pediatric Surgery:	Pediatric General Surgery; Pediatric Orthopedics; Pediatric Urology Surgery; Pediatric Cardiothoracic Surgery; Pediatric Neurosurgery
Department of Children Health Care:	Child Growth and Development Specialty; Child Nutrition; Child Mental Health Specialty; Child Facial Care Specialty; Child Rehabilitation Specialty
Department of Dentistry:	Endodontics; Periodontal Disease Specialty; Oral Mucosal Disease Specialty; Child Dental and Oral Health Specialty; Oral and Maxillofacial Surgery; Dental Prosthetics; Dentofacial Orthopedics; Oral Anesthesia; Oral Health and Disease Prevention

Clinical Department[1]	Specialties
Department of Otorhinolaryngology:	Otology; Rhinology; Throat Specialty
Department of Dermatology:	Dermatologic Specialty
Department of Medical Laboratory:	Clinical Body Fluids and Blood Laboratory; Clinical Microbiological Laboratory; Clinical Chemistry Laboratory; Clinical Immunology and Serum Laboratory
Department of Medical Imaging:	X-ray Diagnosis; CT Diagnosis; MRI Diagnosis; Ultrasound Diagnosis; ECG Diagnosis; EEG and Cerebral Blood Flow Diagnosis; Neuromuscular Electrical Diagram Diagnosis
Department of Traditional Chinese Medicine:	Pediatrics

(1) Other departments include Department of Integrated Medicine, Department of Ophthalmology, Department of Anesthesiology, Department of Emergency Medicine and Department of Preventive Health Care.

Seasoned pediatric physicians

Our commitment to high-quality pediatric services is fulfilled through our stringent requirements for the qualifications and clinical experience of our seasoned pediatric physicians. All of our pediatric physicians are required to have qualification in pediatric discipline and more than 90.0% of our physicians are attending physicians or above with at least five years of pediatric clinical experience. Our employed physicians comprise: (i) full-time physicians at one or more of our medical institutions and (ii) part-time physicians at one or more of our medical institutions. Our full-time physicians mainly include those who are independently recruited and employed by us and those who are seconded to us pursuant to PPP arrangements and work on a full-time basis during the secondment. Our part-time physicians mainly include multi-site practice physicians who do not work in any of our medical institutions on a full-time basis. Our strong base of part-time physicians includes certain well-known experts in their respective areas. Many of these experts are full-time physicians in certain prestigious hospitals, but it is easier to make appointments with these physicians through our effective appointment arrangements. Furthermore, with our large pool of part-time physicians, we are able to deploy those resources as and when necessary when we deal with very complex and sometimes rare pediatric diseases. As of the Latest Practicable Date, we had a team of 441 physicians, including 87 full-time physicians (out of which 12 are seconded from our PPP partners) and 354 part-time physicians.

A team of skillful nurses and other medical professionals

We place great emphasis on recruiting and training our nursing team and we have built up a team of skillful nurses and other medical professionals to provide high-quality nursing and other medical services to our customers hand-in-hand with our pediatric physicians. To ensure the quality of our nursing services, we have strict requirements for our nurses in terms of both education and medical qualification. We also require our nurses to undertake regular internal training courses to improve their nursing skills. In addition, we have established a separate training and promotion system for nurses, which offers our nurses clear career development path and attractive remunerative incentives. As of the Latest Practicable Date, our skillful nursing team consisted of 254 nurses.

Ability to treat a broad range of complex pediatric diseases

With our seasoned pediatric physicians, skillful nursing team and other medical professionals, advanced equipment and facilities, we are able to diagnose and treat complex and sometimes rare pediatric diseases, for which we have earned a reputation for our high-quality pediatric services. We are one of the few hospitals in Beijing that have the capabilities and facilities to conduct a broad range of complex pediatric surgeries, such as pediatric stomatologic treatment under oral local anesthesia, pediatric orthopedics surgery, pediatric urology surgery, pediatric neurological surgery, pediatric oncological surgery, pediatric thoracic surgery, pediatric otolaryngology surgery and pediatric ophthalmology surgery. In 2013, 2014, 2015 and the nine months ended September 30, 2015 and 2016, we handled 2,527, 2,396, 2,648, 2,007 and 2,346 pediatric surgeries, respectively.

In addition, we have expertise and experience in treating a broad range of severe and intractable pediatric diseases, such as:

Blood Diseases	Leukemia; Malignant lymphoma; Hemophilia B
Endocrine Disorders	Diabetes in children; Diabetic ketoacidosis; Glycerol kinase deficiency
Neonatal Diseases	Very-low-birth-weight children; Methylmalonic acidemia; Early myoclonic encephalopathy in infancy
Heart Diseases	Refractory Kawasaki disease; Endocardial elastic fibers hyperplasia; Dilated cardiomyopathy; Infectious myocarditis; Takayasu arteritis; Wolff-Parkinson-White (WPW) syndrome; Heart failure
Digestive System Diseases	Ulcerative colitis
Respiratory System Diseases	Respiratory failure; Severe pneumonia; Severe mycoplasma pneumonia
Nervous System Diseases	Acute autonomic neuropathy; Viral encephalitis (EV71/etc); Refractory epilepsy; Anti-NMDA encephalitis; Cerebral palsy
Other Diseases	Subacute necrotizing lymphadenitis; Rhabdomyolysis; Severe combined immune dysfunction; Severe HFMD; Toxic epidermal necrolysis; Allergic purpura

Private and personalized services in a comfortable and fun environment

As one of the earliest entrants in the private pediatric healthcare market in Beijing, we uphold the principle of providing high-quality and customer-centered healthcare services throughout our operations, which we believe is vital to enhancing our customer satisfaction and reputation. We strive to be respectful of and responsive to individual customer preferences and needs, which differentiates our services from those of the public hospitals. Compared to most public hospitals in the PRC, our pediatric wards and facilities provide a more comfortable and fun environment for our young customers, which is attractive to high-end customers. For example, we offer private and luxury wards, which is limited in most public hospitals. We place great emphasis on the customer experience at our medical institutions and the protection of their safety and privacy by adopting a "one patient, one room, one physician" policy in terms of the layout of our medical institutions and the diagnosis and treatment procedures. For example, each of our pediatric outpatients will be assigned a separate consultation room. All routine consultations and treatment, including preliminary assessments by the dedicated consultation nurse, physician consultation, basic examinations and blood taken for laboratory tests, are conducted in the consultation room, as young patients would not be required to move between clinical departments. Physicians of our medical institutions also give more detailed examinations and have more thorough discussions on the diagnosis and treatment process with our patients as compared to those of public hospitals. This significantly reduces the risks of hospital infection and also improve customer experience. For each of our inpatients, we further enhance our personalized services by assigning a dedicated nurse to provide the patient with continuous nursing services.

Moreover, to better assist our patients in managing their appointments and treatments, we offer other personalized services such as pre- and post-surgery caring instructions. We also have a gift shop and a children's playground at each of our medical institutions which our children patients can visit while waiting for check-ups or dispensing of medication. We assign a patient number to each patient and such number is used to identify and access the medical records of such patient at each of our medical institutions. We maintain complete electronic medical records for each of our patients. This not only gives the family doctors as well as other pediatric specialists within our healthcare network easy access to the medical conditions and records of each pediatric patient, which we believe plays an important role in the provision of consistent pediatric services, but also creates a complete medical and health records for the child which we believe is of great value for his or her future healthcare management during adulthood.

Doctor Panda Club and Dragon Baby Club

We run a popular family doctor membership program "Doctor Panda Club" which enhances not only the quality of diagnosis and treatment but also our customer loyalty. We believe that every customer is unique and, therefore, the familiarity with a customer's health conditions is critical to diagnosis and treatment. In 2007, we launched our membership program "Doctor Panda Club", under which each child member is assigned a designated family doctor who serves as the first point of contact for the general pediatric services. For common pediatric diseases, a child member normally receives pediatric services from his or her family pediatric doctor who is familiar with the child's overall conditions and progress. Where more specialized pediatric services are needed for the child after an initial consultation with the family doctor, the child will be referred to a pediatric specialist within our healthcare network via our internal patient referral system. The family doctor system plays a critical role in maintaining our high-quality pediatric services because the family doctors are familiar with the health and growth conditions and clinical records of each of their responsible patients which can help the doctors to provide diagnosis and treatment with precision. In addition, having a regular family doctor will make young patients feel more comfortable about sharing their own experience and receiving treatment.

The following table sets forth the number of the Doctor Panda Club members of the New Century Medical Institutions as of the dates indicated:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
BNC Children's Hospital	3,369	3,742	4,036	4,408
BNC Women's and Children's Hospital [(1)]	841	1,728	1,801	2,115
BNC Harmony Clinic	129	264	310	270
Total	4,493	5,747	6,193	6,793

(1) We acquired BNC Women's and Children's Hospital on November 30, 2015.

We also run a membership program "Dragon Baby Club" targeting older children who generally visit doctors less frequently. Our Dragon Baby Club members also enjoy discounts for our certain pediatric services. See "— Pricing and Payment" for more details on our membership programs. As of September 30, 2016, we had 2,688 Dragon Baby Club members.

Key operating data of our pediatric services

The following table sets forth certain key information relating to the pediatric services of our medical institutions for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2013	2014	2015 [(1)]	2016
Inpatient				
Inpatient visits	4,964	4,928	4,878	4,597
ALOS (days)	4	4	4	3
Outpatient				
Outpatient visits	81,909	87,643	94,240	110,103
Pediatric services revenue[(2)]				
(RMB millions)	234.7	244.4	247.1	253.8

(1) We acquired BNC Women's and Children's Hospital on November 30, 2015, and this data included the data of BNC Women's and Children's Hospital since December 1, 2015. See "Financial Information — Principal Components of the Consolidated Statements of Comprehensive Income — Revenue and key operating data" for certain key information of BNC Women's and Children's Hospital during the Track Record Period.

(2) In addition to revenue from medical services attributable to inpatients and outpatients, our medical services revenue from pediatric services also included the revenue recognized from the membership card sales.

Obstetric and Gynecologic Services

On November 30, 2015, we acquired BNC Women's and Children's Hospital in Beijing, which provides comprehensive obstetric and gynecologic services in addition to high-quality pediatric services. Our obstetric services mainly include private and personalized healthcare services to mothers and newborns that cover prenatal, delivery and postpartum care services during pregnancy, delivery and after birth. We also offer gynecologic services to female patients.

Comprehensive obstetric and gynecologic healthcare solutions

In addition to obstetric services, we also provide diagnostic and preventive medical care to fetuses and newborns. With seasoned physicians covering both obstetrics and pediatrics, we are able to utilize the latest technology and resources to identify and treat "high risk" conditions of the fetuses and the mothers-to-be to ensure pregnancy of our patients is safe and congenital diseases and/or complications are minimized. We employ advanced technologies to monitor the mothers' and the fetuses' health conditions, including fetal ultrasounds, nuchal translucency screenings, non-stress tests and other tests and screenings. We have the experience and expertise to care for and manage challenging situations that may arise before, during, and after pregnancy and childbirth, such as amniotic fluid embolism, postpartum hemorrhage, placental abruption, placenta previa, severe pre-eclampsia and high-risk pregnancy. Our pediatric physicians, obstetricians, neonatologists and neonatal nurse practitioners are on site 24 hours a day and seven days a week with a support team of pediatric and maternal critical care specialists to ensure immediate care can be given to both mothers and babies when needed. Our obstetric services also feature NICUs capable of treating premature newborns with low birth weight and with birth defects or other complications.

Our conventional obstetric services include regular health assessment, laboratory tests, ultrasound examinations, physical and intelligence assessments and newborn care consultation. We perform both natural delivery and caesarean delivery. After the baby is born, we continue to monitor the mother's and baby's health closely to ensure their smooth recovery. We are also one of the few hospitals in Beijing that offer vertical birth which increases the ease of birth and the safety of delivery. Our obstetric services also include ancillary services such as pelvic floor rehabilitation, postnatal care and breastfeeding support, which are beyond the traditional scope of obstetrics practice at most hospitals, to address special needs of our customers. In addition, as we continue to innovate, we started offering midwife prenatal care services to women from early 2016. Under these services, we began each pregnant customer with a skillful midwife to offer instructions and guidance on prenatal care which mainly includes regular check, monitoring and assessment of the pregnancy, advice on diet and exercise, advice on labor and delivery options and treatment of minor discomforts of pregnancy. We are one of the earliest market entrants to provide such midwife prenatal services, which we believe helps our pregnant customers gain necessary prenatal care knowledge in a private and relaxing environment. This in turn may help attract them to use our obstetric and gynecologic services.

Our gynecologic services cover gynecologic inflammation, female reproductive system disorder, endometriosis, uterine fibroids, ovarian tumor and other common gynecologic diseases. We also offer birth control management, infertility testing and treatment, menopausal care and health screening services to meet our patients' need for a broad spectrum of gynecologic services.

Private and personalized obstetric and gynecologic services

Unlike in most public hospitals, our patients normally receive healthcare services from the same physicians during the entire course of their pregnancy, delivery and postpartum care, which ensures the physicians are familiar with the patients' overall conditions and progress. In addition, our obstetric wards and facilities provide a comfortable, private and intimate environment for our patients. We are able to provide our patients with private and luxury LDR wards which cover the functions necessary for patients' labor, delivery and recovery, compared with public hospitals which usually provide public wards to their patients. As of December 31, 2015, we had 10 LDR wards, which ranked us number one among all hospitals in Beijing in terms of numbers of LDR wards in 2015, according to Frost & Sullivan.

Our such services mainly include regular body check-up for the newborns and the mothers and provide medical treatment for them if necessary. After a newborn baby is enrolled into our Doctor Panda membership, a family doctor will be assigned to provide general pediatric services to the baby.

In the nine months ended September 30, 2016, the outpatient visits and the inpatient visits for our obstetric and gynecologic services were 18,821 and 1,351, respectively. In the same period, 18.2% of our total revenue was derived from our obstetric and gynecologic services. See "Financial Information — Principal Components of the Consolidated Statements of Comprehensive Income — Revenue by category of medical services" for details.

Network Effects and Synergies

We commenced our business in 2006 when we began operating BNC Children's Hospital. Over time, we have established our reputation and leading market position in pediatric services in Beijing. In 2008, BNC Harmony Clinic was established to provide pediatric services covering common specialties. After we acquired BNC Women's and Children's Hospital in November 2015, we began to offer comprehensive and differentiated obstetric and gynecologic services in Beijing. We also began offering certain gynecologic services in BNC Harmony Clinic after we acquired BNC Women's and Children's Hospital in November 2015. The different locations of our medical institutions and complementary specialty coverage and capacities among our medical institutions, together with our internal patient referral system, create significant network effects and synergies. For example:

- Our high-quality pediatric healthcare services attract not only children customers but also their mothers, to whom we cross-sell our obstetric and gynecologic services.

- For customers of our gynecologic services who are considering having children, we attract them to use our strong obstetric services supported by our leading and comprehensive pediatric services. During the Track Record Period, 22.5% of all the newborns delivered in BNC Women's and Children's Hospital became members of our "Doctor Panda Club".

- Our internal patient referral system among our medical institutions offers our customers seamless healthcare services from general pediatric services to more specialized pediatric services, as well as obstetric and gynecologic services. This also helps streamline the consultation and treatment process, enhance customer satisfaction and expand our business.

- Our integrated information system also enables our physicians within our medical network to have easy access to all our customers' medical records in our system, which reduces the transferred customers' need to repeat their medical conditions to physicians again and thus improves the customers' experience.

HOSPITAL CONSULTING SERVICES

We began providing hospital consulting services to Jiahua Likang, a connected person of us, in December 2015. Our management consulting services primarily include brand licensing and use of our standardized management know-how, best practices for medical services and operations and the relevant know-how, our continuing professional development training systems and clinical experience exchange platform, procurement and supplier services support and information technology systems and support. We may also provide management consulting services to Independent Third Parties in the future. See "Risk Management and Internal Control — Quality Control" for the quality control of our branded hospitals.

We currently have a dedicated team of consultants, led by our senior management, to provide management consulting services, which is strategically important for our business and growth potential in many ways. By providing hospital consulting services, we are able to accumulate operational know how and collect market intelligence in the cities where the relevant hospitals are located. In addition, we can further capitalize on our extensive operational and management experience, our group-wide best practices for medical services and operations and our leading market position in pediatric services in providing hospital consulting services. Our BNC Children's Hospital, as an early PPP-based medical institution in Beijing, is visited and consulted by public and private hospital owners and regulators from time to time and we may identify cooperation opportunities through these exchanges. Our provision of hospital consulting services also serve as a platform for us to promote our experience of PPP arrangements with public hospitals and to increase our brand awareness in the medical industry.

OUR PPP ARRANGEMENTS WITH PUBLIC HOSPITALS

We established BNC Children's Hospital based on a PPP arrangement with BCH. BNC Women's and Children's Hospital, which we acquired in November 2015, is based on a non-equity PPP arrangement with BOGH. Over years, we have accumulated experience in PPP arrangements with public hospitals.

PPP Arrangement with BCH

Our PPP arrangement with BCH, a connected person at the subsidiary level, commenced in 2002 pursuant to a cooperation agreement with BCH to establish BNC Children's Hospital. The major terms of the cooperation agreement with BCH include:

- BCH and we agreed to establish BNC Children's Hospital with an initial registered capital of RMB20.0 million, comprising our contribution of RMB13.0 million and BCH's contribution of RMB7.0 million.

- We own 65.0% and BCH owns 35.0% of the equity interest in BNC Children's Hospital and therefore the two parties share the net profits in proportion to their shareholdings.

- The board of directors of BNC Children's Hospital shall comprise five directors, of which we are entitled to appoint three and BCH is entitled to appoint two. During the Track Record Period and up to the Latest Practicable Date, BNC Children's Hospital has had only one director, namely Mr. Zhou and since June 2016, Ms. XIN Hong, an executive director of our Company.

- The term of the cooperation with BCH will last until December 12, 2022.

- As part of the cooperation arrangement, BCH agreed to provide certain premises for BNC Children's Hospital's use for business operations and we agreed to introduce advanced hospital management skills and provide the core management team to operate BNC Children's Hospital, without extra payments to each other.

- BCH agreed to, at the request of BNC Children's Hospital, second certain medical professionals to BNC Children's Hospital which shall be responsible for their salaries.

- BCH agreed to provide certain examination and laboratory test services to BNC Children's Hospital the provision of which shall comply with relevant PRC laws and regulations on medical administration. See "Connected Transactions — Fully-Exempt Continuing Connected Transactions — Examination and Laboratory Test Services Provided by BCH to BNC Children's Hospital" for details.

BCH is one of the largest Class III comprehensive children's hospitals in the PRC, which integrates provision of medical services, medical scientific research, teaching and healthcare.

Cooperation with BOGH

In March 2014, BNC Women's and Children's Hospital entered into a cooperation agreement with BOGH, an Independent Third Party public hospital, for a term of three years until March 1, 2017. The major terms of the cooperation agreement with BOGH include:

- BNC Women's and Children's Hospital, as the cooperation partner, agreed to put in place arrangement to provide medical services to patients transferred from BOGH and vice versa.

- BOGH and BNC Women's and Children's Hospital agreed to allow access by their patients to each other's examination and laboratory test services.

- BOGH agreed to, at the request of BNC Women's and Children's Hospital, second medical professionals to BNC Women's and Children's Hospital, which shall be responsible for the salaries of such medical professionals and take out medical liability insurance for them.

- BOGH agreed to, at the request of BNC Women's and Children's Hospital, arrange experts to provide periodic expert consultations at BNC Women's and Children's Hospital.

- BOGH agreed to provide medical training to the medical professionals of BNC Women's and Children's Hospital.

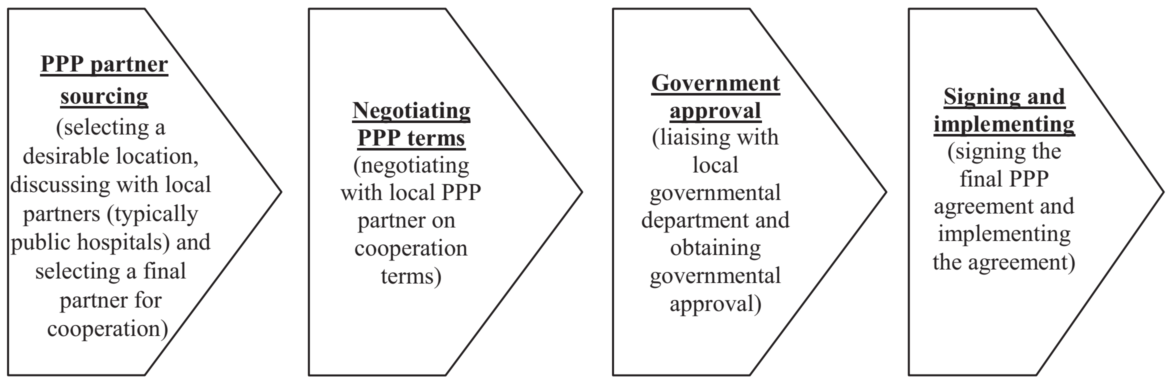
- BNC Women's and Children's Hospital agreed to pay a fee of RMB1.0 million per year to BOGH for the cooperation.

- The parties enjoy priorities for the renewal of the cooperation agreement which requires one month's prior written notice and, if both parties agree to renew, a new agreement shall be entered into by the parties.

Since the commencement of the cooperation agreement, BNC Women's and Children's Hospital has established a strong team of physicians and other medical professionals. As such, the importance of such cooperation arrangements to BNC Women's and Children's Hospital's operations has reduced over years. We have not begun but plan to negotiate the renewal of our PPP arrangement with BOGH on a win-win basis toward its expiry in March 2017.

Our PPP Project Sourcing and Execution Know-How

When we began our cooperation with BCH in 2002, we were one of very few first movers in Beijing to establish a private for-profit medical institution based on a PPP arrangement with a public hospital. Over years, we have, through our operating experience, developed certain PPP project sourcing and execution know-how. The following diagram illustrates the key steps for sourcing and developing a typical PPP medical institution:



When we develop a PPP-based medical institution in a specific area, we will first determine the desirable location based mainly on our expansion strategies and the specific location selection criteria, including, among others, the supply and demand of the local pediatric and obstetric and gynecologic services, local competitive landscape, investment environment, expected returns and certain demographic factors such as number of residents, average income and age. If we consider any location as having development potential, we will then invite the chief officers of the local medical administration department as well as the senior management of the relevant public hospitals in that city to visit our hospitals in Beijing and to initially discuss the business cooperation opportunity. After we obtain a preliminary positive feedback from the local medical administration department and the local public hospitals, we will select one from such public hospitals and negotiate thoroughly with such identified local public hospital on the cooperation. After receiving the approval from the local governmental department, we will enter into a PPP agreement which will be implemented by our experienced team.

Although PPP arrangements often provide us with useful resources to quickly ramp up our newly established medical institutions, due to our standardized management system and group-wide best practices, we typically can establish our comprehensive clinical capabilities supported by a team of seasoned physicians and experienced management within a few years.

OUR TRAINING SYSTEMS

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

Professional Training

We have developed a systematic professional training system that provides our physicians and nurses with a comprehensive suite of onsite and offsite academic and clinical trainings by internal and external experts. The training system is designed to cultivate our physicians of different seniority and specialties and to maintain and improve their professional skills to provide consistent high-quality healthcare services.

Our professional training programs cover different specialties, such as pediatrics and obstetrics and gynecology, as well as different functions, such as medical, nursing and medical equipment. Different types of professional training programs are provided to different medical professionals at different stages, seniority and experience.

- *Resident physicians training program:* in order to ensure pipelines of talents, we recruit certain number of medical postgraduates each year from well-known medical universities and send them to BCH for a three-year resident training. Upon completion of such training, we will keep them as resident physicians.

- *Induction professional training programs:* for fresh medical school graduates and junior physicians, nurses and medical technicians with limited working experiences, different levels of rotary trainings, advanced studies and internship with a term ranging from several months to several years are provided. These training programs also aim to ensure that all of our medical professionals are familiar with our group-wide best practices.

- *Onsite regular professional training programs*: for our physician's continuing education, we conduct weekly clinical practices inspection, monthly academic committee's training and monthly training on equipment-related subjects. We also provide our nurses and other medical professionals with different systematic training programs to cultivate their professional skills and improve familiarity with our group-wide best practices.

- *Offsite clinical training programs:* for physicians, nurses and medical technicians with different levels of clinical experiences, in addition to the internal trainings, we also send them to domestic and overseas medical institutions which are well-known in certain areas for short-term clinical trainings.

- *Professional and clinical experiences exchange programs with other institutions*: BNC Children's Hospital and BNC Women's and Children's Hospital are members of various reputable national and local medical professional associations. Our team of medical professionals benefits from interacting with these associations to exchange cutting edge clinical experiences and know-how from time to time. We also have professional and clinical experiences exchange programs with reputable medical institutions in the United States and Hong Kong.

Management Training

We also provide our management team with regular training courses to improve their management skills. For our management staff at manager level or above, management courses on subjects such as leadership, roles and responsibilities of middle management and thinking process are provided to them once a year. We believe those training courses play an important role in improving their management skills and are vital to the success of our business operation.

Common Training and Cross Training

Common training is designed for all the staff to help them promptly enter into the work state and meet our service standards. Common training includes induction training, professionalism training, working skills training and English training. The English training courses are designed to improve our staff's ability to communicate in English with customers who are not mandarin Chinese speakers. Cross training is normally provided to staff for them to get familiar with different posts of different departments so that they are able to collaborate better at work.

OUR MEDICAL INSTITUTIONS

Overview

We own one children's hospital, one women's and children's hospital and one clinic in Beijing, all of which are for-profit private medical institutions. All of our medical institutions are strategically located in Beijing, one of the largest healthcare markets in the PRC, which gives us access to a pool of high-caliber medical professionals and high-quality medical facilities and infrastructure, which are crucial to our success.

We opened BNC Children's Hospital in 2006 with a view to providing children with access to high-quality pediatric specialty services in a private and comfortable environment. In 2008, BNC Harmony Clinic was established to meet the increasing demand for our pediatric services, and the clinic offers the people in its vicinity easy access to our pediatric services and gynecologic services. In November 2015, we acquired BNC Women's and Children's Hospital, which offers one-stop healthcare services from pregnancy to postpartum and newborn care as well as high-quality pediatric services and gynecologic services. As of the Latest Practicable Date, BNC Children's Hospital had 97 beds in operation while BNC Women's and Children's Hospital had 66 beds in operation.

The following table sets forth certain information of these three medical institutions for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2013	2014	2015	2016
BNC Children's Hospital(1)				
Inpatient				
Inpatient visits	4,964	4,928	4,765	3,622
Average spending per inpatient visit (RMB)	23,223	23,639	22,490	23,784
ALOS (days)	4	4	4	3
Number of registered beds as of the end of the relevant period(2)	105	105	105	105
Number of inpatient surgeries	2,499	2,398	2,632	2,128
Revenue from medical services attributable to inpatient visits (in thousands of RMB)	115,277	116,492	107,164	86,145
Outpatient				
Outpatient visits(3)	75,678	79,821	82,376	65,595
Average spending per outpatient visit (RMB)	1,295	1,269	1,224	1,289
Revenue from medical services attributable to outpatient visits (in thousands of RMB)	98,010	101,327	100,816	84,544
Revenue recognized for membership card sales (in thousands of RMB)	14,164	16,306	22,661	17,472

	Year ended December 31,			Nine months ended September 30,
	2013	2014	2015	2016
BNC Women's and Children's Hospital[4][5]				
Inpatient				
Inpatient visits	798	1,664	1,672	2,326
Average spending per inpatient visit (RMB)	25,095	27,055	23,181	25,355
ALOS (days)	4	4	3	3
Number of registered beds as of the end of the relevant period[1]	102	102	102	102
Number of inpatient surgeries	267	647	600	937
Revenue from medical services attributable to inpatient visits (in thousands of RMB)	20,026	45,019	38,758	58,975
Outpatient				
Outpatient visits[3]	31,164	51,854	57,198	55,889
Average spending per outpatient visit (RMB)	787	876	883	932
Revenue from medical services attributable to outpatient visits (in thousands of RMB)	24,523	45,444	50,501	52,075
Revenue recognized for membership card sales (in thousands of RMB)	3,483	7,231	8,409	8,571
BNC Harmony Clinic[6]				
Outpatient visits[3]	6,231	7,822	7,390	7,440
Average spending per outpatient visit (RMB)	1,065	1,198	1,180	934
Revenue from medical services attributable to outpatient visits (in thousands of RMB)	6,635	9,369	8,718	6,950
Revenue recognized for membership card sales (in thousands of RMB)	623	887	1,074	1,022

(1) In addition to revenue from medical services attributable to inpatients and outpatients, the medical services revenue of BNC Children's Hospital also included the revenue recognized from the membership card sales.

(2) Registered beds refer to the number of beds that are registered in a medical institution's practicing license. The numbers of beds in operation are generally lower than the numbers of registered beds in our hospitals, mainly due to (i) our hospitals have not reached 100% of their operational capacities; and (ii) some double or multiple-bed wards in our hospitals are used as single-bed wards to provide more room and privacy for our patients. We can adjust the set-up of the rooms based on the needs of our patients and our operations.

(3) This includes accident and emergency visits.

(4) We acquired BNC Women's and Children's Hospital on November 30, 2015 and the data includes that of BNC Women's and Children's Hospital throughout the Track Record Period.

(5) In addition to revenue from medical services attributable to inpatients and outpatients, the medical services revenue of BNC Women's and Children's Hospital also included the revenue recognized from the membership card sales.

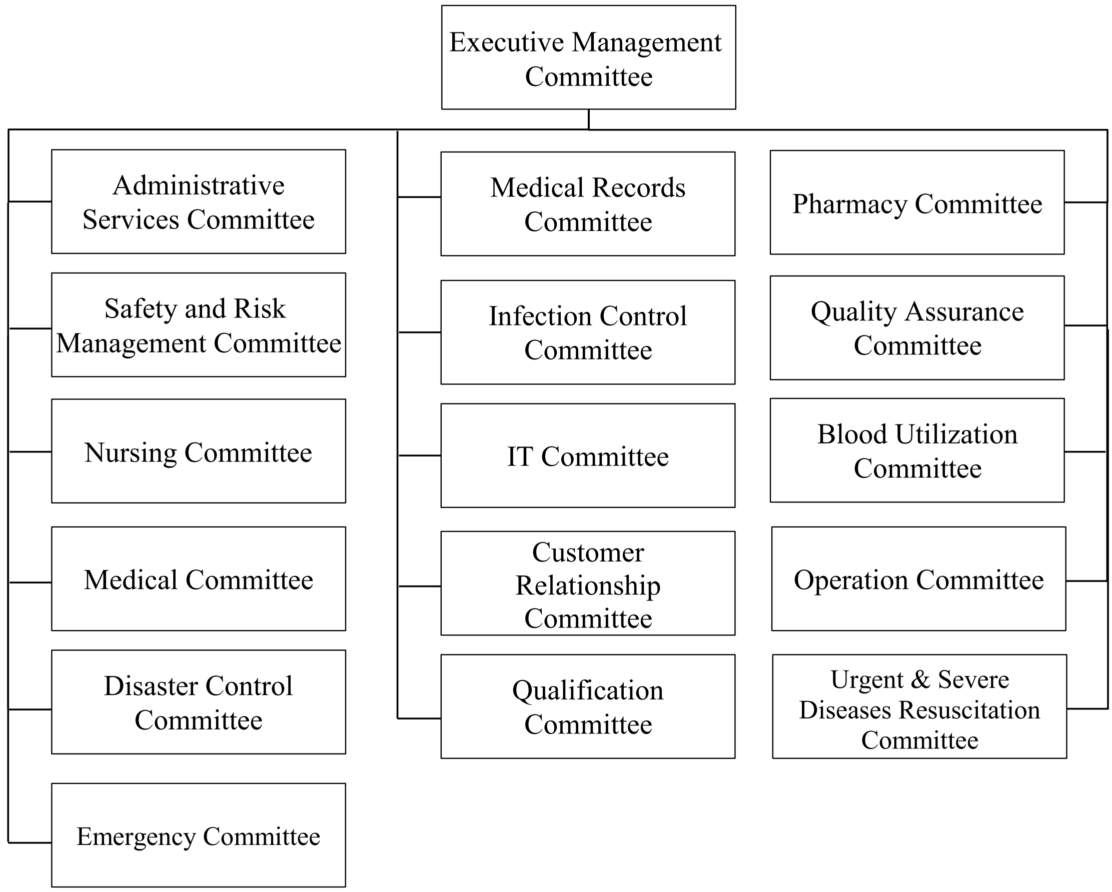
(6) In addition to revenue from medical services attributable to outpatients, the medical services revenue of BNC Harmony Clinic also included the revenue recognized from the membership card sales.

Management System

With a decade-long operating history, we have developed a replicable standardized management system that consists of the executive management committee and operating units. We have an executive management committee at our Group level that consists of our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Medical Officer and Chief Nursing Officer, which is in charge of the overall development strategy of our Group and the approval of the business plan and budget at the Group level, the final approval of the appointment and removal of key management personnel and the approval of the key operational procedures and systems of our hospitals. It also supervises each executive management committee at the hospital level.

The executive management committee of each hospital is in charge of the overall development strategy, the approval of the business plan and budget, the appointment and removal of the key management personnel and the approval of the key operational procedures and systems of such hospital. Implementation wise, we consider each operational department at each hospital as an operating unit. The business plans are further implemented by each operational department at the hospital as an operating unit of which the operational and financial performance is assessed independently by the executive management committee. Within each operating unit, the manager is responsible for both business operations and human resources matters. The manager has the overall managerial responsibilities for the revenue, operational costs, staffing, operational performance, quality control and business reputation of such operating unit with its operation and management being supervised by various special committees. The key functions of the special committees include (i) formulating and periodically reviewing and updating the policies and guidelines which the relevant operating units shall follow; (ii) monitoring the compliance of the established policies and guidelines by the relevant operating units; and (iii) periodically reviewing issues encountered during the operation of operating units and making recommendations to the executive management committee. Our management system ensures that business strategy and plans are well-coordinated and effectively supervised by the group headquarters, while preserving management flexibility at the hospital level. The "operating unit" management system is designed to clearly define the responsibility of each operational department of a hospital for the implementation of business plans and daily operations, and effectively tracks the operating and financial performance of such operational department, which in turn enhances our operational efficiency.

The following diagram illustrates the composition of special committees of our hospitals.



Group-Wide Best Practices

We have established and implemented group-wide best practices to ensure consistent service quality and operational and management efficiency. These best practices encompass primarily guidelines relating to examination, diagnosis, treatment and other medical procedures. These guidelines include, among others, (i) comprehensive diagnosis and treatment guidelines for a broad range of diseases within each discipline of pediatrics, obstetrics and gynecology; (ii) rules and guidelines on nursing, infection control, emergency, inpatient, surgery, blood usage, medical laboratory, medical imaging, pharmaceutical affairs, medical records, professional training, quality control, patient safety and risk control; and (iii) clearly-defined responsibilities and functions of each department and posts. Our group-wide best practices were formulated and developed in line with well recognized industrial standards on the key parameters such as clinical quality control, operational procedures, emergency codes and patient and hospital management. Our best practices have been further tested and refined over the years based on our years of clinical experience and accumulation. Our team of medical professionals benefits from interacting with various reputable national and local medical professional associations to exchange cutting edge clinical experiences and know-how from time to time. Furthermore, by participating in programs and services offered by these associations and attending its annual meeting every year, we have been able to gain access to the latest industry knowledge and clinical developments on pediatrics, which we use to improve our management and best practices from time to time. Leveraging this suite of group-wide best practices, we believe we are able to quickly replicate our service quality, customer experience and operational efficiency achieved in our existing medical institutions to our newly established or acquired medical institutions in the future, and our customers can enjoy the same "New Century Healthcare" customer experience at each of our medical institutions, which is critical for our brand name.

BNC Children's Hospital

BNC Children's Hospital, located in Xicheng District of Beijing, was opened in June 2006. BNC Children's Hospital offers a broad range of pediatric services. It is currently one of the few private hospitals in Beijing that have the medical resources and capabilities to offer a comprehensive range of pediatric services.

BNC Children's Hospital features a team of physicians, nurses and other medical professionals with strong professional experience, and it provides customer-centered services in a safe, comfortable and fun environment. As of the Latest Practicable Date, it had a gross floor area of 8,358 sq.m. with two operating rooms and 29 consultation and treatment rooms, 46 full-time physicians and 211 part-time physicians. It also has an NICU with nine beds providing intensive medical care for newborns that are born prematurely or with congenital diseases.

For certain tests and examinations that are not required on a daily basis such as MRI and CT and certain other laboratory tests, we have cooperation arrangements with BCH. All such arrangements are handled by our staff internally and the customers are able to undergo such tests and examinations quickly and smoothly. We believe such arrangements help provide a cost-efficient test and examination solution to our customers. See "Connected Transactions — Fully-Exempt Continuing Connected Transactions — Examination and Laboratory Test Services Provided by BCH to BNC Children's Hospital" for details.

BNC Women's and Children's Hospital

BNC Women's and Children's Hospital, located in Chaoyang District of Beijing, was established by Jiahua Likang and opened in January 2012. Jiahua Likang was a joint venture established in 2009 and is currently owned by Mr. Zhou, Zhonghe Qingrun, in which Ms. Liang held a 51.0% equity interest, and CDH Investments I. BNC Women's and Children's Hospital engages mainly in the provision of pediatrics and obstetric and gynecologic services. We acquired this hospital in November 2015 in furtherance of our business strategy and pursuant to certain agreements among Mr. Zhou, CDH Investments I and Ms. Liang. See "History, Reorganization and Development—Our Reorganization—The Offshore Restructuring" for details. As we focus on the mid- to high-end healthcare services market, we selected this location as it is in an area surrounded by relatively affluent demography. BNC Women's and Children's Hospital offers comprehensive high-quality healthcare services in pediatrics and obstetrics and gynecology. According to Frost & Sullivan, BNC Women's and Children's Hospital is one of very few private specialty hospitals in Beijing that are able to offer integrated pediatric and obstetric and gynecologic services.

BNC Women's and Children's Hospital has a team of pediatric physicians, obstetricians, gynecologists and other medical professionals with strong professional experience and it provides high-quality, private and personalized pediatric and obstetric and gynecologic services to mothers, newborns and children. As of the Latest Practicable Date, it had a gross floor area of 9,278 sq.m. with five operating rooms and 53 consultation and treatment rooms, 10 LDR wards, 39 full-time physicians and 134 part-time physicians. All the LDR wards in BNC Women's and Children's Hospital are home-style spacious wards.

BNC Women's and Children's Hospital has its own independent blood bank, featuring advanced blood storage, testing and analyzing equipment which ensures the timely provision of blood needed for our patients. It has implemented security measures to ensure the safety of the blood and facilities against contaminations and damages. It also has an NICU with six beds providing intensive medical care for newborns that are born prematurely or with congenital diseases.

BNC Harmony Clinic

BNC Harmony Clinic, located at Harmony Business Center in Shunyi District of Beijing, was opened in November 2008. It provides the customers in its vicinity with an alternative easy access to our pediatric services. We started offering gynecologic services to women at BNC Harmony Clinic after we acquired BNC Women's and Children's Hospital in November 2015.

As of the Latest Practicable Date, BNC Harmony Clinic had a gross floor area of 942 sq.m. with 13 consultation and treatment rooms, and 2 full-time physicians and 9 part-time physicians.

OUR FUTURE EXPANSION

Expand Our Medical Network in Beijing and other Tier 1 Cities by New Establishment

To foster our leading position and to enlarge the geographic coverage of our services in Beijing. We plan to take advantage of our extensive experience in operating and managing our medical institutions to open one new hospital and two clinics in Beijing. To further enhance the network effects among our medical institutions, we also plan to construct a remote medical diagnostic center and upgrade a surgery center in Beijing for the purposes of optimizing our existing medical resources and expertise to capture new growth opportunities.

We also plan to expand our business into other Tier 1 Cities with demographic features and medical resources that are similar to Beijing by opening new hospital and clinics. Our current intention is to open one new hospital and two clinics in Tier 1 Cities other than Beijing.

For the above-mentioned proposed new establishments in Tier 1 Cities, we will consider the possibility of entering into PPP arrangements with local public hospitals if and when it is desirable to do so.

The following table sets forth the estimated details of our intended expansion plan for establishing new hospitals and clinics:

	Estimated registered beds/ Estimated GFA	Estimated key timeframe
Beijing		
One Hospital	100 to 120 beds	Location selection expected to be completed by the end of 2017; trial operation expected to be end of 2019
Two Clinics	1,800 to 2,500 square meters (in aggregate)	Location selection for one clinic expected to be completed by end of 2016 and to commence for the other in 2017; trail operation expected to be from 2018
One Diagnostic Center . .	n/a	Phase one construction work to be completed within 2016; phase two construction work to be completed within 2017; phase three work expected to commence in 2018
One Surgery Center	n/a	Phase one construction work to be completed within 2017; phase two construction work to be completed within 2018; phase three work expected to be completed within 2019
Other Tier 1 Cities		
One Hospital	100 to 120 beds	Location selection expected to commence in 2017; trial operation is expected to be end of 2019
Two Clinics	1,800 to 2,500 square meters (in aggregate)	Location selection expected to commence in 2017; trail operation expected to be from 2018

We plan to finance the above costs and expenses primarily by the proceeds from the Global Offering, and, if necessary or desirable, with our internal resources and/or bank borrowings. We currently estimate that the capital expenditure for the expansion plan mainly includes capital expenditure relating to medical equipment, furniture and fixtures, information technology set-up and renovation costs. The following table sets forth the details of the estimated capital expenditure in respect of the new hospitals and clinics in Beijing and other Tier 1 Cities, the diagnostic center and the surgery center in Beijing:

	Estimated Capital Expenditure (in millions of Hong Kong dollars)			
	Hospitals	**Clinics**	**Diagnostic Center**	**Surgery Center**
Beijing	130.0	23.2	38.3	38.3
Other Tier 1 Cities	130.0	23.2	n/a	n/a
	260.0	46.4	38.3	38.3

Expand Our Medical Network in Tier 1 Cities by Acquisition

We also plan to expand our business in Tier 1 Cities including Beijing by acquiring operating hospitals and clinics when desirable opportunities arise. Our current intention is to acquire (i) three clinics with an aggregate GFA ranging from 1,500 square meters to 2,000 square meters in Beijing by the end of 2018, and (ii) one hospital with registered beds ranging from 120 to 150 and two clinics with an aggregate GFA ranging from 1,000 square meters to 1,200 square meters in Tier 1 Cities other than Beijing by the end of 2018.

We plan to finance the above intended acquisitions primarily by the proceeds from the Global Offering, and, if necessary or desirable, with our internal resources and/or bank borrowing. As of the Latest Practicable Date, we have not developed any specific acquisition plans, identified any specific targets or entered into any definitive agreements with any potential targets.

When expanding by acquisition, in respect of hospitals, we will primarily target operating pediatric and obstetric and gynecologic hospitals that have been fully operational for approximately three years with annual revenue of approximately RMB80 million or net profit of approximately RMB5 million. In respect of clinics, we will primarily target operating pediatric clinics each of which has a GFA of approximately 500 square meters and has reached the cash flow breakeven point. We will also consider other factors, such as consumer spending power in the local market, location of the hospital and its proximity to large community, the existing clinical departments, operational scale (ideally with relatively confined premises with registered beds ranging from 120 to 150) and quality of medical professionals of the target, the target's professional reputation and its compatibility with our corporate culture and existing medical institutions. We plan to invest in and re-brand these acquired hospitals to bring them in line with our existing medical institutions' standards.

As of the Latest Practicable Date, save for the initial work for the diagnostic center, we had not implemented the above-mentioned expansion plans and no expenditure had been paid by us for such plans. We may face a number of challenges in implementing our expansion plans, such as recruiting seasoned physicians and other medical professionals, obtaining the requisite licenses and permits, and maintaining our competitive advantages. The opening of new medical institutions generally involves a number of steps, including market research, feasibility study, regulatory approval process, construction and decoration of premises, recruitment of necessary personnel, acquisition of equipment and supplies, and commencement of operations. In implementing our expansion plans, we intend to continue to attract and retain seasoned medical professionals to join us by offering competitive benefits and promising career opportunities. In addition, we will, in accordance with all applicable laws, rules and regulations, apply for the necessary approvals, permits and licenses for our expansion plans, primarily relating to the opening of our new medical institutions. As of the Latest Practicable Date, to the best knowledge of our Directors, we are not aware of anything that would cause any material legal impediment for us to obtain the relevant approvals, licenses and permits for our expansion plans. Our expansion plans are inevitably subject to the Group's operations and the market conditions from time to time and we may make adjustments accordingly for the best interests of the Group.

Due to the nature of the healthcare services business, a new medical institution generally has lower income and higher operating costs during the initial stages of its operation. Based on the Group's previous operating experience, we estimate that the cash flow breakeven period for our new hospitals ranges from three to four years and the cash flow investment payback period ranges from seven to nine years from commencement of operation (including six-month trial operation), and the cash flow breakeven period for our new clinics ranges from one to two years and the cash flow investment payback period ranges from three to four years from commencement of operation (including six-month trial operation). In respect of our expansion through acquisition, we intend to target hospitals and clinics that have reached or are close to reaching the cash flow breakeven point, and on that basis we estimate that the cash flow investment payback period, (i) in respect of hospitals, ranges from six to eight years from acquisition, and (ii) in respect of clinics, ranges from four to six years from acquisition. These estimates are based primarily on (i) our experience gained from operating our existing medical institutions; (ii) the anticipated market positioning and pricing strategies of the planned hospitals and clinics; and (iii) the accounting policies as applied to our Group. These estimated breakeven periods and the investment payback periods may be further affected by the specific characteristics of a medical institution, such as its size, initial investment costs, the coverage of its services and the competitive landscape.

OUR MEDICAL PROFESSIONALS

As we are committed to providing high-quality healthcare services, the qualifications and experience of our physicians, nurses and other medical professionals are vital to our operations and success. We place great emphasis on recruiting, retaining and cultivating our medical professionals. With our established reputation, outstanding professional capabilities, a strong team of skillful nurses and self-developed systematic professional training system, we provide an ideal platform to our physicians and nurses for their career development.

Many of our physicians have practiced or are currently also practicing at Class III Hospitals and some are leading experts in their respective clinical fields. There are generally two types of physicians practicing at our medical institutions: (i) full-time physicians at one or more of our medical institutions; and (ii) part-time physicians at one or more of our medical institutions. Our physicians are registered at one of our medical institutions in accordance with the physician registration system stipulated by relevant healthcare administrative authorities. Our full-time physicians mainly include the physicians who are recruited and employed by us and the physicians who are seconded to us from our PPP partners and work on a full-time basis during the agreed secondment period. We are responsible for making relevant social insurance and housing provident fund contributions for and on behalf of them to the extent required by the applicable PRC law. We also take out medical liability insurance for them.

Our part-time physicians mainly include multi-site practice physicians (多點執業醫生). Our part-time physicians are not our employees. They are mainly employees or retirees of other third-party hospitals. They practice at one or more of our medical institutions on a contract basis. Many of them are well-known physicians at public hospitals and acclaimed experts in their respective clinical fields. We invite them to practice at our medical institutions which we believe not only enhances the quality and reputation of our practice but also offers our patients an alternative access to the high-quality services provided by well-known pediatric specialists. Some of our part-time physicians only practice at our medical institutions on an as-needed basis. We enter into service contracts with part-time physicians, pursuant to which they practice at our medical institutions and we pay them by patient visit. Either party to the service contract may terminate it with a 30-day notice. We are not responsible for making social insurance and housing provident fund contributions for and on behalf of them. We, however, take out medical liability insurance for them.

There are four qualifications and corresponding professional ranks for physicians in the PRC (i) chief physician (主任醫生); (ii) associate-chief physician (副主任醫生); (iii) attending physician (主治醫生); and (iv) resident physician (住院醫生).

As of the Latest Practicable Date, we had a team of 441 full-time and part-time physicians, including 137 chief physicians, 144 associate-chief physicians, 151 attending physicians and 9 resident physicians and 254 nurses.

We place great emphasis on recruiting and training our nursing team and we have built up a strong team of skillful nurses and other medical professionals to provide high-quality nursing services to our pediatric patients hand in hand with our physicians. To ensure the quality of our nursing services, we have strict requirements for our nurses in terms of both education and medical qualification. We also require our nurses to undertake regular internal training courses to improve their nursing skills.

We believe we provide our medical professionals with competitive compensation packages, attractive promotion opportunities, comprehensive training courses and a respectful and professional working environment. For more details on the compensation packages of our employees, see "— Employees." The relevant division at each hospital or clinic maintains the license records of our medical staff and monitors their compliance with the continued medical education requirements. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material complaints or penalties in relation to our medical staff practicing beyond the scope of their respective licenses except as disclosed in this prospectus.

Since 2010, we have implemented a resident physicians training program which is designed to support the organic growth of our own physicians team. Under the program, each year we recruit certain medical postgraduates from well-known medical universities and send them to BCH to receive the three years' resident training. After they complete such training, they return to our medical institutions to take up the role of resident physicians. We also provide periodic medical training to our medical professionals. See "— Our Training Systems" for details. As a result of our efforts, we had a relatively stable staff team during the Track Record Period.

OUR CUSTOMERS

Our customers are primarily children who receive pediatric services and women who receive obstetric and gynecologic services at our medical institutions. We also have a corporate customer to whom we have been providing hospital consulting services. Given the dispersed base of our customers, we do not have a concentration risk. During the Track Record Period, the revenue contributed by our five largest individual customers accounted for less than 1.0% of our total revenue in 2013, 2014, 2015 and the nine months ended September 30, 2016, respectively. Our largest customer in 2015 and the nine months ended September 30, 2016, Jiahua Likang, a connected person of us, from which we derived management consulting service fee revenue, contributed 0.7% and 6.0% of our total revenue in 2015 and the nine months ended September 30, 2016, respectively.

Other than Jiahua Likang, all of our other customers during the Track Record Period were individual customers. To the best of the knowledge of our Directors, other than Jiahua Likang, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period.

OUR CUSTOMER SERVICE

We uphold the principle of providing high-quality customer-centered healthcare services throughout our operation, which we believe is vital to achieving customer satisfaction and maintaining our reputation. We strive to be respectful of and responsive to customer preferences and needs, which differentiates our services from those of the public hospitals. We place great emphasis on the customer experience at our medical institutions and the protection of their safety and privacy. See "— Our Healthcare Services — Pediatric Services — Private and personalized services in a comfortable and fun environment" for more details.

Our customer-centered philosophy is reinforced by our high-quality customer service that goes beyond medical diagnosis and treatment. Our customers can make appointments in person or by phone to avoid long waiting time which is a common issue in public hospitals. We have dedicated dietitians working with our medical staff to provide appropriate nutrition care to our customers for their recovery and our food service staff help our customers select their daily menus and deliver the meals to their bedside. To adapt to the needs of our young customers and female customers, we designed our medical institutions to be a comfortable, intimate and relaxing environment to make them feel more at ease. We also have a gift shop and a children's playground at each of our medical institutions in which our children customers can spend time while waiting for check-ups or dispensing of medication. We have a dedicated call center for each of our medical institutions to provide various customer services, including providing general information about our medical institutions and our services, answering general enquiries, offering customers directions services, scheduling appointments and collecting post-consultation feedback. We have also set up our WeChat subscription account (微信訂閱號) through which our customers can have easy access to information about our healthcare network and our services, various guides on appointment, patient visits and insurance related matters.

COMPLAINTS AND DISPUTES HANDLING

We carefully consider customer feedback and complaints, and endeavor to respond to them quickly and in a systematic way. We have uniform procedures for handling disputes and accidents implemented at each of our medical institutions. When we receive any complaints raised by our customers or their families, our customer service officers will step in to deal with the complaints in the first instance. If a complaint is non-medical related, our customer service officer generally will resolve such complaint directly. If a compliant is medical-related, the customer service officer will work with the physician or nurse in charge to respond to the complaint and offer explanation and comfort to the customer, and report the complaint to the chief physician or the chief nurse of the relevant department and later to the chief medical officer. The customer service officers will take the lead in investigating, obtaining evidence and analyzing the complaints, and try to solve the disputes amicably with the customers on behalf of the medical institutions, with the support from the physician or nurse in charge and chief physician or chief nurse of the relevant department. Our customer service officers maintain detailed records of the complaints and disputes and report all complaints and incidents to the chief medical officer. For any material incidents which have caused or may cause injury, death or any serious adverse reputational consequences, the attending physicians and chief physicians of the relevant departments and chief nurses shall immediately report the incidents to the general managers who then report to the chief medical officer and a designated team comprising members from the customer service department, marketing department and the medical department shall be formed to investigate the incidents, preserve relevant evidence and offer our customers and/or their families explanation and/or settlement solutions and try to solve the disputes amicably.

With our effective complaints handling procedures, we had only limited number of medical disputes during the Track Record Period. See "— Legal Proceedings and Compliance — Legal Proceedings."

PRICING AND PAYMENT

Pursuant to the current applicable laws and regulations, as a private for-profit hospital group, we are generally entitled to set the prices of our services at our own discretion. We price our services based on certain factors, including positioning of our services (mid- to high-end), operating costs, market conditions, local consumer purchasing power and competitors' pricing of similar services. None of our medical institutions is a "Medical Insurance Designated Medical Institution" (醫保定點醫療機構) and therefore our service fees are not subject to the pricing guidelines for reimbursement set by the relevant local healthcare insurance authorities in the PRC. Currently, at each of our medical institutions, we charge the same price for the same service.

As advised by our PRC legal adviser, as a private for-profit hospital group, prices of pharmaceuticals and medical consumables sold at our hospitals are generally not subject to government price and profit margin controls in the PRC. In setting the prices of pharmaceuticals and medical consumables, we normally take into account various factors including procurement costs, inventory levels, local consumer purchasing power and competitors' pricing.

In addition to charging for individual service items, we also offer service packages at our medical institutions to provide a pre-determined set of services at a discounted price. Such packages are designed to address the comprehensive needs of our customers in certain areas. Customers make full payments for the packages upfront before receiving any services. The price of the purchased package is generally valid for one to two years from the date of purchase. After it expires, the unused value in the package needs to be adjusted based on the new package price or be fully refunded at the customer's choice. We believe such service packages allow our customers to receive more comprehensive services at a discounted price, while improving our cash flows. For accounting treatment of prepayment received under such packages, see Note 2.21 to our consolidated financial statements included in Appendix I — "Accountant's Report" and "Financial Information — Certain Balance Sheet Items — Accruals, Other Payables and Provisions."

We charge an annual membership fee for our membership programs. Our members are entitled to enjoy exclusive services and packages and privileges which are not available to non-members, as well as discounts on certain service items and pharmaceuticals and medical consumables.

We recognize revenue when related services are rendered and our obligations are fulfilled. For accounting treatment of prepayment received under such membership programs, see Note 2.21 to our consolidated financial statements included in Appendix I — "Accountant's Report" and "Financial Information—Certain Balance Sheet Items— Accruals, other payables and provisions".

Our customers pay for their treatments primarily with cash and, to a lesser extent, through commercial medical insurance plans. If medical expenses are covered by commercial medical insurance plans, depending on the terms of such plans, customers may make full payment for services upfront and then claim it back later with their insurance companies, or make zero or partial payment with the remainder settled between us and the insurance companies directly. We generally do not extend any credit period to our individual customers. We typically extend a credit period of 40 to 60 days to commercial insurance companies. We have various cooperation arrangements with insurance companies on direct billing settlement and packaged services for our member customers, and we also actively cooperate with large corporations to offer their employees discounted rate for our healthcare services. See "— Sales and Marketing" for more details. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material bad debts from the commercial insurance companies and we believe we have a relatively low counterparty risk.

SALES AND MARKETING

We conduct sales and marketing mainly through the sales and marketing team at each of our medical institutions. Each of our medical institutions other than BNC Harmony Clinic has its own sales and marketing team in charge of collecting market data, organizing marketing events and designing promotional packages. We design our sales and marketing programs and strategies based on in-depth market research and thorough internal discussion among our sales and marketing team, financial, medical and other relevant departments. Each medical institution's monthly and annual marketing budgets are reported to the executive management committee at our Group level for approval.

We have various cooperation arrangements with commercial medical insurance companies on direct billing settlement and packaged services for our insured customers. For example, we had entered into direct billing arrangements with 28 insurance companies and insurance brokerage companies as of September 30, 2016 under which our customers who were covered by their insurance plans may choose to make zero or partial payment with the remainder settled between us and the insurance providers directly. We believe such direct billing arrangements help improve our customer's experience and increase their satisfaction with our services. We cooperated with a large PRC commercial insurance company to provide packaged services to our insured customers.

We also actively cooperate with large corporations to offer their employees discounts for certain of our healthcare services. We believe the employees of large corporations are potential target customers for us because they normally have a higher purchasing power and are more willing to pay for premium healthcare services. We also offer regular healthcare training and seminars to large corporations and their employees.

We conduct themed marketing events which also benefit the community to promote different aspects of our healthcare services and increase our brand awareness. For example, we hold regular free seminars of "New Century Healthy Baby Lessons" to our members and their parents to provide them with general healthcare and child care knowledge and information. We publish periodic free journal "Baby and Kids" in both hardcopy and electronic form which provides our customers with useful information on child health care and diseases prevention. We also organized our surgical specialists to provide free diagnosis for children patients in certain children welfare center. We also use social media such as WeChat subscription accounts and our websites to engage with our customers and the public to share healthcare-related knowledge, increase our brand awareness and market our services.

From time to time, we publish medical advertisements on websites to promote our business and increase our brand awareness. We have established a good relationship with influential media channels in Beijing to promote our business and services. Medical advertising is strictly regulated in the PRC. Medical advertisements shall be reviewed by relevant healthcare authorities and a "medical advertisement review certificate" is required before they may be released by a medical institution. The certificate has an effective term of one year subject to renewal. For details related to the regulation of medical advertising, see "Regulation — Laws and Regulations Related to the Healthcare Service Sector in the PRC — Regulations on Medical Advertising in the PRC". As advised by our PRC legal adviser, we were in compliance with applicable laws and regulations in relation to medical advertising in all material respects during the Track Record Period.

SUPPLIES AND PROCUREMENT

The supplies required in our operations primarily include pharmaceuticals and medical consumables provided by third party institutions. In 2013, 2014, 2015 and the nine months ended September 30, 2016, purchases attributable to our largest supplier accounted for 15.2%, 10.9%, 10.1% and 9.2% of our total purchases of pharmaceuticals and medical consumables, and purchases attributable to our five largest suppliers accounted for 36.9%, 35.3%, 32.5% and 34.3% of our total purchases of pharmaceuticals and medical consumables, respectively. To the best knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5.0% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period.

Our centralized procurement team aggregates most of our medical institutions' pharmaceutical, medical consumable and medical devices and examination needs and negotiates the prices for such supplies. Each hospital or clinic follows a standard procurement process, which enables us to timely collect and process procurement demands. With the combined procurement volume, we believe we are in a better position to secure more favorable sales terms, including better prices. The individual sales contracts are entered into between the supplier and the individual hospital or clinic based on the agreed sales terms. We believe such centralized procurement achieves cost savings for our medical institutions. We intend to further consolidate our procurement in the future.

We select our suppliers based on stringent criteria and applicable laws and regulations to ensure the quality of our supplies. When selecting suppliers, we consider, among other things, their product offerings, pricing, reputation, service or product quality and delivery schedule. We generally require our suppliers to maintain requisite licenses and permits to operate their business, such as business licenses and GMP and/or GSP Certificates. The executive management committee at our Group level, with the support from our pharmaceutical affair management committee (藥事管理委員會), is in charge of regularly reviewing and approving qualified suppliers for all our medical institutions to ensure that consistent quality and delivery standards are met. Our procurement team regularly monitors the market price of our material supplies. We conduct regular reviews of our suppliers and will remove any suppliers who do not meet our supply standards or requirements from our list of approved suppliers. We usually have more than one supplier for each kind of our supply need to ensure we maintain sufficient inventory levels and bargaining power to deal with price fluctuations. We do not rely on any single supplier for any of our major pharmaceuticals, medical consumables or medical devices. During the Track Record Period, we did not enter into any exclusive supply contracts with any suppliers. During the Track Record Period, we did not experience any shortage of supplies that could materially and adversely affect our business, financial condition or results of operations. As we are generally entitled to set our prices at our discretion, we generally are able to control our costs. Credit terms granted by our suppliers are generally one to two months in the case of pharmaceuticals procurement and three to six months in the case of consumables procurement. We maintained stable business relationships with our suppliers during the Track Record Period. Our relationships with our current five largest suppliers have averaged five to six years.

Depending on the different types of supplies and our relationships with the suppliers, the terms of the supply contracts with our suppliers vary from supplier to supplier. We generally do not enter into any long-term agreements with our suppliers. During the Track Record Period, we had not experienced any significant fluctuation in the prices of our supplies. We usually make payments to our suppliers upon delivery or on a monthly basis. We are entitled to return any supplies that do not meet our standards upon inspection after delivery. During the Track Record Period, we had not experienced any significant return of supplies that did not meet our standards and had not suffered any significant loss or damage caused by quality problems with the supplies. For large medical devices, the suppliers usually provide a warranty period and maintenance and technical support services throughout the lives of such devices.

To provide our customers with a more cost-efficient solution, we outsourced certain examinations and laboratory tests that are not required on a daily basis such as MRI, CT and certain other laboratory tests to BCH, a connected person of us. See "Connected Transactions — Fully-Exempt Continuing Connected Transactions — Examination and Laboratory Test Services Provided by BCH to BNC Children's Hospital" for details.

Both security and central surveillance require special qualifications according to the PRC laws and regulations. We have therefore outsourced our security team and central surveillance team to qualified third party contractors, each of which is an Independent Third Party. To better focus on our main business, we also outsourced our property management and cleaning services to Muhe Jiaye, a connected person of us. See "Connected Transactions — Partially-Exempt Continuing Connected Transactions — Property Management and Cleaning Services Agreements" for more details.

All of our suppliers are located in the PRC. We procure pharmaceuticals and medical devices that are manufactured by foreign manufacturers through domestic distributors who are licensed to import them. We settle such transactions in RMB.

INVENTORY

Our medical supplies are delivered by our suppliers to each medical institution in accordance with the terms of our supply contracts. Upon inspection by our quality control teams, the medical supplies are then put into storage areas with controlled temperature and humidity in accordance with the storage requirements of the medical supplies and applicable laws and regulations. During the Track Record Period, we had been in full compliance with the applicable laws and regulations in relation to the storage of medical supplies in all material aspects, in particular with regard to narcotic pharmaceuticals and psychotropic substances. For details of the applicable laws and regulations with regard to the storage and usage of medical supplies, see " Regulation — Laws and Regulations Related to the Healthcare Service Sector in the PRC — Regulations on the Supervision over Pharmaceuticals and Medical Equipment in Healthcare Institutions".

For daily pharmaceuticals and medical consumables, we generally maintain 30 days of inventory to meet the needs of our medical institutions, subject to the levels of their actual consumption and the convenience of obtaining the supplies. For special pharmaceuticals and medical consumables, our practice is to maintain a minimum level of inventory, which is determined based on regular monitoring of the usage volume of these items. We closely monitor the level of inventory at each medical institution and identify obsolete and slow-moving inventories. We carry out regular physical inventory counts and shelf life examinations for all medical supplies. Once the medicines or supplies have expired, or the medical devices have reached the end of their service lives, we will safely dispose of them in accordance with applicable laws and regulations, and such medical supplies will be written off accordingly. During the Track Record Period, we had not experienced any significant write-offs of our inventories.

RISK MANAGEMENT AND INTERNAL CONTROL

Our risk management and internal control focus primarily on (i) customers and staff safety; (ii) quality control; and (iii) other general risk management. The executive management committee at our Group level is generally responsible for approving all the risk management procedures and internal control systems and our safety and risk management committee oversees the implementation of such procedures and systems by our various operational departments. Our safety and risk management committee comprises eight members, who hold extensive risk management experience in the hospital operation. Meanwhile, our quality assurance committee and various other special committees work together to monitor the implementation of and to conduct regular review and evaluation of such procedures and internal control systems.

Customers and Staff Safety

The safety of our customers and staff is of utmost importance to our operations. We have established comprehensive risk management procedures and internal control system at each of our medical institutions to minimize the medical risks arising from our services and procedures and work related injuries. Our employees receive regular mandatory training on relevant policies, standards, protocols and procedures and are required to strictly follow them during their daily operations.

Customers and staff safety risk management mainly covers personal safety, facilities safety, medical safety and information safety. Our respective operational departments are in charge of the implementation and enforcement of our risk management and internal control policies and procedures.

Our group-wide best practices for medical services and operations ensure our medical professionals strictly comply with relevant laws, regulations, industry standards and hospital protocols in carrying out diagnosis, treatment and other medical procedures. We have comprehensive diagnosis and treatment guidelines for a broad range of diseases within each discipline of pediatrics, obstetrics and gynecology which are approved by the executive management committee at our Group level and are implemented at each of our medical institutions. To maintain a healthy and safe environment for customers and employees, we have put in place various procedures and systems in relation to hospital infection prevention, infectious disease control and medical waste disposal. We also have a chief infectious disease controller to oversee the infectious disease control generally and an infectious disease controller in each medical-related operational department to manage the infectious disease control.

Our security team, outsourced to a qualified contractor which is an Independent Third Party, is responsible for the personal safety of our customers and staff while they are in our hospital and clinic premises. Our medical institutions have adopted a set of stringent security protocols and fire and explosive protection procedures in case of emergency. We have a set of standard emergency response codes covering emergencies such as medical emergency, fire, child missing, disaster threat, bomb threat and behavioral situation, and all our staff is mandatorily required to be familiar with these codes. These codes are designed to convey essential information quickly and with minimal misunderstanding to staff, while preventing stress and panic among our visitors in case of an emergency. These codes are printed on our employee identification badges for ready reference. We also conduct regular emergency codes drills to ensure those codes are understood by our staff and can be strictly followed in case of emergencies. Our facilities safety system is responsible for responding to emergency such as power outage or water leakage at our medical institutions. We have backup power generators at each of our medical institutions in case of emergency power failure to ensure the proper functions of our operations, in particular those that require life-supporting systems, such as operating rooms, NICUs and integrated delivery rooms. Our central surveillance team, outsourced to a qualified contractor which is an Independent Third Party, is responsible for controlling the surveillance systems installed at our medical institutions. We installed CCTV and other electronic security and surveillance systems at our medical institutions to monitor the premises and record emergency events and incidents, which may provide crucial evidence in case of disputes or investigations.

Our food and beverage safety system oversees the procurement of food and beverages that are consumed at our medical institutions and ensures their quality and safety. To comply with relevant laws and regulations, we keep samples of food consumed at our hospitals for purposes of analysis in case of food poisoning. We have detailed protocols regulating how such food samples should be collected, stored, labeled and inspected. We only procure from qualified food and beverage suppliers that maintain proper licenses and permits and keep detailed records of their profiles and supplies. Our cleaning team, outsourced to a qualified third party contractor which is a connected person of our Group, is responsible for the cleaning and disinfection of our hospital and clinic premises, including the wards and examination rooms. See "Connected Transactions — Partially-Exempt Continuing Connected Transactions — Property Management and Cleaning Services Agreements" for more details.

Our customer information security management mainly ensures the safe storage and usage of customer information, which includes personal information, medical records, diagnosis, prescription and other data. We use a bespoke healthcare information system across our medical network which provides a comprehensive management of our customers' personal information, medical records, diagnosis and prescription, and access to such information is subject to security level control and authorization. We also have designated personnel who are responsible for the safekeeping of the customer information and maintenance of relevant systems for data processing and storage. During the Track Record Period, we did not experience any breach of customer confidential information or any other customer information related incidents which could cause a material adverse effect on our business, financial condition or results of operations.

Quality Control

We are subject to numerous rules and regulations that regulate the qualifications and conduct of medical professionals and standards for healthcare services. We are committed to complying with relevant rules and regulations in the prevention and reduction of various risks and hazards associated with our operations. For example, our risk management procedures include the 14 core procedures promulgated by the NHFPC to ensure healthcare quality, which include proper procedures for initial diagnosis, ward inspection, consultation, discussions of death cases, medical record keeping, pre-operation discussions, care of critically ill patients and shift relief system. Additionally, our medical institutions are subject to unscheduled inspections by relevant government authorities, including the local municipal health bureaus, which review healthcare services provided by us, inspect the implementation of the relevant rules and procedures, and determine areas that can be further improved. As of the Latest Practicable Date, none of our medical institutions had been found to be in any other material violations during the inspections conducted by local municipal health bureaus, the clearance of which is a prerequisite for our medical institutions to renew their medical institution practice licenses.

In addition to the above, to ensure that our medical institutions provide consistent, high-quality services that meet or exceed the standards mandated by applicable laws, rules and regulations, we have established a comprehensive quality control system to prevent potential risks associated with medical practices and prescription. The system primarily includes the following measures:

Training programs. We have implemented regular medical training curriculums for our medical professionals to familiarize with all core procedures of providing healthcare services to ensure the quality of our healthcare services. See "— Our Training Systems" for more details.

Inspection and assessment system. We evaluate our healthcare services regularly, including periodical inspection and assessment of the implementation of our group-wide best practices, and we identify areas to be improved and propose improvement measures. For example, on every Friday, our quality assurance committee members conduct spot checks on the implementation of our best practices for medical services and operations by the clinical departments as well as our medical professionals' familiarity with those best practices. Monthly services quality reports are circulated to the relevant special committees which will discuss any identified issues and deficiencies and propose improvement measures. We conduct annual review and assessment on the performance of our staff using various key performance indicators, including services quality and customers' satisfaction, which we believe in return helps improve the quality of the services provided by our staff.

Prescription control and monitoring system. We have a pharmaceutical affair management committee to centrally formulate and maintain a prescription book for all approved basic medicines, and physicians at all our medical institutions must generally prescribe medicines set out in such prescription book unless such types of medicines are not yet entered into the prescription book. Our pharmaceutical affair management committee periodically review and update our prescription book to include newly approved medicines and remove medicines that are no longer used by us and the revisions to the prescription book are finally approved by the executive management committee at our Group level. In addition, such committee also reviews and assesses new medicines from time to time to select new medicines for the executive management committee at our Group level to approve. Upon approval, such new medicines are put into our healthcare information system so that they are allowed to be prescribed by our physicians. Those approved medicines are normally put into the prescription book when the book is updated next time. By doing so, we are able to ensure the overall quality of pharmaceuticals used for our patients and at the same time maintain flexibility to timely procure new medicines necessary for our patients. We strictly require all prescriptions and medical records to be recorded into our healthcare information system. Our pharmaceutical affair management committee also conducts spot checks and reviews the dispensing of prescription drugs and antibacterial drugs in order to prevent drug abuse.

Customer feedback system. Our medical institutions encourage customers to express their opinions on our healthcare services through customer feedback systems, including inpatient exit surveys, regular customer satisfaction surveys, regular ward visits by doctors to discuss customer experience and customer comment mail boxes. We keep a record of all customers' complaints and take follow-up actions to address their concerns when necessary.

We require the hospitals branded under our brand name to operate in accordance with our operational standards as well as the applicable national and regional medical services standards to ensure the quality of their medical services so that our brand image will not be harmed. See "Connected Transactions — Non-Exempt Continuing Connected Transaction — Management Consulting Services Agreement" for details.

Other Risk Management

Our other risk management mainly involves (i) financial risk, (ii) reputational risk, (iii) corruption and bribery risk, (iv) other compliance risk, and (v) personnel risk. We have put in place risk management procedures and internal control systems to minimize these risks.

Financial Risk

We are exposed to certain financial risks in the ordinary course of our business. See "Financial Information — Financial Risk Management" for more details. Although we are not exposed to liquidity risk of being unable to raise sufficient funds to meet our financial obligations, we still monitor our cash flow positions on a regular basis to ensure that our cash flows are positive and closely controlled.

We have established a financial system with clear financial and accounting policies and effective financial control procedures and processes to effectively manage our financial risks. To ensure that these policies, procedures and processes are well-observed and effectively implemented, we also provide ongoing training to our finance staff. Our finance staff is headed by our Chief Financial Officer and, as of the Latest Practicable Date, consisted of 35 members, each of whom is experienced in finance and accounting and familiar with the business of our Group.

During the Track Record Period, we did not use any derivative instrument to hedge our exposure to any financial risk.

Reputational Risk

Our reputation is critical to our success in the PRC's rapidly expanding pediatric and obstetric and gynecologic healthcare market. We believe that we are increasingly recognized among health-conscious consumers, especially in Beijing, for our service quality, accessibility and comfortable environment. Our approach to managing reputational risk is twofold. We strive to maintain and improve the quality of our healthcare services, which we believe helps reduce the root cause for our reputational risk. We have also put in place procedures for dealing with customers complaints, medical disputes and incidents at our medical institutions as well as inspection arrangements to manage the risks associated with the hospitals to which we provide hospital consulting services. See "— Complaints and Disputes Handling" for more details.

Corruption and Bribery Risk

The PRC government has recently enhanced its anti-bribery efforts to reduce improper payments and other benefits received by physicians, staff and hospital managers in connection with the purchase of pharmaceuticals, medical consumables and medical devices and the provision of healthcare services. We have implemented the following policies and procedures to address potential corruption incidents:

- The design and implementation of our anti-corruption policies and procedures are overseen by our quality assurance committee. Related policies are set forth in our employee handbook. For example, in our employee handbook we have "red envelope" policy which clearly provides that accepting a red envelope is strictly prohibited and specifically sets out what our staff need to do when receiving a red envelope. We provide anti-corruption training to our employees during their induction week and we give periodic updates on recent anti-corruption issues as such issues arise.

- We have a zero-tolerance policy towards acceptance of any bribes by our physicians and medical staff. It is our policy to pay for the academic seminars or meetings attended by our physicians and thus reduce the bribes in the form of payment of costs and fees for seminars and meetings. Furthermore, our prescription control and monitoring system means our physicians' discretion on pharmaceutical prescription is largely restricted and hence there is less incentive for the pharmaceutical supplier to bribe our physicians.

- We have also established a whistle blower program to receive anonymous or named reports of corruption charges. We have also established stringent investigation protocols. Any employee found in breach of our anticorruption policy will be dismissed.

Other Compliance Risks

In addition to corruption and bribery concerns, compliance with PRC laws and regulations in general, and in particular with laws and regulations governing the healthcare industry as well as the prevention and addressing of liabilities arising from potential medical incidents, is a major focus area of our operational risk management. We have dedicated personnel at each medical institution who is responsible for monitoring changes in PRC laws and regulations and reports any material regulatory change to our senior management, ensuring the ongoing compliance of our operations with PRC law. Such dedicated personnel also ensures timely applications and filings for necessary licenses, permits and approvals for our operations and expansion plans. From time to time, we also engage external counsel to assist our legal department. Implementation of new treatment procedures or introduction of new pharmaceutical drugs to be prescribed to patients are subject to approval of our executive management committees and is supervised by the pharmaceutical affair management committee. Our medical committee is responsible for regularly monitoring the operation of our medical institutions to ensure compliance with all applicable laws and regulations on medical administration as well as our group-wide best practices.

Personnel Risk

The success of our business largely depends on our ability to attract seasoned physicians as well as to recruit, train and retain qualified hospital administrators and medical professionals. To manage our personnel risk, we offer competitive compensation packages, promotion opportunities and a wide array of continuing education programs. See " — Our Medical Professionals" and " — Employees" for more details.

General Internal Control

Our Directors are responsible for monitoring our internal control system and reviewing its effectiveness. In accordance with the applicable PRC and Hong Kong laws, rules and regulations, we have implemented measures with a view to establishing and maintaining our internal control system, including monitoring of operational processes, the establishment of risk management policies and compliance with applicable laws and regulations. In particular:

i. Our Directors have attended training sessions conducted by our Hong Kong legal adviser on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and our Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;

ii. We have established effective communication channels and provided a process by which our employees can identify and report potential non-compliance exposures;

iii. We have appointed Anglo Chinese Corporate Finance, Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines;

iv. We have established an audit committee which comprises four independent non-executive Directors. The audit committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

In addition, we have implemented certain enhanced internal control measures to prevent recurrence of our past non-compliance incidents and to minimize the occurrence of medical disputes. See "Legal Proceedings and Compliance — Enhanced Internal Control Measures" for more details.

INFORMATION TECHNOLOGY

Our information technology systems include Hospital Information System (HIS), Electronic Medical Record System (EMRS), Picture Archiving and Communications System (PACS) and Laboratory Information System (LIS). We engage independent third parties to develop and implement our information systems, which are then maintained by our information technology team to support our business operations.

HIS is a comprehensive system that supports the daily operations of our medical institutions by managing all clinical, medical, financial and administrative information, such as the management of patient records and billing history, customer service and the staffing of physicians and nurses. PACS is an integrated application system for digital medical equipment, such as ultrasound systems, while EMRS electronically catalogs patients' medical records. LIS performs various functions, including sample collection and data processing of laboratory test.

We believe that utilizing an advanced information system will facilitate our treatment procedures, improve efficiency of our medical professionals and reduce operating costs. We plan to upgrade our information technology systems to support the development of our business. We also plan to establish a remote medical diagnostic center.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we held two registered trademarks in the PRC and two registered domains names that are material to our business. We are also in the process of applying for 19 trademarks in the PRC and two series of trademarks in Hong Kong. See Appendix IV — "Statutory and General Information — B. Further Information about Our Business — 2. Key Intellectual Property Rights of Our Group" for more information.

On May 10, 2016, Jiahua Likang, a connected person of ours, and Jiahua Yihe, our wholly-owned subsidiary, entered into a trademark transfer agreement, pursuant to which Jiahua Likang agreed to transfer the two trademarks and 北京新世纪儿童医院 to Jiahua Yihe. As of the Latest Practicable Date, we had submitted an application to the Trademark Office of the SAIC (國家工商行政管理總局商標局) for the approval of this transfer. We expect this approval process to be completed within one year from the date of submission of the application, upon which Jiahua Yihe will become the legal owner of the relevant trademarks and will license these trademarks to our medical institutions. As part of the transfer arrangement, Jiahua Likang has agreed to irrevocably grant, on a royalty-free basis, a non-exclusive, non-assignable and non-transferable license to Jiahua Yihe and its affiliates (including each member of the Group) to use the above-mentioned two trademarks until the registration is completed and Jiahua Yihe becomes the legal owner of such trademarks. See "Connected Transactions — Fully-Exempt Continuing Connected Transactions — Trademark Licensing and Transfer agreement" for details.

During the Track Record Period and as of the Latest Practicable Date, we were not engaged in or threatened with any claim for any material infringement of any intellectual property rights, whether as a claimant or as a defendant.

MAJOR AWARDS AND ACCREDITATIONS

We have won widespread recognition for our high-quality medical services. The following table sets forth the major awards and accreditations BNC Children's Hospital received in the past:

Year	Awards and Accreditations	Issuing Body
2007	Award of Excellence	Hospital Management Asia
2008	Well-Performed Entity in Security of Beijing Olympics and Paralympics in Health Systems in Xicheng District (西城區衛生系統北京奧運會殘奧會保障先進集體)	Health Work Committee of CPC Committee in Xicheng District; Beijing Xicheng District Health Bureau (中共西城區委衛生工作委員會; 北京市西城區衛生局)
2009	Encouragement Award in Monitoring Drug Safety in Beijing in 2008 (北京市2008年度藥品安全監測工作鼓勵獎)	Beijing Municipal Drug Administration; Beijing Municipal Bureau of Health (北京市藥品監督管理局; 北京市衛生局)
2012	Well-Performed Entity in Monitoring Adverse Drug Reactions in Beijing (北京市藥品不良反應監測工作先進單位)	Beijing Municipal Drug Administration; Beijing Municipal Bureau of Health (北京市藥品監督管理局; 北京市衛生局)

In addition, BNC Children's Hospital was admitted as an international member of the National Association of Children's Hospitals of the United States in 2005.

COMPETITION

The private pediatric and obstetric and gynecologic healthcare market in Beijing has a relatively high level of concentration. We primarily compete with participants in this market including private general hospitals, private pediatrics and obstetric and gynecologic specialty hospitals and private primary healthcare institutions that offer pediatric and obstetric and gynecologic services. In terms of the 2015 market share, our three medical institutions ranked first in the private pediatric healthcare market in Beijing with a market share of 30.4% and our BNC Women's and Children's Hospital ranked ninth in the private obstetric and gynecologic healthcare market in Beijing with a market share of 2.3%. For more details on our market position and the competitive landscape of the markets we operate in, see "Industry Overview — The PRC Pediatric Healthcare Market — Competitive Landscape of the Private and the Mid-to High-End Pediatric Healthcare Markets in the PRC and in Beijing" and "Industry Overview — The PRC Obstetric and Gynecologic Healthcare Market — Competitive Landscape of the Private and the Mid-to High-End Obstetric and Gynecologic Healthcare Markets in Beijing."

We believe we compete in the following key areas: healthcare service quality, reputation, convenience and pricing. To succeed in the markets we operate in, we need to compete effectively with existing players in the market and new market entrants. We believe relatively high barriers to entry exist in the healthcare industry due to the requirements of human resources, capital investment, professional knowledge, regulatory policies, understanding of local consumer behavior and, in particular, high quality and seasoned physicians for pediatric services. However, with the reform of the healthcare industry and the relaxation of the restriction on private and foreign investment in the healthcare industry in the PRC, we expect competition to intensify in the future. We believe the PRC pediatric and obstetric and gynecologic healthcare markets will maintain strong growth in the foreseeable future benefiting from increasing demand for healthcare services. We will continue to leverage our leading market position to compete effectively, capture such growth opportunities and gain market share as our business grows and expands. For more information on favorable governmental policies and future trends of our industry, see "Industry Overview."

EMPLOYEES

As of the Latest Practicable Date, we had 702 employees in the PRC. The following table sets forth a breakdown of our full-time employees by function as of that date:

Function	Number	% of total
Full-time physicians(1)	87	12.4%
Nurses	254	36.2
Other medical professionals	102	14.5
Management	37	5.3
Sales and marketing	24	3.4
Administrative and other	198	28.2
Total	702	100.0%

(1) This includes 75 full-time physicians who were recruited and employed by us and 12 full-time physicians who were seconded to us from our PPP partners.

We believe that we maintain a good relationship with our employees. Our employees are not represented by a labor union. All labor disputes are handled in accordance with applicable laws, rules and regulations. During the Track Record Period, we did not experience any material strike or labor dispute.

Each of our medical institutions independently recruits and enters into employment contracts with its own employees, with the exception of the chief director of such medical institution, whom we centrally recruit and employ at the Group level.

We have in place a Group-wide internal training systems and provide ongoing training to our employees. See "— Our Training Systems" for details regarding the training we provide to our employees. In addition, our new employees are required to participate in a three-day orientation program, followed by a rotational training scheme.

Remuneration packages for our employees primarily comprise one or more of the following elements: base salary, performance-based compensation and discretionary bonus. We set performance targets for our employees based on their positions and departments and periodically review their performance. The results of such reviews are taken into account in their salary determinations, bonus awards and promotion appraisals. In particular, the performance-based compensation of our physicians is determined by the number of patient visits they handle. We also contribute to mandatory employee benefit plans, including medical insurance, work-related injury insurance, pension insurance, maternity insurance, unemployment insurance and housing funds.

ENVIRONMENTAL MATTERS

We are subject to various PRC laws, rules and regulations with regard to environmental matters, including hospital sanitation, disease control, disposal of medical waste, and discharge of wastewater, pollutants and radioactive substances. For details of the relevant laws, rules and regulations, see "Regulation — Regulations on Environmental Protection related to Healthcare Institutions."

As advised by our PRC legal adviser, during the Track Record Period, our businesses were in compliance with all applicable laws and regulations with regard to environmental protection in all material aspects. We have implemented internal policies and procedures in this regard and engaged qualified service providers to dispose of medical waste and radioactive substances. In 2013, 2014 and 2015 and the nine months ended September 30, 2016, our cost of compliance with environmental protection rules and regulations was approximately RMB89,000, RMB170,000, RMB146,000 and RMB395,000, respectively. We expect our compliance costs in the future to be in line with our business scope.

INSURANCE

We have purchased medical liability insurance for all of our medical institutions. Our insurance policies generally have a term of one year and are renewed on a yearly basis. In 2013, 2014 and 2015 and the nine months ended September 30, 2016, our insurance premiums were RMB63,890, RMB72,705, RMB113,925 and RMB148,494, respectively. Our insurance coverage is capped at RMB200,000 for an individual medical case and RMB600,000 for each individual medical institution. Our Directors believe that the insurance coverage for our medical professionals and medical institutions was customary for our industry as of the Latest Practicable Date. However, we cannot assure you that we will have sufficient insurance coverage for all liabilities, losses or damages that may arise in our business operations. See "Risk Factors — We and our medical institutions have been and could become the subject of litigation and claims, and we may not be adequately insured against these liabilities."

During the Track Record Period, we did not make any material claim under our insurance policies.

LICENSES, PERMITS AND CERTIFICATES

We are required by PRC laws and regulations to obtain various licenses, permits, approvals and certificates for our operations. For details of the relevant requirements, see "Regulation — Laws and Regulations Related to the Healthcare Service Sector in the PRC — Regulations on the Administration and Classification of Healthcare Institutions — Administrative Measures on Medical Institutions and the Medical Institution Practicing License." The following table sets forth key information about the major licenses our medical institutions held as of the Latest Practicable Date:

Licenses/Permit/Approval/Certificate	Issuance Date	Expiration Date
BNC Children's Hospital		
Medical Institution Practicing License (醫療機構執業許可證)	April 5, 2016	December 31, 2030
BNC Women's and Children's Hospital		
Medical Institution Practicing License	July 27, 2016	December 28, 2030
Permit for Performing Technical Services for Mother and Child Healthcare (母嬰保健技術服務執業許可證)	October 15, 2015	October 14, 2018
Permit for Performing Technical Services for Mother and Child Healthcare (母嬰保健技術服務執業許可證)	May 20, 2015	May 19, 2018
BNC Harmony Clinic		
Medical Institution Practicing License (醫療機構執業許可證)	April 6, 2012	April 5, 2017

Our medical institutions have also obtained other necessary licenses and permits such as Licenses for Radiotherapy (放射診療許可證), License for Safe Radiation (輻射安全許可證) and Medical Seal Card for the Purchase and Use of Narcotic Pharmaceuticals and Class I Psychotropic Substances (麻醉藥品、第一類精神藥品購用印鑒卡).

Our PRC legal adviser advised that we had obtained all material licenses, permits, approvals and certificates for our operations as of the Latest Practicable Date and that there is no material legal impediment in renewing these licenses, permits, approvals and certificates as long as we are in compliance with applicable laws, rules and regulations.

PROPERTIES

As of the Latest Practicable Date, we did not own any property. As of the Latest Practicable Date, we leased, or used pursuant to PPP arrangements, a total of four properties with a total gross floor area of 20,007 square meters for premises of our medical institutions and offices. All our medical institutions are located on these properties. The following table sets forth a summary of these properties:

Property	Use of Property	GFA (sq.m.)
BNC Children's Hospital	Medical Institution	8,358
BNC Women's and Children's Hospital	Medical Institution	9,278
BNC Harmony Clinic	Medical Institution	942
Jiahua Yihe	Office	10

Our lease agreements in respect of the premises of our medical institutions typically have a term ranging from 10 to 15 years.

Premises of BNC Children's Hospital

The premises of our BNC Children's Hospital are owned by BCH. BNC Children's Hospital uses such premises pursuant to our cooperation agreement with BCH. As part of the cooperation arrangement between BCH and the Group, both parties contributed different types of resources to BNC Children's Hospital in addition to their capital contributions. BCH agreed to provide the premises for BNC Children's Hospital's use for business operations and the Group agreed to introduce advanced hospital management skills and provide the core management team to operate BNC Children's Hospital, without extra payments to each other. In 2002, the cooperation agreement was approved by Beijing MOH when BNC Children's Hospital was established. In August 2016, Beijing MOH issued an opinion reaffirming the legality and validity of the BNC Children's Hospital's operation and confirming the premises as the location for BNC Children's Hospital's operation. Our PRC legal adviser has advised that the Beijing MOH is the competent authority of BNC Children's Hospital, and therefore the establishment of BNC Children's Hospital is legal and valid, and the cooperation agreement is legal, valid and enforceable under the PRC law.

BCH is of the view that it has complied with all regulatory procedural requirements with respect to the cooperation agreement. However, our PRC legal adviser is of the view that, pursuant to MOH's Certain Opinions Regarding Improvement of the Economic Management of Public Healthcare Entities (衛生部關於加強衛生事業單位經濟管理的若干意見) issued in 1999 and certain other regulations, BCH, as a public healthcare entity (衛生事業單位), is required to fulfill certain procedural requirements, mainly (1) conducting a valuation of the premises with respect to the usage by BNC Children's Hospital of its premises as part of the cooperation arrangement and (2) submitting the valuation report together with certain other documents to the relevant competent governmental authority for approval. As of the Latest Practicable Date, these requirements had not been fulfilled.

As advised by our PRC legal adviser, under PRC laws, rules and regulations, BCH is responsible for undertaking these procedural requirements and the consequences on BCH as a result of its failure to undertake these procedural requirements include (i) public criticism, (ii) being ordered to rectify the failure within a prescribed time and to pay a fine of not more than the valuer's fees for conducting valuation, and (iii) the imposition of administrative penalties on the responsible officers and a fine of not more than their salary over a three-month period. Our PRC legal adviser has further advised that there is no substantive legal impediment for BCH to complete such procedural requirements after submitting the necessary documents in compliance with the relevant laws and regulations and the relevant competent governmental authority's requirements.

As advised by our PRC legal adviser, under PRC laws, rules and regulations, BNC Children's Hospital will not be subject to any administrative penalties as a result of BCH's failure to complete these procedural requirements. However, in the event that the competent governmental authority requires BCH to fulfill these procedural requirements, BNC Children's Hospital, as the actual user of the premises, might be required to pay for its use of the premises if the competent governmental authority determines that the estimated fair value of the premises contributed by BCH was higher than the estimated fair value of the hospital management skills and management team provided by the Group as part of the cooperation arrangement, without taking into account the impact resulting from their equity interest ratio, if any (if the illustrative management fees charged for the Group's provision of such hospital management skills and management team was lower than the estimated rental value of the premises on an aggregate basis, such difference was the "**Shortfall**", the ultimate determination of which is subject to the competent governmental authority).

Primarily due to (i) BCH and the Group contributing different types of resources to BNC Children's Hospital (in addition to their capital contributions) as part of the cooperation arrangement, which would also need to be valued, (ii) the lack of relevant information regarding, the premises, including relevant comparable data dating back to 2002 for valuation purposes, and (iii) the lack of comparable market precedents involving premises located in a similar location and which are subject to similar land use restrictions, our PRC legal adviser has advised us that, in such situation, there is no express PRC legal guidance on how the competent governmental authority would determine and calculate the Shortfall, if any.

In order to assess the estimated fair values of the resources (other than capital contributions) contributed by BCH and the Group as part of the cooperation arrangement, the Company has conducted what it believes are appropriate analyses, including obtaining a third party valuation to assess the estimated rental value of the premises provided by BCH and estimating the fair value of the hospital management skills and management team provided by the Group (the assessment of the value of provision of such hospital management skills and management team was mainly based on the illustrative management fees charged for provision of such services) (together the "**Fair Value Assessment**"), and has found no Shortfall between these contributions for the period from 2002, when the cooperation agreement was entered into, to June 2016 on an aggregate basis.

At the time of the commencement of the PPP arrangement, taking into account the below as a whole, the Company did not account the value of the premises as an asset of the Company and no rental expenses were charged:

- The provision of the premises is part of the PPP arrangement under which each of the Group and BCH provided different types of resources in addition to its respective capital contributions. Although BCH has acknowledged that the premise would be used by BNC Children's Hospital during the cooperation period, there was no rental arrangement with charges because neither BCH nor the Group contemplated such PPP arrangement as a lease arrangement. Furthermore, BCH has never required BNC Children's Hospital to pay rent of any kind. As a result, the premises should not be recognized as an asset injected by BCH, as a shareholder, at the time of the commencement of the PPP arrangement.

- There is no guidance under HKFRS on how to account for transactions with shareholders which are non-reciprocal.

- In 2002 when the PPP cooperation agreement was entered into, the premises had low, if any, commercial value primarily due to (i) the premises were on part of the allocated land occupied by BCH for healthcare services and ancillary usage only (under the relevant PRC law, the allocated land is not freely transferable and the usage of the allocated land was strictly restricted and was limited to the approved usage only, and thus had no commercial value in that regard); and (ii) the buildings on the premises themselves also had very low commercial value in 2002 since they were in poor physical condition at that time and as a result the premises were not actively used by BCH, and could not function as a going concern before the substantial upgrade and renovation works that had been performed by the Group.

- The PPP arrangement came into effect on March 25, 2002. It was not required for the Company to apply HKFRS 2 Share-based Payment at that time. Accordingly, HKFRS 2 was not relevant for the Group to consider the use of fair value of the equity shares held by BCH in determining the value of the assets provided by BCH.

Based primarily on (i) BCH being responsible under PRC laws, rules and regulations for undertaking such procedural requirements, (ii) BNC Children's Hospital not being subject to any administrative penalties due to BCH's failure to undertake such procedural requirements, (iii) the Company finding no Shortfall after assessing the estimated fair values of the different types of resources contributed by the parties as part of the cooperation arrangement, (iv) Beijing MOH having approved the cooperation arrangement in 2002 and reaffirmed the legality and validity of BNC Children's Hospital's operations in August 2016, (v) BNC Children's Hospital having used the premises for approximately 14 years, and not having been notified of any request by any governmental authorities to fulfill such procedural requirements or any penalty resulting therefrom, and (vi) the Company not receiving or having been aware of any notice from Beijing MOH requesting BCH or us to undertake the procedural requirements, our Directors are of the view that BNC Children's Hospitals' risk of having to pay any Shortfall is remote. Based on the information provided by the Company and on the basis that the competent governmental authority approves the Fair Value Assessment of the contributions conducted by the Company, our PRC legal adviser is of the view that the likelihood that BNC Children's Hospital will be required to pay any Shortfall retrospectively from its establishment date is remote.

Nevertheless, in order to mitigate our risk of having to pay for our use of BNC Children's Hospital's premises, our Controlling Shareholders have entered into a deed of indemnity in our favor to the effect that, in case the relevant competent governmental authority requires BCH to fulfill the relevant procedural requirements in the future and as a result we are required to pay consideration for our use of BNC Children's Hospital's premises, our Controlling Shareholders will indemnify us against any paid consideration. See "Risk Factors — Risks Related to our Business and Industry — We may be required to pay for our use of BNC Children's Hospital's premises if the relevant competent governmental authority requires a valuation to be conducted with respect to BNC Children's Hospital's usage of its premises and a shortfall is ascertained." Based on the above, our Directors are of the view that the non-fulfilment of such procedural requirements by BCH will not cause any material adverse impact on our business operations.

Leased Property of Jiahua Yihe

Jiahua Yihe entered into a lease agreement in respect of ten square meters for the purpose of its registered address in Beijing. Such lease agreements has not been registered with the relevant PRC government authorities. As advised by our PRC legal adviser, failure to register an executed lease agreement will not invalidate the agreement. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for the unregistered lease agreement if the relevant PRC government authorities require us to rectify such non-compliance and we fail to do so within the specified period of time. As of the Latest Practicable Date, we had not been imposed with any penalty with respect to this non- compliance incident. In view that the validity of the lease agreement will not be affected and that the area of the leased property is small, we are of the view that the defect in this lease agreement is immaterial and will not have any material adverse effect on our business.

LEGAL PROCEEDINGS AND COMPLIANCE

Non-Compliance Incidents

We were involved in certain regulatory non-compliance incidents during the Track Record Period and up to the Latest Practicable Date. Set forth below is information on two incidents and the relevant rectification actions:

Non-compliance incident	Reasons for non-compliance	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and status
Failure to fully make the social insurance and housing provident funds contributions during the Track Record Period.	We failed to fully make the social insurance and housing provident funds contributions for certain of our employees during the Track Record Period because (i) we had a relatively complex performance-based remuneration system which made it more difficult for us to ascertain the salary amount on which the contributions were calculated; and (ii) certain employees did not want to make their own portions of contributions based on the full salary amount.	As advised by our PRC legal adviser, the potential maximum penalties in respect of this incident are: (i) with respect to social insurance, the relevant authorities may order us to pay the outstanding amounts within the prescribed time period with a late charge at the daily rate of 0.05% on the shortfall, and they may impose a maximum fine or penalty equivalent to three times the shortfall if such payment is not made within the prescribed time period; and (ii) with respect to housing provident funds, the relevant authorities may order us to pay the shortfall of the housing provident funds within the prescribed time period. If we fail to do so, the relevant authorities may apply to a competent court for enforcement of the make-up of the shortfall. Other than the shortfall, no additional late charges are provided for in the relevant regulations.	In respect of the under-payment of contributions for these employees, we have made provisions of RMB1.6 million and RMB0.8 million for social insurance and housing provident funds contributions, respectively, during the Track Record Period. See Note 2.20 to Appendix I — "Accountant's Report" for the basis of the provision. To prevent the recurrence of such incident, we have required all of our employees to fully participate in contributing to such funds and enhanced internal training on the relevant subjects including the legal requirements on social insurance and housing provident funds contributions. We have not historically received any notification from the relevant local social insurance and housing provident funds authorities alleging that we had not made full contributions to social insurance and/or housing provident funds, nor have we received any request for payment of any outstanding amounts by a stipulated deadline. We have now made full contributions with respect to all applicable employees and will comply with all the applicable PRC laws and regulations. Based on the PRC legal advice we obtained on the legal consequences and the fact that sufficient provision has been made, our Directors are of the view that any payment that would be required for us to make up the shortfall would not have a material adverse effect on our business, results of operations or financial condition in the event that we are required to do so.

Non-compliance incident	Reasons for non-compliance	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and status
BNC Women's and Children's Hospital performed "vacuum aspiration" (負壓吸宮術) operations with the use of pain relief drugs (the "**Operations**") during the period from October 15, 2015 to April 7, 2016. In April 2016, Chaoyang Healthcare Administration Authority conducted an on-spot inspection at BNC Women's and Children's Hospital and it subsequently notified BNC Women's and Children's Hospital in August 2016 that the Operations were performed outside the scope of its Permit for Performing Technical Services for Mother and Child Healthcare (the "**Permit**") and are subject to administrative penalty (the "**Notice**").	The Permit renewed on October 15, 2015 allows BNC Women's and Children's Hospital to perform vacuum aspiration, but "vacuum aspiration under anesthesia" was not included in the scope of the Permit. BNC Women's and Children's Hospital continued to use pain relief drugs while performing vacuum aspiration operations as the doctors performing the operations were of the view that use of pain relief drugs to the extent not resulting in unconsciousness of the patient does not constitute anesthesia. The incident was mainly due to the different understanding of "anesthesia" (麻醉鎮痛) between us and Chaoyang Healthcare Administration Authority.	On August 29, 2016, Chaoyang Healthcare Administration Authority served an administrative penalty decision to BNC Women's and Children's Hospital to confiscate the income generated from performing such operations of RMB293,903.4 and a penalty of RMB587,806.8 (together the "**Fine**"). The Fine was paid in full in September 2016. As advised by our PRC legal adviser, BNC Women's and Children's Hospital will not be subject to any further administrative fine in respect of the same incident.	After we received the Notice, the management of BNC Women's and Children's Hospital took immediate action to stop performing the Operations. The management of BNC Women's and Children's Hospital has communicated with Chaoyang Healthcare Administration Authority and believes that the incident was as a result of the different understanding of "anesthesia". Because (i) the incident was caused by different understanding of medical terminology; (ii) the fact that we already paid the penalty in full and our PRC legal adviser's view that we will not be subject to any further administrative fine in respect of the same incident, our Directors are of the view that such incident will not result in any material adverse effect on our business, results of operations or financial conditions. To prevent the recurrence of such non-compliance, we have implemented a set of enhanced internal control measures relating to our administration on medical permits and licenses, including (i) having dedicated personnel to review licenses and permits, check the details of the renewed licenses and permits, (ii) adopting measures to monitor daily operations, such as having dedicated medical staff to cross check whether an operation is within the licensed scope before it is performed, and (iii) monitoring the changes in the PRC laws, rules and regulations on medical administration that are applicable to us. We also adopted policies of periodically inspecting all the required licenses and permits of our medical institutions, providing periodic training to all of our medical professionals to update them on the scope of surgeries that we are licensed to conduct and periodically inspecting the surgery records for compliance purposes. See "— Enhanced Internal Control Measures."

Except for the two immaterial non-compliance incidents described above, our PRC legal adviser and our Directors have confirmed that during the Track Record Period we complied with all applicable PRC laws and regulations in all material aspects and have obtained all material licenses, approvals, permits and certificates from appropriate regulatory authorities for our business operations in the PRC.

Because (i) the non-compliance incidents have had no material adverse impact on our business, results of operation or financial position; and (ii) we have adopted rectification measures and enhanced internal control measures, which have been reviewed by our IPO internal control consultant, our Directors are of the view that such incidents do not affect the suitability of our Directors and our suitability for listing. During the Track Record Period and up to the Latest Practicable Date, none of our Directors was involved in any material administrative violations, proceedings or penalties.

Legal Proceedings

We from time to time are involved in legal proceedings relating to disputes arising in the ordinary course of our business. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceeding against us or any of our Directors that had or are expected to have a material adverse effect on our business, results of operations or financial condition. Furthermore, to the knowledge of our Directors, there are no pending or foreseeable litigation, arbitration or administrative proceedings against us or any of our Directors that are expected to cause a material adverse effect on our business, results of operations or financial condition. We maintain medical liability insurance for all of our medical professionals, but such insurance may cover only a portion of these claims. For more details of our medical liability insurance, see "— Insurance."

Our medical disputes with patients and/or their families were mostly related to medical treatments that resulted in physical injury or were otherwise unsatisfactory at our hospitals. Most of the bodily injuries incurred were not material and could not have been completely avoided due to the inherent risks related to diagnoses, treatments or procedures or unforeseeable conditions that may result in complications, bodily injuries or even death of the patients in some cases. As part of our risk management and internal control procedures, we had fully informed our patients of these inherent risks and obtained their consents before conducting the relevant treatments or procedures.

Resolved and settled medical disputes

Most of the medical disputes with our patients and/or their families were resolved through our complaint handling, see "— Complaints and Disputes Handling". During the Track Record Period, we did not experience any material medical disputes that caused a material adverse effect on our business, results of operations or financial condition. In 2013, 2014 and 2015 and the nine months ended September 30, 2016, the total amount of settlement and other types of monetary compensation paid to our patients and/or their families by us was approximately RMB27,000, RMB106,000, RMB51,000 and RMB83,000, representing less than 0.1% of our total revenue in each of the relevant period.

The following table sets forth the numbers of medical disputes which individually resulted in settlement and other types of monetary compensation exceeding RMB10,000 to our patients and/or their families during the Track Record Period:

	Year Ended December 31,			Nine month ended September 30,
	2013	2014	2015	2016
BNC Children's Hospital	—	2	1	—
BNC Women's and Children's Hospital [(1)]	n.a.	n.a.	1	2
BNC Harmony Clinic	—	—	—	—
Total	—	2	2	2

(1) Includes only those that occurred after our acquisition of BNC Women's and Children's Hospital in November 2015 are included.

Unresolved medical disputes

As of the Latest Practicable Date, we had three material unresolved medical disputes:

- A patient filed a lawsuit in the People's Court of the Xicheng District of Beijing against BNC Children's Hospital and demanded RMB1.0 million in damages. The patient was admitted to BNC Children's Hospital on December 1, 2012 and received hernia sac high ligation. He later developed orchiatrophy. A medical incident appraisal was conducted by Beijing Zhongheng Judicial Appraisal Institution (北京中衡司法鑒定所), which concluded that BNC Children's Hospital was partially liable for such condition. The case is currently awaiting a court judgment.

  Our management believes, based in part on the confirmation of an external legal adviser who advised us on this dispute, that our maximum exposure in relation to this outstanding dispute is approximately RMB300,000, of which RMB200,000 is expected to be covered by our medical liability insurance. Our Directors do not believe that this incident will have a material adverse impact on our business, financial condition or results of operations.

- The family of a patient filed a lawsuit in the People's Court of the Xicheng District of Beijing against BNC Children's Hospital and demanded RMB581,256.1 in damages. The patient was admitted to BNC Children's Hospital on January 14, 2015 for acute laryngitis. She was transferred to the intensive-care unit of BCH on January 22, 2015 following rapid exacerbation and died of post-operative complications of congenital heart disease on

January 29, 2015. A medical incident appraisal was conducted by Beijing Shengtang Judicial Appraisal Institution (北京盛唐司法鑒定所), which concluded that BNC Children's Hospital was secondarily liable for the patient's death. The case is currently awaiting a court judgment.

Our management believes, based in part on the confirmation of an external legal adviser who advised us on this dispute, that our maximum exposure in relation to this outstanding dispute is approximately RMB300,000, of which RMB200,000 is expected to be covered by our medical liability insurance. Based on the above, our Directors do not believe that this incident will have a material adverse impact on our business, financial condition or results of operations.

- A patient filed a lawsuit in the People's Court of the Xicheng District of Beijing on January 10, 2014 against two public hospitals (as the first and second defendants) and BNC Children's Hospital (as the third defendant) and demanded compensation including the medical service fee of RMB81,622.4. The patient received treatments for refractory Kawasaki disease at the two public hospitals as well as BNC Children's Hospital.

  Based on our assessment of this dispute, our Directors are of the view that the likelihood of our receiving an unfavorable judgment is low. Given the relatively small claim amount and our Directors' views, we have not made a provision for possible damages in this dispute. Based on the above, our Directors do not believe that this incident will have a material adverse impact on our business, financial condition or results of operations.

We will continue to monitor these lawsuits and try to minimize any potential adverse impact on us. As stated above, our Directors do not believe that these disputes will have material adverse impact on our business, financial condition or results of operations.

Medical disputes involving fatalities

During the Track Record Period, we have been involved in only one medical dispute involving a fatality, which was unresolved as of the Latest Practicable Date. See " — Legal Proceedings — Unresolved medical disputes."

We believe this is an isolated case and reflects the risks inherent to our business and operations. We may continue to face potential legal proceedings and claims in our operations. See "Risk Factors — Risks relating to our business and industry — We and our medical institutions have been and could become the subject of litigation and claims, and we may not be adequately insured against these liabilities." In order to minimize the occurrence of medical disputes and ensure medical safety, we have implemented certain enhanced internal control measures. See "— Enhanced Internal Control Measures — Medical disputes-related internal control measures."

As of the Latest Practicable Date, other than the disputes described above, we were not a party to any ongoing material litigation, arbitration or administrative proceedings, and we were not aware of any claims or proceedings contemplated by government authorities or third parties which are likely to materially and adversely affect our business, financial conditions or results of operations. Our Directors are not involved in their individual capacity in any actual or threatened material claims or litigation.

Enhanced Internal Control Measures

Internal control measures to prevent recurrence of non-compliance incidents

To prevent the recurrence of performing "vacuum aspiration" (負壓吸宮術) operations with the use of pain relief drugs, we have implemented the following enhanced internal control measures:

- Improved our administration of our medical permits and licenses by appointing dedicated personnel to be responsible for renewing the medical licenses and permits, checking the details of renewed medical licenses and permits and monitoring the changes in PRC laws and regulations on medical administration that are applicable to us;

- Compiled a list of all of our medical licenses and permits with detailed information regarding the scope of services, date of expiry and the annual inspection status for easy reference by all our medical professionals and notified the relevant physicians and medical departments of the renewal or verification of the licenses or permits at least three months in advance;

- Conduct periodic inspections of the medial licenses and permits of our medical institutions, providing periodic training to all our medical professionals to update them on the scope of surgeries that we are licensed to conduct and periodically inspecting the surgery records for compliance purposes;

- Adopted measures to monitor daily operations, such as having dedicated medical staff to cross check whether an operation is within the licensed scope before it is performed;

- Check the websites of the relevant governmental authorities overseeing healthcare matters regularly for the latest developments on medical industry and regulatory requirements that are applicable to us as well as training notices; and

- Promptly notify our medical professionals of the training arrangements and arrange for them to attend regular training programs provided by the relevant governmental authorities overseeing healthcare matters on the PRC laws and regulations in relation to medical administration.

To prevent the recurrence of non-compliance incident in relation to the social insurance and housing provident funds contributions, we have implemented the following enhanced internal control measures:

- Opened accounts for social insurance and housing provident funds with the relevant regulatory authorities and required all of our employees to fully participate in contributing to such funds and enhanced internal training on the relevant subjects including the legal requirements on social insurance and housing provident funds contributions.

Medical disputes-related internal control measures

In order to minimize the occurrence of medical disputes and ensure medical safety, we have implemented certain enhanced internal control measures. See " Legal Proceedings and Compliance — Enhanced Internal Control Measures — Medical disputes-related internal control measures".

- Enhanced our procedures for informing our patients of the inherent risks in relation to medical treatment and/or procedures and obtaining their written consents before conducting the relevant treatments or procedures;

- Established the urgent and severe diseases resuscitation committee to formulate standard procedures for dealing with emergencies in each of our specialty areas and coordinate different departments in handling such situations. The committee comprises 12 members, including our Chief Medical Officer, four experienced doctors and other medical professionals. The committee meets whenever there is an urgent and severe disease that needs immediate guidance or decisions from the committee. In addition, the committee meets on a quarterly basis to, among others (i) thoroughly discuss and assess the medical disputes that occurred during the past quarter and make recommendations to the executive management committee on areas to be improved; (ii) closely monitor developments in best practices in the pediatric, obstetric and gynecologic healthcare industry in order to improve our treatment procedures and protocols and make recommendations to the executive management committee on updating the standard procedures for treating critical emergencies;

- Set up urgent and severe diseases resuscitation teams comprising resuscitation leaders, experts and action members who collaborate to handle urgent and severe situations relating to pregnancy or obstetrics;

- Set up urgent and severe obstetric resuscitation codes that can be readily followed by our medical professional teams when an urgent situation occurs;

- Conducted regular training and drills for urgent and severe obstetric situations to familiarize our medical professionals and improve their ability to deal with unexpected and urgent situations;

- Enhanced our training programs and familiarized our medical professionals with syndromes of difficult and uncommon diseases to improve their diagnostic and treatment ability;

- Established our online reporting system for urgent and severe situations relating to pregnancy or obstetrics, which has helped us receive medical support and guidance on urgent and severe cases; and

- Enhancing the supervisory functions of the medical committee by having more frequent on-site inspections and meetings to closely monitor the medical operations of our medical institutions and analyzing issues identified in these inspections to understand the underlying reasons and propose rectification measures to the executive management committee.

INTRODUCTION TO CONNECTED TRANSACTIONS

The Group has entered into certain agreements with certain entities that will, upon the Listing, become the Group's connected persons (as defined under Chapter 14A of the Listing Rules). Following the Listing, the transactions contemplated under such agreements will constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

CONNECTED PERSONS OF OUR GROUP

Upon the Listing, the following entities, with which the Group has entered into certain transactions in the ordinary and usual course of the Group's business, will become connected persons of the Group:

- **BCH**: BCH, being a shareholder holding a 35.0% equity interest in BNC Children's Hospital, is a substantial shareholder of BNC Children's Hospital, a subsidiary of the Company, and is therefore a connected person of our Group pursuant to Rule 14A.07(1) of the Listing Rules.

- **Jiahua Likang**: Mr. Zhou, an executive Director and a substantial shareholder of the Company, who is a connected person of the Company, holds (together with his spouse) a 41.3% equity interest in Jiahua Likang. As such, Jiahua Likang is an associate of Mr. Zhou and a connected person of our Group pursuant to Rule 14A.13(3) of the Listing Rules.

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

- **Jiahua Kangming**: Jiahua Kangming is a PRC company held as to 99% by Ms. Zhao and as to 1% by Ms. ZHOU Jie (Mr. Zhou's sister) and is expected to be beneficially held by Jiahua Kangyong as to 46.4%, Zhonghe Qingrun as to 16.0%, Ms. GAN Feng as to 6.7%, CDH Fuji as to 8.3%, CDH Fuyi as to 8.3%, CDB GJ as to 5.5% and Boyu AH as to 8.8% prior to the Listing. Jiahua Kangming is a connected person of the Group by virtue of it being an associate of Mr. Zhou pursuant to Rule 14A.12(1)(c) of the Listing Rules. Jiahua Kangming holds a 30.0% equity interest in each of BNC Women's and Children's Hospital and BNC Harmony Clinic and is a connected person of the Group by virtue of it being a substantial shareholder of a subsidiary of the Company pursuant to Rule 14A.07(1) of the Listing Rules.

Accordingly, upon the Listing, the following transactions between each of the connected persons and the Group, which have been entered into in the ordinary and usual course of the Group's business on a recurring and continuing nature, will constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademark Licensing and Transfer Agreement

On May 10, 2016, Jiahua Yihe, our indirect wholly-owned subsidiary, entered into a trademark licensing and transfer agreement with Jiahua Likang pursuant to which Jiahua Likang agreed to transfer two trademarks to Jiahua Yihe and also irrevocably grant, on a royalty-free basis, a non-exclusive, non-assignable and non-transferable license to Jiahua Yihe and its affiliates to use such trademarks free of charge. The application for the trademark transfer was submitted to the relevant competent authority in the PRC for approval on May 16, 2016, which is expected to complete within one year. The licensing is expected to continue after the Listing, and therefore constitutes a continuing connected transaction of us. This transaction is conducted on normal commercial or better terms and the trademark licensing and transfer agreement was entered into in the ordinary and usual course of business of our Group. As the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules are less than 0.1%, the licensing contemplated under the trademark licensing and transfer agreement is fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Examination and Laboratory Test Services Provided by BCH to BNC Children's Hospital

BCH from time to time provides certain examination and laboratory test services to BNC Children's Hospital's patients upon request. BCH charges us the relevant services fees based on fees stipulated by the relevant PRC medical price control regulation. These transactions are conducted on normal commercial or better terms and the examination and laboratory test services agreements are entered into in the ordinary and usual course of business of our Group. As the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules are, and the total annual fee payable by BNC Children's Hospital under such agreements will, as our Directors currently expect, be less than 5% and the total annual fee is less than HK$3 million, the transactions contemplated under such agreements are fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Other than the above two fully-exempt continuing connected transactions, the Group entered into a cooperation agreement with BCH in 2002 to establish BNC Children's Hospital. As part of the cooperation arrangement, both BCH and us agreed to fulfil certain obligations without extra payments to each other, including, among others, our introduction of advanced hospital management skills and provision of core management team to operate BNC Children's Hospital, and BCH's provision of certain premises for business operation of BNC Children's Hospital, save that the examination and laboratory test services as mentioned above which are provided for a fee. Please refer to "Business — Our PPP Arrangements with Public Hospitals — PPP Arrangement with BCH" for details.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Property Management and Cleaning Services Agreements

Parties: Each of BNC Children's Hospital and BNC Women's and Children's Hospital (as the purchaser); and

Muhe Jiaye (as the supplier).

Description of and reasons for the transactions: To better manage the premises of our medical institutions and maintain the facilities and equipment as well as to ensure that the hygiene and hospital disinfection meet required standards, we outsourced our property management, facilities and equipment maintenance and cleaning services to Muhe Jiaye, a qualified third party contractor which is a connected person of our Group. Muhe Jiaye is a qualified and long term service provider of the Group.

Principal terms: Pursuant to the property management and cleaning services agreements (the "**Property Management and Cleaning Services Agreements**") entered into between each of BNC Children's Hospital and BNC Women's and Children's Hospital and Muhe Jiaye on August 22, 2016, Muhe Jiaye agrees to provide property management, facilities and equipment maintenance and cleaning services to BNC Children's Hospital, BNC Women's and Children's Hospital and the BNC Harmony Clinic. Each of the Property Management and Cleaning Services Agreements has a term of three years, and subject to complying with the requirements under the Listing Rules, shall be automatically renewed for a same term unless a party to the agreement gives the other party at least three months' notice prior to the expiry of the agreement to terminate it.

Pricing policy: In consideration for the services provided by Muhe Jiaye, each of BNC Children's Hospital and BNC Women's and Children's Hospital agrees to pay to Muhe Jiaye a monthly fee of RMB212,933.5 and RMB292,330.6, respectively, each to be correspondingly adjusted based on: (i) increases in applicable statutory minimum wages, social insurance or other allowances; (ii) deviations from the agreed scope of work and services to be provided by Muhe Jiaye; and (iii) if the increase or decrease in the actual number of beds, surgical procedures or emergency procedures for three consecutive months exceeds 10.0% of estimates which results in an increase or reduction in the agreed number and working hours of service personnel to be provided by Muhe Jiaye. The fee is determined based on commercial negotiations with regard to the market price of the services of similar nature.

Historical figures: The following table sets out the aggregate historical figures of the services fees paid by BNC Children's Hospital and BNC Women's and Children's Hospital to Muhe Jiaye:

	Year ended December 31			Nine Months ended September 30
	2013	2014	2015	2016
	(in RMB millions)			
Total Services Fees	N/A[(1)]	N/A[(1)]	2.9[(1)(2)]	4.5

(1) The property management and cleaning services were provided to us by certain other contractors before June 18, 2015.

(2) This represents the total fees paid by BNC Children's Hospital and BNC Women's and Children's Hospital to Muhe Jiaye for the period from June 18, 2015 to December 31, 2015.

Annual caps: The maximum aggregate annual amount payable to Muhe Jiaye for 2016, 2017 and 2018, respectively, shall not exceed the caps set out below:

	Year ending December 31		
	2016	**2017**	**2018**
	(in RMB millions)		
Total Services Fees	6.4	6.4	6.4

Basis of caps: In determining the above annual caps, our Directors have considered: (i) the historical figures in relation to similar services provided by the previous contractor and Muhe Jiaye in the past; (ii) the anticipated demand for Muhe Jiaye's services by BNC Children's Hospital and BNC Women's and Children's Hospital; (iii) the past average adjustments of the statutory minimum wages and social insurance; (iv) the likelihood of future price adjustment due to increase or decrease in beds, surgical procedures or emergency procedures; and (v) a reasonable buffer.

Listing Rules implications: The Property Management and Cleaning Services Agreements are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Listing Rules. Since the highest applicable percentage ratio calculated with reference to the maximum aggregate annual services fees payable by BNC Children's Hospital and BNC Women's and Children's Hospital to Muhe Jiaye for each of the three years ending December 31, 2018 is less than 5%. Therefore, upon Listing, the transactions contemplated under the Property Management and Cleaning Services Agreements constitute de minimis continuing connected transactions for our Company pursuant to Rule 14A.76(2) of the Listing Rules, which will be exempt from the circular (including independent financial advice) and independent shareholders' approval requirements but are subject to announcement, annual reporting and annual review requirements under Chapter 14A of the Listing Rules.

Our Directors are of the view that the Property Management and Cleaning Services Agreements were entered into in the ordinary and usual course of our Group's business on normal commercial terms and that the terms of the Property Management and Cleaning Services Agreements are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Management Consulting Services Agreement

Parties: Jiahua Yihe (as supplier); and

Jiahua Likang (as purchaser).

Description of and reasons for the transaction: Jiahua Yihe, our indirect wholly-owned subsidiary, commenced providing hospital consulting services to Jiahua Likang for the Likang Hospitals from December 2015. Under the arrangement, the hospital consulting services that Jiahua Yihe provides relate to brand licensing and use of our standardized management know-how, best practices for medical services and operations and the relevant know-how, our continuing professional development training systems and clinical experience exchange platform, procurement and supplier services support and information technology systems and support. In anticipation of the Listing, Jiahe Yihe entered into a hospital consulting services agreement with Jiahua Likang on June 1, 2016 (the "**Management Consulting Services Agreement**") to formalize the consulting services relationship in existence since December 1, 2015 and to govern the provision of such services after the Listing.

Principal terms: Pursuant to the Management Consulting Services Agreement, Jiahua Yihe has agreed to provide a comprehensive range of licensing and consulting services relating to the operation and management of the hospitals invested by Jiahua Likang.

The fixed services provided by our Company to Jiahua Likang that are covered by the monthly base fee payable by Jiahua Likang (as set out below) include: (i) licensing the right to use the "New Century Healthcare (新世紀醫療)" in medical certification, brand name and promotional materials; (ii) authorizing the use of our Group's various medical and healthcare clinical processes, regulatory documents, guidance materials and management systems; (iii) authorizing the use of our Group's medical and clinical training systems, development and educational resources; (iv) providing preferential access to our Group's procurement pricing and supplier services; and (v) providing information technology support services on the premise of ensuring independent operation and maintenance of the information system (the "**Fixed Services**"). In addition, our Company may also provide other related business operational and financial consultancy services upon request by Jiahua Likang from time to time (the "**Additional Services**") at specified hourly rates (as set out below).

The Consulting Services Agreement became effective on December 1, 2015 and is valid until November 30, 2018. Jiahua Yihe is entitled to terminate the Management Consulting Services Agreement at any time at its sole discretion. Jiahua Likang shall maintain all the licenses and permits necessary for the business of its hospitals. Jiahua Likang agreed to procure the Likang Hospitals to operate in accordance with the operational standards as required by Jiahua Yihe as well as the applicable national and regional medical services standards so that the brand image of Jiahua Yihe will not be undermined. Jiahua Likang also agreed to procure the Likang Hospitals to accept regular inspection and supervision from Jiahua Yihe on the brand licensing matters. Jiahua Likang further agreed to indemnify Jiahua Yihe from any losses arising from the improper use of its brand by Jiahua Likang or the Likang Hospitals.

Pricing policy: In consideration for the Fixed Services, Jiahua Likang agrees to pay to Jiahua Yihe a monthly base fee of RMB100,000 (the "**Fixed Services Fee**") for each of the Likang Hospitals that receives Jiahua Yihe's services pursuant to the Management Consulting Services Agreement. The hourly rates for the provision of the Additional Services are based on the level of seniority of the person providing the particular service, including RMB500 per hour for a consultant, RMB800 per hour for a manager, RMB1,000 per hour for a senior manager, RMB2,000 per hour for a director, and RMB2,500 per hour for an executive director (the "**Additional Services Fee**").

The price of the services to be provided by Jiahua Yihe was determined on an arm's length basis by reference to the market price of services of comparable nature and scale. The fees charged by Jiahua Yihe under the Management Consulting Services Agreement are within a reasonable range of fees in the market for a similar scope of services. As such, our Directors consider that the terms of the Management Consulting Services Agreement are fair and reasonable and are in the interests of both our Company and Jiahua Likang, and are therefore on normal commercial terms.

Historical figures: The following table sets out the historical figures of the consulting services fees. The consulting services fees increased significantly during the Track Record Period because (i) the consulting services relationship only formalized from December 2015 and therefore the figure for the year ended December 31, 2015 only represented the consulting services fees for December 2015; and (ii) the increased service scope has been provided to Jiahua Likang due to the continuous expansion of the hospitals of Jiahua Likang, which required more personnel and time inputs from the Company.

	Year ended December 31			Nine Months ended September 30
	2013	2014	2015	2016
	(in RMB millions)			
Total Consulting Services Fee	N/A	N/A	1.8	20.3

Annual Caps: The maximum aggregate annual amount payable to Jiahua Yihe for the three years ending December 31, 2016, 2017 and 2018 respectively shall not exceed the caps set out below:

	Year ending December 31		
	2016	2017	2018
	(in RMB millions)		
Total Consulting Services Fee	32.0	42.0	42.0

In determining the above annual caps, especially the Additional Services Fee, the Directors have taken into account the following factors, in particular the continuous expansion of Likang Hospitals and Jiahua Likang's hospital projects in Dalian, Tianjin and Foshan (collectively the "**Likang Hospital Projects**") for the period of 2016-2018:

(i) the expected timelines and milestones of the Likang Hospital Projects, for example (a) a hospital in Qingdao currently under construction, which is expected to commence operation in 2017, (b) a hospital in Dalian, which is expected to commence construction in 2017 and operation in 2018, (c) a hospital in Tianjin, which is expected to commence construction in 2017 and operation in 2019, and (d) a hospital in Foshan, which is expected to commence construction in 2018 and operation in 2020;

(ii) the expected number of personnel providing services in each phase of each Likang Hospital Project;

(iii) the expected level of seniority of the personnel required in each phase of each Likang Hospital Project; and

(iv) the expected service hours spent by each level of seniority of the personnel providing services in each phase of each Likang Hospital Project.

Listing Rules implications: Since the highest applicable percentage ratio calculated with reference to the maximum annual consulting services fees payable by Jiahua Likang to Jiahua Yihe for each of the three years ending December 31, 2018 will exceed 5%. Therefore, upon Listing, the transactions contemplated under the Management Consulting Services Agreement will be subject to the annual reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors are of the view that the Management Consulting Services Agreement was entered into in the ordinary and usual course of our Group's business on normal commercial terms and that the terms of the Management Consulting Services Agreement are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

DIRECTORS' VIEW

Our Directors, including the independent non-executive Directors, are of the view that: (i) each of the continuing connected transactions described in this section, which have been or will be entered into, will be carried out during the ordinary and usual course of business and on normal or better commercial terms; (ii) each of the continuing connected transactions is fair and reasonable and is in the interests of our Company and our Shareholders as a whole; and (iii) the proposed annual caps for the continuing connected transactions described above are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors having reviewed the relevant information and historical figures relating to the partially-exempt and non-exempt continuing connected transactions, and conducted due diligence of such transactions with our Company, are of the view that: (i) the partially-exempt and the non-exempt continuing connected transactions are entered into in the Company's ordinary course of business on normal or better commercial terms, and are fair and reasonable and in the interest of the Company and its Shareholders as a whole; and (ii) the proposed annual caps for these transactions are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

APPLICATION FOR WAIVER

We expect the partially-exempt and the non-exempt continuing connected transactions disclosed above will be carried out on a continuing basis and will extend over a period of time, and our Directors consider that strict compliance with the announcement, circular and independent Shareholders' approval (with respect to the non-exempt continuing connected transaction disclosed above) requirements under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the announcement, circular and independent Shareholders' approval (with respect to the non-exempt continuing connected transaction disclosed above) requirement under Rule 14A.35 of the Listing Rules once the Shares are listed on the Hong Kong Stock Exchange in respect of such partially-exempt and non-exempt continuing connected transactions. We will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of such continuing connected transactions.

OVERVIEW

Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised and no Restricted Shares are granted and vested under the RSA Scheme), Mr. Zhou, our founder, executive Director and Chairman, through his wholly-owned investment holding companies, JoeCare and Century Star, and pursuant to the Voting Agreement, will be entitled to indirectly exercise voting rights of 45.0% of the issued share capital of our Company. JoeCare and Century Star will directly hold 31.1% and 1.9% of the issued share capital of our Company, respectively. 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. Accordingly, each of Mr. Zhou, JoeCare and Century Star is our Controlling Shareholder.

Except as disclosed in this section, our Controlling Shareholders and Directors confirm that none of them or their respective close associates has any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

DELINEATION OF BUSINESSES AND COMPETITION

Business of Our Group

As of the Latest Practicable Date, our core business was to provide pediatric and obstetric and gynecologic specialty services at our medical institutions in Beijing. In addition to our core business, we also provide hospital consulting services to Jiahua Likang, a connected person of us, for certain hospitals invested by it outside Beijing, all of which are for-profit private medical institutions.

Jiahua Likang and Its Hospitals

As of the Latest Practicable Date, Mr. Zhou (including his spouse's interests) and Zhonghe Qingrun, in which Ms. Liang held a 51.0% equity interest, and CDH Investments I, beneficially owned 41.3%, 33.7% and 25.0% respectively, of Jiahua Likang, an investment holding company that held a majority equity interest in certain hospitals and hospital projects collectively referred to as the Likang Hospitals. The following chart sets forth certain information of the Likang Hospitals.

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)	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%	Under construction, and expected to commence operation in 2017	N/A

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

(2) Each minority shareholder of each Likang Hospitals is an Independent Third Party.

Each of the Likang Hospitals provides or will provide pediatric and/or obstetric and gynecologic specialty services in their respective cities in the PRC. We entered into a management consulting services agreement in June 2016, pursuant to which we provide certain hospital consulting services to Jiahua Likang for the Likang Hospitals for a consulting services fee. See "Connected Transactions — Non-Exempt Continuing Connected Transaction — Management Consulting Services Agreement" for details.

CDH Investments I has veto rights on various important business operations and corporate actions, including the sale of any Likang Hospital. As such, Mr. Zhou did not effectively control Jiahua Likang. In December 2012, CDH Investments I and Ms. Liang agreed to sell BNC Women's and Children's Hospital to our Group as part of the pre-IPO reorganization of our Group and to complement our hospital network in Beijing. Given our Group's business strategy in the provision of medical services in Tier 1 Cities, the reasons of which are set forth in "— Delineation of Business — Geographical Separation," our Directors are of the view that it was and is not desirable for our Group to negotiate with Jiahua Likang and its shareholders with respect to the purchase of any Likang Hospitals by our Group. Furthermore, CDH Investments I decided not to sell the Likang Hospitals to the Company as part of the pre-IPO reorganization. Our Directors are of the view that our Group's business activities are delineated from that of Jiahua Likang and the Likang Hospitals and the competition between the Likang Hospitals and us is minimal or non-existent.

Delineation of Businesses

Our Directors are of the view that, given that (i) our medical institutions are all located in Beijing and our strategies is to continue to expand in Beijing and other Tier 1 Cities, and (ii) for the reasons set forth below, there is clear delineation of business between our Group and Jiahua Likang.

Geographical Separation

As of the Latest Practicable Date, all of our medical institutions were located in Beijing and our customers were largely residents of Beijing. In contrast, each of the Likang Hospitals primarily serves customers who are residents within or close to their respective cities of operation.

Due to the nature of hospital business, patients normally seek treatments in the cities where they reside, unless there is no suitable treatment available in such cities, according to Frost & Sullivan. As Beijing is generally considered one of the cities that offer best quality healthcare services in the PRC, and given the highly specialized nature of our medical institutions, it is unlikely that our customers travel outside of Beijing to visit the Likang Hospitals, none of which is located in any other Tier 1 Cities, for treatments not available in our medical institutions or elsewhere in Beijing. It is therefore unlikely that any of the Likang Hospitals could feasibly compete with us or solicit our customer base in Beijing.

Additionally, we currently have no plans to expand into cities where any of the Likang Hospitals are located, none of which is a Tier 1 City. In the PRC, the healthcare service market in Tier 1 Cities are distinctive from other cities, mainly because: (1) the overall market size and the number of mid- to high-end customers, which is driven mainly by the spending power and the preference for premium healthcare services of the residents, are much larger in Tier 1 Cities; (2) the customers' pricing sensitiveness in Tier 1 Cities is much lower, allowing much more flexibility in pricing high-end healthcare services; and (3) the pool of seasoned physicians and skillful nurses and other medical professionals is much larger in Tier 1 Cities, making the establishment of strong teams of medical professionals to serve the mid- to high-end market much more practical. As such, our Directors are of the view that it is overly risky for our Group to expand into non- Tier 1 Cities at this stage and try to replicate our successful business model in cities with very different market landscape from Beijing. As such, if we expand outside Beijing, our strategy is to expand into other Tier 1 Cities.

Management and Operational Separation

The Likang Hospitals are managed by the board of directors and group of senior management of Jiahua Likang and independently of our Group, and there is no overlap between the members of our Board or senior management with those of Jiahua Likang and member of the Likang Hospitals.

In addition, our Group and the Likang Hospitals have their respective own teams of medical professionals and have established their own human resources, accounting, procurement, medical research and sales and marketing functions and systems and operational capacity in terms of capital, facilities, equipment, employees and industry know-how and are operated independently from each other, although we provide certain hospital consulting services to Jiahua Likang for the Likang Hospitals. Our Group and the Likang Hospitals also possess their respective own licenses, approvals and certificates necessary to carry out their respective business. During the Track Record Period, none of the physicians registered with our medical institutions for multi-site practice worked at any of the Likang Hospitals.

Additionally, we do not share any medical professionals, nor have any referral mechanisms relating to staff, suppliers or customers, with the Likang Hospitals. There is generally no or minimal competition for physicians between our medical institutions and the Likang Hospitals as they are located in different cities and the Likang Hospitals primarily recruit their physicians in their respective cities. According to Frost & Sullivan, Beijing and other Tier 1 cities in the PRC remain the first choice for physicians in general.

Prior to December 2015, Mr. Zhou and certain of our other senior management members, other than managing our Group, also spent time in assisting the operation of the Likang Hospitals owned by Jiahua Likang. Mr. Zhou and our other senior management have ceased to take the management role in Jiahua Likang or the Likang Hospitals and we now provide certain hospital consulting services to them for a fee using a delegated team of consultants. See "Business — Hospital Consulting Services" for details.

Financial Separation

Jiahua Likang and the Likang Hospitals are financially independent from our Group and are able to independently make financial decisions and fund their operations based on their own business and operational needs. As of the Latest Practicable Date, there were no outstanding loans extended between our Group and Jiahua Likang or any Likang Hospital or which were guaranteed by them. In addition, our Group and Jiahua Likang and the Likang Hospitals have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing. Our Directors confirm that our Group is capable of obtaining financing from third parties, if necessary, without reliance on Jiahua Likang and/or the Likang Hospitals.

Directors' View on Non-Competition

In light of the forgoing factors, our Directors are of the view that there is no or minimal competition between our Group and the Likang Hospitals, and that there is clear delineation of businesses between our core business and the business of the Likang Hospitals.

NON-COMPETITION UNDERTAKING

Principal Terms

To safeguard our Group from any potential competition with our Controlling Shareholders and their close associates, each of the Controlling Shareholders, Jiahua Likang and Jiahua Kangming (the "**Restricted Persons**") has jointly and severally and irrevocably entered into the Deed of Non-Competition in favor of our Company on December 22, 2016, to ensure that they will not engage in any business or activity which will or is likely to compete with the business of our Group after the Listing Date.

Under the Deed of Non-Competition, the Restricted Persons have jointly and severally undertaken to us that they will not, and shall use their best endeavors to procure that their respective close associates will not, solely or jointly or in cooperation with other parties, during the Non-Compete Period (as defined below), without our prior written consent:

(i) hold and/or be interested in (whether as a shareholder, partner, agent, employee or otherwise), either directly or indirectly, any shares or securities or interest in any company or other entity whose business primarily involves in, directly or indirectly, the provision of pediatric, obstetric and/or gynecologic services at any medical institution (the "**Restricted Business**") in any Tier 1 Cities (the "**Restricted Region**"), except, in the case where the company or entity is listed on the Hong Kong Stock Exchange or other recognized stock exchange and the interest represents not more than 5% of the issued share capital of such company or entity); or

(ii) otherwise directly or indirectly engage or be involved or participate or invest in, or attempt to participate in or render any services to, or provide other support, financial or otherwise to, any company or other entity which is engaged or involved in, directly or indirectly, any Restricted Business in the Restricted Region.

The undertakings given by the Restricted Persons under the Deed of Non-Competition are effective from the Listing Date and terminate on the earlier of: (i) the date on which our Controlling Shareholders cease to be a substantial shareholder as defined in the Listing Rules; (ii) the date on which the Shares cease to be listed on the Hong Kong Stock Exchange; and (iii) the date on which our Group ceases to engage in the Restricted Business (the "**Non-Compete Period**").

Right of First Refusal and acquisition options in relation to the Likang Hospitals and Minority Interests in BNC Women's and Children's Hospital and BNC Harmony Clinic

Each of the relevant Restricted Persons has irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of each of the members of our Group) that at any time during the Non-Compete Period, it shall not, and shall procure that each of their respective close associates (except for any members of our Group) do not:

(i) dispose directly or indirectly of any interest in the Likang Hospitals and shall procure that the Likang Hospitals do not directly or indirectly dispose of any of their core assets or business or interests in their respective subsidiaries from time to time, without first offering to us the right to acquire such business or interest pursuant to the terms set forth below; and

(ii) dispose directly or indirectly of any interest in BNC Women's and Children's Hospital and BNC Harmony Clinic and shall procure that each of BNC Women's and Children's Hospital and BNC Harmony Clinic do not dispose of any of their core assets or business or interests in their respective subsidiaries from time to time (if any), without our Company's prior written consent.

If a relevant Restricted Person intends to dispose of or procure the disposal of any interests in any of the Likang Hospitals, it shall first offer to our Group the right to acquire such business or interest and provide all relevant information as may be reasonably requested by us including, but not limited to, information relating to the relevant Likang Hospital(s), the proposed consideration and the payment terms. The consideration shall be determined based on the valuation appraised by an independent internationally recognized firm of valuers to be jointly appointed by our Company and the relevant Restricted Person.

The relevant Restricted Person may only proceed with such disposal of interest in any of the Likang Hospitals to any third party on terms not more favorable to the third party than those offered to us and only if it has not received any written notice from the Group exercising its right to acquire such interests within 30 Business Days of us being notified of such proposed disposal.

Each of the Restricted Persons has also irrevocably and unconditionally granted us an option to acquire from it its entire interest in any of the Likang Hospitals (the "**Hospital Option**") to the extent it has such interest (each party having such interest a "**Relevant Party**"). The exercise price for the Hospital Option shall be at the fair market value of the interest in the relevant Likang Hospital being acquired as agreed between the Relevant Party(ies) and our Group, failing which all be determined based on the valuation appraised by an independent internationally recognized firm of valuers to be jointly appointed by the Relevant Party(ies) and our Company.

Jiahua Kangming has irrevocably and unconditionally granted us an option to acquire from Jiahua Kangming its entire interest in each of BNC Women's and Children's Hospital and BNC Harmony Clinic (the "**Minority Interests Option**"). The exercise price for the Minority Interests Option shall be the book value of the interest in BNC Women's and Children's Hospital and/or BNC Harmony Clinic (as the case may be) as agreed between Jiahua Kangming and the Group within 30 Business Days of the Group notifying it of the exercise of the Minority Interests Option, failing which shall be determined based on the valuation appraised by an independent internationally recognized firm of valuers to be jointly appointed by Jiahua Kangming and our Company.

The Hospital Option may be exercised by the Group at any time, and the Minority Interests Option may be exercised at any time if and when the acquisition of Jiahua Kangming's interests in each of BNC Women's and Children's Hospital and BNC Harmony Clinic is permitted by applicable PRC laws and regulations. The exercise of the Hospital Option and/or the Minority Interests Option is subject to approval by our independent non-executive Directors, any relevant laws, regulations and applicable listing rules and existing third party pre-emptive rights. Each of the Restricted Persons shall to the extent relevant, following the exercise of the Hospital Option and/or the Minority Interests Option by our Group, as soon as practicable does all acts and executes all documents necessary, desirable or expedient to effect such acquisition pursuant to such exercise.

To the extent that the exercise of the Hospital Option and/or the Minority Interests Option requires the approval of the Independent Shareholders under any relevant laws, regulations or applicable listing rules and the Independent Shareholders vote against the resolution at the relevant general meeting of Shareholders convened to approve such exercise, the Hospital Option or the Minority Interests Option (as the case may be) shall not lapse and shall continue to be exercisable by the Group subject to compliance with the Deed of Non-Competition.

Further undertakings

Each of the Restricted Persons agrees to indemnify us against all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) which we may suffer or incur as a result of, or in connection with, any failure to comply with the Deed of Non-Competition by each of Restricted Persons or any of its respective close associates.

Our independent non-executive Directors will consider on an annual basis whether or not the Restricted Persons have complied with the terms set forth in the Deed of Non-Competition. We will disclose in our annual report decisions or determinations, with basis, in relation to matters reviewed by the independent non-executive Directors regarding: (i) any exercise of the Hospital Option; and (ii) whether any activity or business or proposed activity or business of any of the Restricted Persons or their respective close associate competes or is likely to compete, either directly or indirectly, with the Restricted Business.

To ensure our independent non-executive Directors are able to monitor the compliance with the Deed of Non-Competition, each of the Restricted Persons has undertaken in the Deed of Non-Competition to provide and to procure the provision to us all information necessary for the enforcement of the undertakings contained therein. Each of the Restricted Persons has further undertaken to make a statement in our annual report confirming their compliance with the terms of the Deed of Non-Competition.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after the Listing, based on the following factors:

Management Independence

Our Board comprises of three executive Directors (including Mr. Zhou), four non-executive Directors and four independent non-executive Directors. Notwithstanding our Controlling Shareholders holding a controlling interest in our Company upon the Listing, Mr. Zhou is only one of the members of the Board. Decisions of our Board are made collectively, and our management and operational decisions are delegated to a team of three executive Directors and six members of senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we operate. The balance of power and authority is ensured by the operation of our Board and senior management. See "Directors and Senior Management" for details of the qualifications and experience of our executive Directors and senior management. Except for Mr. Zhou himself, all the other members of our Board and our senior management are independent of our Controlling Shareholders.

Each of our Directors are aware of his or her fiduciary duties as a director which require, among other things, that he or she must act for the benefit and in the best interests of our Company, and not permit any conflict between his or her duties as a Director and his or her personal interests. Further, we believe our independent non-executive Directors have the depth and breadth of experience which will enable them to bring sound independent and impartial judgment to the decision-making process of our Board. Our independent non-executive Directors have been appointed in accordance with the requirements of the Listing Rules to ensure there is no actual or potential conflict of interest with our Controlling Shareholders.

In addition, the Directors shall not vote or be counted in the quorum on any board resolution of the Board in respect of any contract, arrangement or proposal in which he or she or any of his or her close associates has a material interest, subject to certain exceptions. As such, if the Board is asked to consider transactions or matters where the counterparty involved is our Controlling Shareholders or their respective associates, Mr. Zhou will not vote or be counted in the quorum at the relevant Board meetings if his interest is material, and there will be sufficient members on our Board (including our two other executive Directors, four non-executive Directors and four independent non-executive Directors) with the requisite qualifications, experience and impartiality to discharge their duties to our Company as directors.

Based on the above, our Directors are satisfied that our Board, together with our senior management team, is able to perform the managerial role in our Group independently.

Operational Independence and Financial Independence

As of the Latest Practicable Date, we had our own independent operation capabilities, independent management systems and independent internal control, accounting and financial systems from that of our Controlling Shareholders and their associates. For operational and financial independence relating to Jiahua Likang, see " — Delineation of Businesses and Competition — Delineation of Business" for details.

Our Directors are satisfied that we are capable of conducting our business independently from any of our Controlling Shareholders (including their respective associates) after our Company is listed on the Hong Kong Stock Exchange.

OTHER CORPORATE GOVERNANCE MEASURES

In accordance with the Listing Rules, our Board will consist of not less than three independent non-executive Directors, comprising at least one-third of our Board, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process. See "Directors and Senior Management — Independent non-executive Directors" for details about our independent non-executive Directors. We believe our independent non-executive Directors are of sufficient caliber, knowledge and experience and will be able to provide an impartial and independent advice to our Shareholders.

We have adopted the following measures in order to manage existing and potential conflicts of interest:

(a) our Articles of Association provide that a Director who is in any way materially interested in an actual or proposed contract or arrangement with the Company shall declare the nature of his or her interest at the earliest meeting of the Board at which he or she may practically do so;

(b) our Articles of Association also provide that, subject to certain exceptions, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which such Director or any of his or her close associates have a material interest, and if such Director shall do so, his or her vote shall not be counted nor shall such Director be counted in the quorum for that resolution;

(c) if the independent non-executive Directors are requested to review any conflicts of interest circumstances between the Group on the one hand and our Controlling Shareholders and/or the Directors on the other hand, our Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information, and the

Company shall disclose the decisions of the independent non-executive Directors either through its annual report or by way of announcements;

(d) we have established an audit committee, a remuneration committee and a nomination committee effective from the Listing to assess and control, and ensure our Board is appropriately advised, as to matters relating to, among other things, our relationship with our external auditors and internal audit, the remuneration of our Directors and our senior management, and the composition of our Board. Our audit committee comprises non-executive Directors (including a majority of independent non-executive Directors) and each of our remuneration committee and nomination committee comprises a majority of independent non-executive Directors. In addition, the chairman of each of our audit and remuneration committees is an independent non-executive director. For further details of our committees and their composition, see "Directors and Senior Management — Board Committees"; and

(e) we have appointed Anglo Chinese Corporate Finance, Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that there are sufficient and effective measures to manage conflicts of interest and that we are able to operate independently of our Controlling Shareholders.

OUR DIRECTORS

Overview

Our Board of Directors consists of three executive Directors, four non-executive Directors and four independent non-executive Directors. The functions and duties of our Board include, but are not limited to, determining our Group's business and investments plans, convening general meetings and reporting on the Board's work at these meetings, implementing the resolutions passed at these meetings, formulating our Company's annual financial budget and final accounts, formulating our proposals for distributions of profit, as well as exercising other powers, functions and duties conferred by our Articles of Association. We have entered into service contracts with each of our Directors.

Our executive Directors and senior management are responsible for the day-to-day management and operation of our Group's business.

The table below sets forth certain information in respect of our Directors:

Name	Age	Position	Date of First Joining the Group	Date of Appointment as Director	Roles and Responsibilities
Executive Directors					
Mr. Jason ZHOU	52	Chairman, Chief Executive Officer and executive Director	December 13, 2002	July 31, 2015	Formulating the overall development strategies and business plans, and overseeing the operations, of our Group Chairman of the Nomination Committee
Ms. XIN Hong (辛紅).	47	Executive Director, Vice President and Chief Operating Officer	December 13, 2002	February 18, 2016	Overseeing the management and operation of the Group's business, and the Group's procurement and supply management and consulting services management

Name	Age	Position	Date of First Joining the Group	Date of Appointment as Director	Roles and Responsibilities
Mr. XU Han (徐瀚). . .	45	Executive Director, Vice President and Chief Financial Officer	October 18, 2005	February 18, 2016	Overseeing the financial management of the Group and the Group's investment and financing activities, as well as the Group's internal controls and information technology
Non-executive Directors					
Ms. LIANG Yanqing (梁艷清)	44	Non-executive Director	February 18, 2016	February 18, 2016	Providing strategic advice and guidance on our Group's business development and expansion Member of the Remuneration Committee
Dr. HE Xin (何欣) . . .	44	Non-executive Director	February 18, 2016	February 18, 2016	Providing strategic advice and guidance on our Group's business development and expansion Member of the Audit Committee
Mr. WANG Siye (王思業)	35	Non-executive Director	February 18, 2016	February 18, 2016	Providing strategic advice and guidance on our Group's business development and expansion
Ms. ZHANG Lan (張嵐)	38	Non-executive Director	February 18, 2016	February 18, 2016	Providing strategic advice and guidance on our Group's business development and expansion

Name	Age	Position	Date of First Joining the Group	Date of Appointment as Director	Roles and Responsibilities
Independent Non-executive Directors					
Mr. WU Guanxiong (吳冠雄)	44	Independent Non-executive Director	December 12, 2016	December 12, 2016	Supervising and providing independent judgment and analysis to the Board Chairman of the Remuneration Committee and member of the Nomination Committee
Mr. SUN Hongbin (孫洪斌)	41	Independent Non-executive Director	December 12, 2016	December 12, 2016	Supervising and providing independent judgment and analysis to the Board Chairman of the Audit Committee
Mr. JIANG Yanfu (姜彥福)	72	Independent Non-executive Director	December 12, 2016	December 12, 2016	Supervising and providing independent judgment and analysis to the Board Member of the Audit Committee and Nomination Committee
Dr. MA Jing (馬晶). . .	55	Independent Non-executive Director	December 12, 2016	December 12, 2016	Supervising and providing independent judgment and analysis to the Board Member of the Remuneration Committee

Executive Directors

Mr. Jason ZHOU, aged 52, is the founder of our Group, a Controlling Shareholder and has been an executive Director, the Chief Executive Officer and the Chairman of our Group since August 2015 (see "— The Corporate Governance Code and Code Provision A2.1" for further details). Since Mr. Zhou founded our Group in 2002, he has been leading our Group for over 13 years to serve in the private healthcare industry. Mr. Zhou has been the driving force behind our development, growth and expansion and is primarily responsible for the overall management of our Group and directing the strategic development and business plans of our Group. Mr. Zhou is currently a director of several of our principal operating subsidiaries.

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

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

Ms. XIN Hong (辛紅), aged 47, has been an executive Director since February 2016. In April 2016, she was also appointed as Vice President and Chief Operating Officer of the Group. She is primarily responsible for overseeing the management and operation of the Group's hospitals and overall business, including assisting in obtaining relevant regulatory approvals, as well as being involved in the design and construction of the Group's hospitals, the Group's decision making processes and organizational structure, and the management of day to day operations.

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

Ms. Xin has more than 14 years of experience in hospital operations management and took up a number of positions in our Group throughout her current tenure. Ms. Xin has represented the Group in international medical exchanges and its participation in international and regional health organizations. Ms. Xin is a guest lecturer on hospital management at Peking University, and has on several occasions addressed the general assembly at the annual meeting of China's private hospitals. From July 1990 to July 2001, Ms. Xin held the role of a sales manager at Jianguo Hotel Beijing.

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

MR. XU Han (徐瀚), aged 45, joined our Group in October 2005 and has been an executive Director since February 2016. In April 2016, he was appointed as Vice President of the Group. Mr. Xu serves as the Group's Chief Financial Officer, with overall responsibility for the financial management of each member of the Group and the Group's investment and financing activities, as well as overseeing the Group's internal controls and information technology.

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

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

Non-Executive Directors

Ms. LIANG Yanqing (梁艷清), aged 44, has been a non-executive Director of the Company since February 2016. She is primarily responsible for providing strategic advice and guidance on the business development and expansion of our Group. Ms. Liang has more than ten years of experience in business management and investments.

Ms. Liang has been a supervisor of Zhonghe Qingrun since January 2005. Prior to that, she served as training specialist at the human resource department of the Guangdong branch of China Mobile Limited (中國移動廣東分公司) between January 2003 and January 2005. She also served as an independent director of VisionChina Media (華視傳媒), a media company listed on the NASDAQ Stock Market (NASDAQ: VISN), between February 2006 and April 2016.

Ms. Liang obtained her bachelor's degree in Chinese language and literature education from Harbin Normal University (哈爾濱師範大學) in Harbin, Heilongjiang Province, the PRC in December 1998.

Dr. He Xin (何欣), aged 44, has been a non-executive Director of the Company since February 2016. She is primarily responsible for providing strategic advice and guidance on the business development and expansion of our Group. Dr. He has over 11 years of experience in corporate management, private equity and investments.

Dr. He is currently a senior partner of CDH Investments, an alternative asset management institution focused on the PRC and a non-executive director of Wenzhou Kangning Hospital Co., Ltd., a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2120). Since joining CDH Investments in August 2011, Dr. He has been predominantly been involved in investments in the pharmaceuticals, medical devices and medical services industries.

Prior to joining CDH Investments in August 2011, Dr. He was a partner at Columbus Growth Partners, a consulting company, between 2008 and August 2011. Dr. He founded a pharmaceutical company, RHEI Pharmaceuticals, Inc., and served as its chief executive officer from March 2005 to April 2008.

Dr. He obtained her doctor of philosophy degree in immunology from Yale University in December 2002, her master's degree in chemistry from Princeton University in July 1997, and her bachelor's degree in chemistry and physics from the University of Science and Technology of China in Hefei, Anhui Province, the PRC in July 1994.

Mr. WANG Siye (王思業), aged 35, has been a non-executive Director of the Company since February 2016. He is primarily responsible for providing strategic advice and guidance on the business development and expansion of our Group. Mr. Wang has over nine years of experience in corporate finance and investments. From June 2013 to August 2016, Mr. Wang served as an executive director of Boyu Capital, an investment firm focused on investing in Greater China. Prior to joining Boyu Capital, Mr. Wang served as an investment manager at CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金) from August 2010 to June 2012 and, prior to that, as an associate at the Investment Banking Department of China International Capital Corporation Co., Ltd. (中國國際金融有限公司) from February 2007 to July 2010.

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

Ms. ZHANG Lan (張嵐), aged 38, has been a non-executive Director of the Company since February 2016. She is primarily responsible for providing strategic advice and guidance on the business development and expansion of our Group. Ms. Zhang has over nine years of experience in private equity and investments.

Since September 2013, Ms. Zhang has served as a deputy general manager of the China Development Bank Kaiyuan Equity Investment Fund Management Co., Ltd. (國開開元股權投資基金管理有限公司), an entity controlled by China Development Bank. During her tenure, Ms. Zhang has completed equity investments in multiple medical industry companies and other private equity investments.

Prior to joining China Development Bank Kaiyuan Equity Investment Fund Management Co., Ltd., Ms. Zhang served as a vice president at CDH Investments from August 2010 to July 2013.

Ms. Zhang received a master's degree in business administration from the University of Chicago's Booth School of Business in March 2010, a master's degree in management from Tsinghua University in Beijing July 2014, and a bachelor's degree in chemistry from Tsinghua University July 2001.

Independent Non-Executive Directors

Mr. WU Guanxiong (吳冠雄), aged 44, was appointed as an independent non-executive Director of the Company in 2016. He is primarily responsible for overseeing and providing independent judgment and analysis to the Board. Mr. Wu has substantial experience in capital markets and securities matters. He is a partner at Tian Yuan Law Firm (天元律師事務所). Prior to joining Tian Yuan Law Firm in March 1999, he served as a legal advisor at China North Industries Corporation (中國北方工業公司) from August 1994 to September 1997.

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

Mr. SUN Hongbin (孫洪斌), aged 41, was appointed as an independent non-executive Director of our Company in 2016. Mr. Sun has served as a director and chief financial officer in MicroPort Scientific Corporation since July 22, 2010. He was also a supervisor of MP Shanghai until July 2010. Mr. Sun has over 10 years of experience in the financial industry. Mr. Sun was the general manager of Otsuka (China) Investment Co., Ltd. (大冢(中國)投資有限公司) from January 2006 to August 2010. From January 2004 to December 2005, he served as a financial deputy director of Otsuka (China) Investment Co., Ltd. (大冢(中國)投資有限公司). From August 1998 to January 2004, Mr. Sun was an assistant manager of the Shanghai office of KPMG. Mr. Sun was a member of the Chinese Institute of Certified Public Accountants and was also a Chartered Financial Analyst.

Mr. Sun received his bachelor's degree in accounting from Shanghai Jiao Tong University in the PRC in 1998.

Mr. JIANG Yanfu (姜彥福), aged 72, was appointed as an independent non-executive Director of the Company in 2016. He is primarily responsible for overseeing and providing independent judgment and analysis to the Board. Mr. Jiang has approximately 14 years of experience in corporate governance and compliance of listed companies. He currently serves as an independent non-executive director of (i) Synthesis Electronic Technology Co., Ltd. (神思電子技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300479), (ii) Jiangxi Bestoo Energy Co., Ltd. (江西百通能源股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 835359) and (iii) Shandong Contact Telecommunication Co., Ltd. (山東康威通信技術股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 833804). He also served as an independent non-executive director of (i) Zhejiang Reclaim Construction Group Co., Ltd. (浙江省圍海建設集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002586), from September 2010 to January 2016 and (ii) Toread Holdings Group Co., Ltd. (探路者控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300005), from June 2011 to September 2014.

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

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

Dr. MA Jing (馬晶), aged 55, was appointed as an independent non-executive Director of the Company in 2016. She is primarily responsible for overseeing and providing independent judgment and analysis to the Board. Dr. Ma has over 30 years of experience in medical and public health studies. She has been an associate professor at Harvard School of Public Health since 2012 and an associate professor of medicine at Harvard Medical School since 2005. Prior to that, she had held various teaching and research positions at Harvard Medical School, Brigham and Women's Hospital in Boston, Massachusetts, the U.S. and the University of Minnesota. She is also a member of the American Association for Cancer Research.

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

Save as disclosed above, none of our Directors holds any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. See "Statutory and General Information" in Appendix IV to this prospectus for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO).

Save as disclosed in this prospectus, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, as of the Latest Practicable Date, there were no other matters in respect of each of our Directors required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there were no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

OUR SENIOR MANAGEMENT

The following table below sets forth certain information in respect of the members of the senior management of our Group:

Name	Age	Position	Date of First Joining the Group	Date of Appointment as Senior Manager	Roles and Responsibilities
Mr. Jason ZHOU	52	Chairman, Chief Executive Officer and executive Director of the Group	December 13, 2002	July 31, 2015	Formulating the overall development strategies and business plans, and overseeing the operations, of our Group Chairman of the Nomination Committee
Ms. XIN Hong (辛紅)	47	Executive Director, Vice President and Chief Operating Officer of the Group	December 13, 2002	August 23, 2016	Overseeing the management and operation of the Group's business, and the Group's procurement and supply management and consulting services management
Mr. XU Han (徐瀚)	45	Executive Director, Vice President and Chief Financial Officer of the Group	October 18, 2005	October 18, 2005	Overseeing the financial management of the Group, financial reporting and the Group's investment and financing activities, as well as the Group's internal controls and information technology

Name	Age	Position	Date of First Joining the Group	Date of Appointment as Senior Manager	Roles and Responsibilities
Ms. ZHOU Hong (周紅)	57	Vice President and Chief Medical Officer of the Group	March 7, 2005	August 23, 2016	Overseeing the overall management of our healthcare services and our professional team and the professional training, and assisting with the development of the Group's business, annual plans and strategic business plans
Mr. JIA Xiaofeng (賈曉鋒)	37	Assistant to the Chief Executive Officer and Chairman of the Group and Investment Director	April 1, 2016	August 23, 2016	Overseeing the Group's investments, acquisitions and business expansion, corporate finance, corporate governance and overall company secretarial matters of our Group
Ms. TENG Lan (滕嵐)	41	Director of Human Resources of the Group	February 13 2006	August 23, 2016	Managing the Group's human resources and affairs, overseeing the recruitment and assisting with the training of medical services personnel, auditing staff budgets and strategic planning for senior personnel

Mr. Jason ZHOU, aged 52, is one of the senior managers of our Group. See above under "— Our Directors — Executive Directors" for his biographical details

Ms. XIN Hong (辛紅), aged 46, is one of the senior managers of our Group. See above under "— Our Directors — Executive Directors" for her biographical details.

Mr. XU Han (徐瀚), aged 45, is one of the senior managers of our Group. See above under "— Our Directors — Executive Directors" for his biographical details.

Ms. ZHOU Hong (周紅), aged 57, a chief physician, is the Vice President and the Chief Medical Officer of our Group with overall responsibility for the medical department of the Group's hospitals, including overseeing the overall management of our healthcare services and our professional team and the professional training, and assisting with the development of the Group's business, annual plans and strategic business plans. She is also involved in cultivating relationships between our Group and the medical community as well as the marketing and public relations activities of our Group. Ms. Zhou joined our Group in March 2005, initially as a medical director of BNC Children's Hospital.

Prior to joining our Group, Ms. Zhou had been involved in the field of child surgery clinical work for 22 years. Between September 1983 and September 2001, Ms. Zhou served at BCH, holding a number of roles including director of the surgery department. Ms. Zhou has also taught at the Capital University of Medical Sciences in Beijing as an associate professor from September 2000 to November 2003, a professor from November 2003 to February 2014.

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

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

Mr. JIA Xiaofeng (賈曉鋒), aged 37, has been the assistant to the Chief Executive Officer and the Chairman of our Group, and the Investment Director of our Group since April 2016. He is primarily responsible for the Group's investments, acquisitions and business expansion, corporate finance, corporate governance and overall company secretarial matters of our Group.

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

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

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

Ms. TENG Lan (滕嵐), aged 41, has been the Director of Human Resources for BNC Children's Hospital since April 2016 . Ms. Teng's primary responsibilities include managing the Group's human resources and affairs, overseeing the recruitment, and assisting with the training of medical services personnel, auditing staff budgets and strategic planning for senior personnel. Ms. Teng joined our Group in February 2006 as the Director of Human Resources of BNC Children's Hospital and since then has assumed various managerial positions, including clinic manager and the director of operations.

Ms. Teng has nearly 20 years of experience in human resources management, including more than 15 years in the medical industry. Prior to joining our Group, Ms. Teng had served as the manager of government relations at Hua Mei Kang Medical Consultancy Management (Beijing) Limited (華美康醫療諮詢管理(北京)有限公司) between March 2005 and January 2006, an assistant general manager at Shenzhen Shenyun Trading Enterprise Co. Limited (深圳深遠貿易有限公司) between June 2004 and December 2004, a human resources manager at Beijing United Family Hospital (北京和睦家醫院) from November 2000 to June 2004, a human resources director at Kerry Hotel Beijing (北京嘉裡中心大酒店) from February 1999 to November 2000, and a human resources assistant at Beijing ATV Jinlang Hotel (北京亞視金朗大酒店) from July 1997 to February 1999.

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

JOINT COMPANY SECRETARIES

Mr. JIA Xiaofeng (賈曉鋒), aged 37, is a joint company secretary of our Company. See above under "— Our Senior Management" for his biographical details.

Ms. WONG Sau Ping (黃秀萍), aged 42, is a joint company secretary of our Company. Ms. Wong is a senior manager of the Listing Services Department of TMF Hong Kong Limited (a fellow subsidiary of KCS Hong Kong Limited). She has over 15 years of experience in the company secretarial field. Ms. Wong was employed by one of the big four international audit firms to provide services for large and well-known companies listed on the Stock Exchange of Hong Kong Limited.

Ms. Wong holds a bachelor's degree in Business Administration and a master's degree in Professional Accounting and Information Systems. She is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administration in the United Kingdom.

WAIVER FROM REQUIREMENT FOR MANAGEMENT PRESENCE

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant, a waiver under Rule 8.12 of the Listing Rules regarding the requirement of management presence in Hong Kong. For more details, see "Waivers From Strict Compliance With the Listing Rules — Management Presence in Hong Kong" in this prospectus.

COMPLIANCE ADVISER

We have appointed Anglo Chinese Corporate Finance, Limited as our compliance adviser upon the listing of our Shares on the Hong Kong Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of our Company under Rule 13.10 regarding unusual movements in the price or grading volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the Corporate Governance Code set forth in Appendix 14 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee.

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Mr. SUN Hongbin, Dr. HE Xin and Mr. JIANG Yanfu, with Mr. Sun being the chairman of the committee possessing the appropriate accounting or related financial management expertise.

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

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely Mr. WU Guanxiong, Ms. LIANG Yanqing and Dr. Ma Jing, with Mr. Wu being the chairman of the committee.

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

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three members, namely Mr. Jason ZHOU, Mr. WU Guanxiong, and Mr. JIANG Yanfu, with Mr. Zhou being the chairman of the committee.

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

THE CORPORATE GOVERNANCE CODE AND CODE PROVISION A2.1

Code provision A.2.1 of the Corporate Governance Code in Appendix 14 of the Listing Rules states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Zhou is both our Chairman and Chief Executive Officer, and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. We believe he is instrumental to our growth and business expansion since our establishment in 2002. Our Board considers that the roles of chairman and chief executive officer being vested in the same person is beneficial to the business prospects, management overall strategic direction of our Group by ensuring consistent leadership within our Group and facilitating more effective and efficient overall strategic planning and decision-making for our Group. We believe that the balance of power and authority is ensured by the operation of our Board and senior management, which comprises well-qualified and experienced individuals. Our Board currently comprises three executive Directors (including Mr. Zhou), four non-executive Directors and four independent non-executive Directors, and therefore our Board believes it has a fairly robust independence element in its composition. Our Board will continue to review simultaneous vesting of the roles of chairman and chief executive officer in Mr. Zhou.

Our Group is committed to achieving high standards of corporate governance to safeguard the interests of our Shareholders. Save as disclosed above, we are, and will continue after the Listing to be, in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors and senior management receive compensation from our Group in the form of fees, salaries, bonuses, contributions to pension schemes, allowances and benefits in kind.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, allowances, discretionary bonuses paid, benefits in kind and share-based payments)) received by our Directors were RMB1.0 million, RMB1.0 million, RMB1.0 million and RMB1.3 million in 2013, 2014, 2015 and the nine months ended September 30, 2016, respectively. Details of our Directors' remuneration are also set out in Note 38 to the Accountant's Report in Appendix I to this prospectus.

The Group's five highest paid individuals during the Track Record Period were physicians, none of whom was a Director. The aggregate amount of fees, salaries, contributions to pension schemes, allowances, benefits in kind and share-based payments paid to our Company's five highest paid individuals were RMB1.5 million, RMB2.5 million, RMB 3.2 million and RMB2.5 million in 2013, 2014, 2015 and the nine months ended September 30, 2016, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable to, and benefits in kind receivable by our Directors for the year ending December 31, 2016 is estimated to be RMB1.9 million.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable during the Track Record Period by our Group to the Directors.

RSA SCHEME

In order to assist us in attracting, retaining and motivating our key employees, we have adopted the RSA Scheme, pursuant to which restricted shares will be granted to eligible employee. The principle terms of the RSA Scheme are summarized in the section headed Appendix IV — "Statutory and General Information — E. RSA Scheme" to this prospectus.

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-Allotment Option is not exercised and no Restricted Shares are granted and vest under the RSA Scheme, the following persons will have or be deemed or taken to have an interest and/or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Nature of interests	Shares held immediately prior to completion of the Capitalization Issue and the Global Offering [1]		Shares held immediately following completion of the Capitalization Issue and the Global Offering [1]	
		Number	Percentage	Number	Percentage
JoeCare	Beneficial owner	45,679,741	41.4%	149,077,551	31.1%
Mr. Zhou [2]	Interests in a controlled corporation; interest held jointly with another person	66,129,741	59.9%	215,816,894	45.0%
Victor Gains	Beneficial owner	17,692,513	16.0%	57,740,181	12.0%
Ms. Liang [3]	Interests in a controlled corporation	17,692,513	16.0%	57,740,181	12.0%
Unicorn Best	Beneficial owner	7,376,398	6.7%	24,073,152	5.0%
Ms. GAN Feng [4]	Interests in a controlled corporation	7,376,398	6.7%	24,073,152	5.0%
CDH Fuji	Beneficial owner	9,151,297	8.3%	29,865,602	6.2%
CDH Fuyi	Beneficial owner	9,151,297	8.3%	29,865,602	6.2%
CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司)[6]	Interests in a controlled corporation	9,151,297	8.3%	29,865,602	6.2%
CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司)[5][6]	Interests in a controlled corporation	18,302,594	16.6%	59,731,204	12.4%
Tianjin Taiding Investment[5][6]	Interests in a controlled corporation	18,302,594	16.6%	59,731,204	12.4%

Name	Nature of interests	Shares held immediately prior to completion of the Capitalization Issue and the Global Offering [1]		Shares held immediately following completion of the Capitalization Issue and the Global Offering [1]	
		Number	Percentage	Number	Percentage
Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司) [5][6]	Interests in a controlled corporation	18,302,594	16.6%	59,731,204	12.4%
Mr. WU Shangzhi [5][6]	Interests in a controlled corporation	18,302,594	16.6%	59,731,204	12.4%
CDB GJ	Beneficial owner	6,071,950	5.5%	19,816,037	4.1%
CDB [7]	Interests in a controlled corporation	6,071,950	5.5%	19,816,037	4.1%
CDB Finance [7]	Interests in a controlled corporation	6,071,950	5.5%	19,816,037	4.1%
CDB Kai Yuan Capital Management Co., Ltd. (國開開元股權投資基金管理有限公司) [7]	Interests in a controlled corporation	6,071,950	5.5%	19,816,037	4.1%
Boyu AH	Beneficial owner	9,671,319	8.8%	31,562,713	6.6%
Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司) [8]	Interests in a controlled corporation	9,671,319	8.8%	31,562,713	6.6%
Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司)[8]	Interests in a controlled corporation	9,671,319	8.8%	31,562,713	6.6%
XIA Meiying [8]	Interests in a controlled corporation	9,671,319	8.8%	31,562,713	6.6%
HUANG Ailian [8]	Interests in a controlled corporation	9,671,319	8.8%	31,562,713	6.6%

(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 45,679,741 Shares held by JoeCare and the 2,757,487 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 also deemed to be 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 17,692,513 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) The entire issued share capital of Unicorn Best is directly held by Ms. GAN Feng. Accordingly, Ms. GAN Feng is deemed to be interested in the 7,376,398 Shares held by Unicorn Best.

(5) 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 34.2% 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 65.8% by certain shareholders, none of which is entitled to exercise or control the exercise of one third or more of the voting rights of Tianjin Taiding Investment. 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. and Mr. WU Shangzhi is deemed to be interested in such number of Shares held by CDH Fuji.

(6) 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 Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司) 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). CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司) is owned directly as to 85.4% by Tianjin Taiding Investment. Tianjin Taiding Investment is owned directly as to 34.2% 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 65.8% by certain shareholders, none of which is entitled to exercise or control the exercise of one third or more of the voting rights of Tianjin Taiding Investment. 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. and Mr. WU Shangzhi is deemed to be interested in such number of Shares held by CDH Fuyi.

(7) CDB GJ is a limited liability partnership organized and existing under the laws of the PRC. The general partner of CDB GJ is CDB Kai Yuan Capital Management Co., Ltd. (國開開元股權投資基金管理有限公司). CDB Kai Yuan Capital Management Co., Ltd is owned by CDB Finance as to 70.0% and by a wholly-stated-owned company as to 30.0%. CDB Finance is wholly owned by CDB. Accordingly, each of CDB Kai Yuan Capital Management Co., Ltd, CDB Finance and CDB is deemed to be interested in such number of Shares held by CDB GJ.

(8) 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% by Xia Meiying and 50% by Huang Ailian. Accordingly, each of Boyu Guangqu (Shanghai) Investment Management Co., Ltd. (博裕廣渠(上海)投資管理有限公司), Boyu (Shanghai) Equity Investment Management Co., Ltd. (博裕(上海)股權投資管理有限責任公司), XIA Meiying and HUANG Ailian is deemed to be interested in such number of Shares held by Boyu AH.

Save as disclosed in this Prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (and assuming the Over-Allotment Option is not exercised and no Restricted Shares is granted under the RSA Scheme), have an interest or a short positions in the Shares or underlying Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE CAPITAL OF OUR COMPANY

The authorized share capital of our Company as of the Latest Practicable Date comprised three classes of shares including (i) 476,063,732 Shares of a par value of US$0.0001 each; (ii) 16,394,266 Group A Shares with a par value of US$0.0001 each; and (iii) 7,542,002 Group B Shares of a par value of US$0.0001 each.

On August 29, 2016, all the 8,197,133 Group A Shares held by CDH Fuji and the 8,197,133 Group A Shares held by CDH Fuyi were converted into the same numbers of Shares held by them, respectively. As of the date of this prospectus, there is no outstanding Group A Shares.

Pursuant to the Shareholders' resolutions passed on December 22, 2016, with effect from and conditional upon the Listing (i) all the Group B Shares will be automatically converted into the same number of Shares of the Company immediately prior to completion of the Global Offering; and (ii) the authorized share capital of the Company will be changed to US$100,000 divided into 1,000,000,000 Shares of US$0.0001 each of one single class and (iii) the current Memorandum and Articles of Association of the Company will be replaced in its entirety with the Memorandum of Association and the Articles of Association.

The following table sets forth the authorized share capital and the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering:

Authorized share capital:

		Total par value
		(US$)
1,000,000,000	Shares of US$0.0001 each	100,000

Shares issued or to be issued, fully paid or credited as fully paid upon completion of the Global Offering:

Number of Shares		Total par value	Approximate percentage of issued share capital
		(US$)	(%)
110,309,746	Shares in issue [(1)]	11,031	23.0%
249,690,254	Shares to be issued pursuant to the Capitalization Issue	24,969	52.0
120,000,000	Shares to be issued pursuant to the Global Offering	12,000	25.0
480,000,000	**Total**	48,000	100.0%

(1) This includes 7,542,002 Shares to be issued upon the automatic conversion of all Group B Shares on a one-for-one basis upon Listing.

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Capitalization Issue and the Global Offering. The above does not take into account any Shares: (i) which may be issued pursuant to the exercise of the Over-Allotment Option; (ii) which may be granted and vest under the RSA Scheme; or (iii) which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Subject to the conditions stated in "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus, our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandates, see Appendix IV — "Statutory and General Information — A. Further Information About Our Company — 4. Resolutions of the Shareholders passed on December 22, 2016" to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company currently has three classes of shares, namely Shares, Group A Shares and Group B Shares. No Group A Share is outstanding as of the date hereof, and all the Group B Shares will be automatically converted into Shares upon the Listing at which time, our Company will have only one class of shares in issue, namely Shares, each of which shall rank pari passu with the other shares.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders' resolution: (i) increase its share capital; (ii) consolidate and divide any of its share capital into Shares of larger amount; (iii) subdivide its Shares into Shares of smaller amount; or (iv) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders' special resolution. For more details, see Appendix III — "Summary of Articles of Association and Cayman Islands Companies Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital" to this prospectus.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and Articles of Association, all or any of the rights attached to the Share or any class of Shares may only be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, see Appendix III — "Summary of Articles of Association and Cayman Islands Companies Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" to this prospectus.

RSA SCHEME

We have adopted the RSA Scheme on August 29, 2016. The principle terms of the RSA Scheme are summarized in Appendix IV — "Statutory and General Information — E. RSA Scheme" to this prospectus.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements as included in Appendix I — "Accountant's Report", which have been prepared in accordance with HKFRSs, together with the accompanying notes. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the sections "Forward-Looking Statements", "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are the leading private pediatric healthcare provider in Beijing, operating three medical institutions under the brand name of "New Century Healthcare." According to Frost & Sullivan, in terms of the 2015 market share, our three medical institutions ranked first in both the private pediatric healthcare market and the mid- to high-end pediatric healthcare market in Beijing, with a market share of 30.4% and 36.5%, respectively, and ranked second in the private mid- to high-end pediatric healthcare market in the PRC, with a market share of 11.4%.

We generate our revenue primarily from providing pediatric and obstetric and gynecologic specialty services at our three medical institutions in Beijing. We also generate a portion of our revenue from providing hospital consulting services to Jiahua Likang for the Likang Hospitals, from December 2015. In 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, our revenue was RMB238.8 million, RMB249.0 million, RMB258.2 million, RMB174.5 million and RMB340.0 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on July 31, 2015 as an exempted company with limited liability. Upon completion of the Reorganization, our Company became the holding company of the companies constituting our Group.

Prior to the incorporation of our Company, BNC Children's Hospital and BNC Harmony Clinic (together, the "**Original Business**") was under control of Mr. Zhou through Jiahua Kangyong. For the purpose of Reorganization, Jiahua Yihe acquired the Original Business from Jiahua Kangyong in November 2015, and, in May 2016, the Company acquired the entire interests in Jiahua Yihe through its wholly-owned subsidiaries. Accordingly, the Reorganization of the Original Business is regarded as a business combination under common control of Mr. Zhou before and after the Reorganization and has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

In November 2015, our Group acquired 100% interests in BNC Women's and Children's Hospital with a cash consideration of RMB20 million plus shares issued at equivalent value of RMB108,645,000. The Group applied acquisition accounting for the acquisition in accordance with HKFRS 3 issued by the HKICPA because BNC Women's and Children's Hospital was not controlled by Mr. Zhou before the acquisition. In January 2016, Jiahua Yihe disposed of 30% equity interest in each of BNC Harmony Clinic and BNC Women's and Children's Hospital to Jiahua Kangming, and the disposals were accounted for as transactions with non-controlling interest and equity settlement with the holders of convertible preferred shares. For further information on our acquisition of BNC Women's and Children's Hospital and its standalone historical financial information, see Note 35 and Section III-Additional Financial Information of BNC Women's and Children's Hospital to our consolidated financial statements included in Appendix I — "Accountant's Report." For details of the Reorganization, see "History, Reorganization and Development."

Our financial information includes the consolidated balance sheets, consolidated statements of comprehensive income, changes in equity and cash flows of the companies now comprising the Group as if the existing Group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation/establishment or acquisition, whichever is the shorter period. See Note 1(c) to our consolidated financial statements included in Appendix I — "Accountant's Report."

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been, and are expected to continue to be, affected by a number of factors, including the following:

The pediatric and obstetric and gynecologic healthcare market conditions in Beijing

During the Track Record Period, we derived a substantial majority of our revenue from the provision of pediatric and obstetric and gynecologic services by our medical institutions in Beijing. Accordingly, our results of operations and financial condition are significantly affected by the pediatric and obstetric and gynecologic healthcare market conditions in Beijing.

The total revenue of the pediatric healthcare market in Beijing grew at a CAGR of 17.0% from RMB3.3 billion in 2010 to RMB7.2 billion in 2015, and is expected to further increase to RMB16.8 billion in 2020 according to the Frost & Sullivan Report. Similarly, the total revenue of the obstetric and gynecologic healthcare market in Beijing grew at a CAGR of 20.9% from RMB4.7 billion in 2010 to RMB12.0 billion in 2015, and is expected to further increase to RMB35.4 billion in 2020 according to the Frost & Sullivan Report. See "Industry overview — The PRC Pediatric Healthcare Market" and "Industry overview — The PRC Obstetric and Gynecologic Healthcare Market — Overview."

The private pediatric and obstetric and gynecologic healthcare market in Beijing has a relatively high level of concentration. Our three medical institutions ranked first among all private pediatric healthcare providers in Beijing, having a market share of 30.4%, and our BNC Women's and

Children's Hospital ranked ninth among all private obstetric and gynecologic healthcare providers in Beijing, having a market share of 2.3%, both in terms of the 2015 market share. We expect our future growth to be significantly affected by the growth of the overall market sizes as well as our capability to increase our market share of the private pediatric and obstetric and gynecologic markets.

Furthermore, according to Frost & Sullivan, the implementation of the Two-Child Policy is expected to lead to greater demand for the PRC private pediatric and obstetric and gynecologic markets. See "Industry Overview — The PRC Pediatric Healthcare Market" and "Industry Overview — The PRC Obstetric and Gynecologic Healthcare Market — Key Drivers of the PRC Private Obstetric and Gynecologic Healthcare Market."

Number of patient visits and average spending per patient visit

The revenue from our medical services, which accounted for a substantial majority of our revenue during the Track Record Period, was a function of the number of patient visits, consisting of both inpatients and outpatients, and average spending per patient visit.

In 2013, 2014 and 2015 and nine months ended September 30, 2015 and 2016, the revenue from medical services attributable to inpatients was RMB115.3 million, RMB116.5 million, RMB111.9 million, RMB78.3 million and RMB145.1 million, respectively, representing 48.3%, 46.8%, 43.3%, 44.9% and 42.7%, respectively, of our total revenue. In the same periods, the total inpatient visits were 4,964, 4,928, 4,981, 3,536 and 5,948, respectively, and the total average inpatient spending per visit was RMB23,223, RMB23,639, RMB22,466, RMB22,154 and RMB24,398, respectively. The number of our inpatient visits and average spending per inpatient visit remained relatively stable in 2014 and 2015 and increased in the nine months ended September 30, 2016 mainly due to the inpatient visits and the average spending per inpatient visit of our BNC Women's and Children's Hospital after our acquisition of this hospital in November 2015.

In 2013, 2014 and 2015 and nine months ended September 30, 2015 and 2016, the revenue from medical services attributable to outpatients was RMB104.6 million, RMB110.7 million, RMB115.2 million, RMB76.8 million and RMB143.6 million, respectively, representing 43.8%, 44.5%, 44.6%, 44.0% and 42.2%, respectively, of our total revenue. In the same periods, the total outpatient visits were 81,909, 87,643, 95,790, 64,938 and 128,924, respectively, and the total average outpatient spending per visit was RMB1,278, RMB1,263, RMB1,202, RMB1,183 and RMB1,114, respectively. During the Track Record Period, the number of our outpatient visits increased mainly due to the business growth of our BNC Children's Hospital and the outpatient visits of BNC Women's and Children's Hospital after our acquisition of this hospital in November 2015.

We focus on the mid- to high-end healthcare services. With the increased awareness of the importance of privacy and service quality, we expect more patients to turn to private hospitals for pediatric and obstetric and gynecologic services. See "Industry Overview — The PRC Pediatric Healthcare Market — Trends in the PRC Private Pediatric Healthcare Market" and "Industry Overview — The PRC Pediatric Healthcare Market — Trends in the PRC Private Obstetric and Gynecologic Healthcare Market."

As we are a private for-profit hospital group and none of our medical institutions is a Medical Insurance Designated Medical Institution, neither our healthcare service fees nor the prices of our pharmaceuticals are subject to government regulation, and we are generally entitled to set such fees and prices at our discretion, subject to market conditions. See “Business — Pricing and Payment” for more details.

Expansion of our medical network

Expansion of our medical network had in the Track Record Period and may continue to have an immediate effect on our results of operations and financial condition. In November 2015, we acquired BNC Women’s and Children’s Hospital, and as a result, we consolidated its financial condition and results of operations after our acquisition of this hospital. For example, in 2015 and the nine months ended September 30, 2016 we recorded the revenue of RMB11.1 million and RMB125.1 million, respectively, and the cost of sales of RMB6.9 million and RMB78.2 million, respectively, from BNC Women’s and Children’s Hospital. In the same periods, we recorded finance expenses of RMB43,000 and RMB1.3 million, respectively, mainly representing the interest expenses incurred on bank borrowings of BNC Women’s and Children’s Hospital.

In addition, expansion of our medical network could create additional network effects and synergies within our medical institutions, which could increase our revenue base or enhance the operating efficiencies of our medical institutions. See “Business—Our Strengths—Network Effects and Synergies within our Medical Institutions” for details.

However, expansion of our medical network, either through acquiring existing medical institutions or establishing new hospitals, involve significant investments. In addition, a newly established medical institution typically have a ramping up period before it becomes profitable. Therefore, expansion of our medical network could have a short-term negative impact on our liquidity and our profitability, and the length of the ramping up period is subject to various factors, including whether we can integrate the new medical institution into our business quickly and successfully, as well as other factors that are not within our control.

Revenue mix

Our gross profit margin was 62.7%, 57.8%, 54.4%, 55.1% and 48.1%, respectively, in 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016. During the Track Record Period, the revenue mix of our key business segments had a significant impact on our gross profit margins. Our pediatric services have a higher gross profit margin than our obstetric and gynecologic services. In 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, our pediatric services had gross profit margin of 63.2%, 57.8%, 54.7%, 55.2% and 49.3%, respectively. On the other hand, our newly acquired obstetric and gynecologic services had gross profit margin of 31.7% and 42.8% in 2015 and the nine months ended September 30, 2016, respectively, which had a negative effect on our overall gross profit margin.

The gross profit margin of our pediatric services was generally higher than that of our obstetric and gynecologic services during the Track Record Period mainly because of the preliminary development stage of BNC Women's and Children's Hospital, which was established in 2012. We expect our future gross profit margin to continue to be influenced by the revenue mix and the respective gross profit margin of our pediatric and our obstetric and gynecologic services.

Cost and expenses relating to our medical professionals

During the Track Record Period, our cost of revenue was mainly affected by the changes in our cost and expenses relating to our medical professionals, consisting of employee benefit expenses and consultation fees. For example, our cost of revenue increased by 18.1% from RMB89.0 million in 2013 to RMB105.1 million in 2014 and further by 12.0% to RMB117.7 million in 2015, and increased significantly from RMB78.4 million in the nine months ended September 30, 2015 to RMB176.4 million in the same period in 2016. The increases were primarily due to the increases in the employee benefit expenses and consultation fees by 36.0% from RMB45.3 million in 2013 to RMB61.7 million in 2014 and further by 23.3% to RMB76.0 million in 2015 and the significant increase from RMB52.1 million in the nine months ended September 30, 2015 to RMB109.4 million in the same period in 2016. As a percentage of our cost of revenue, employee benefits expenses and consultation fees were 51.0%, 58.6%, 64.6%, 66.5% and 62.0%, respectively, in 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016. In 2014 and 2015, the general increases in employee benefit expenses and consultation fees of our cost of revenue were primarily driven by increases in the average salary for our physicians and other medical professionals. However, as we believe the average salary we offer to our physicians and other medical professionals is now highly competitive in the market, we do not expect such average salary level to increase significantly in the near future absent any significant change in market conditions. For example, as a percentage of our cost of revenue, our employee benefits expenses and consultation fees decreased from 66.5% in the nine months ended September 30, 2015 to 62.0% in the same period in 2016.

Seasonality

Our medical institutions, in line with the healthcare service industry in the PRC, typically have fewer patient visits in the Chinese New Year holiday, during which most people usually avoid paying visits to hospitals, and typically have more outpatient visits during the period between October and February because children are especially susceptible to respiratory diseases in cold weather. We also perform more general pediatric surgeries when children are on summer holidays. As such, our operating results have fluctuated and are expected to continue to vary from period to period and may not reflect our annual financial results. See "Risk Factors — Risks Related to Our Business and Industry — Our business is subject to seasonality."

In addition, there are other factors affecting our financial condition and results of operation, and therefore our past performance is not necessarily indicative of future results. See "Risk Factors — Risks Related to Our Business and Industry — Our past performance is not necessarily indicative of future results."

Our convertible preferred shares

Our Company issued a certain number of convertible preferred shares, including Group A Shares and Group B Shares. Holders of convertible preferred shares enjoy certain special rights attached to their shares, including the redemption right which entitles them to request our Company to redeem their preferred shares at certain prices if the prescribed conditions are met. See "History, Reorganization and Development — The Pre-IPO Investments" for more details. Our convertible preferred shares are designated as liability at fair value through profit and loss to reflect our liability to settle the potential redemption of such shares. On August 29, 2016, all of the outstanding Group A Shares were converted into Shares. The remaining convertible preferred shares of RMB320.9 million as of September 30, 2016 will no longer exist upon their automatic conversion into our Shares, which should take place immediately prior to our Listing.

We had losses from fair value changes of convertible preferred shares and other non-current liabilities of RMB33.5 million in the nine months ended September 30, 2016. Such losses had no impact on our cash position or capital resources available to us. See Notes 2.17 and 20 to our consolidated financial statements included in Appendix I — "Accountant's Report."

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are set forth in Note 2 to our consolidated financial statements included in Appendix I — "Accountant's Report" to this prospectus. The preparation of our consolidated financial statements requires our management to make judgments, estimates and assumptions that affect the application of policies and the amounts reported in our consolidated financial statements. These judgments, estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments that are not readily apparent from other sources. We have identified the following accounting policies as critical to an understanding of our financial condition and results of operations, because the application of these policies requires significant management judgments, estimates and assumptions, and the reporting of materially different amounts could result if different judgments were made or different estimates or assumptions were used.

Estimated impairment of goodwill

Goodwill may arise from acquisitions of subsidiaries which represents the excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquired entities and the fair value of any previous equity interest in the acquired entities as of the acquisition date over (ii) the fair value of the identified net assets acquired. We undertake goodwill impairment reviews annually or more frequently if events or changes in circumstances indicate a potential impairment. In the course of our impairment reviews, the carrying value of the cash-generating unit ("CGU") containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. These calculations of the recoverable amounts of the relevant

CGUs require the use of estimates. When applying valuation technique, we rely on a number of factors and judgements, including historical results, business plans, forecasts, market data and the success of acquisitions and expansions in the future. Changes in the conditions for these estimates and assumptions can significantly affect the assessed result of goodwill impairment test.

We recorded goodwill of RMB97.7 million as a result of our acquisition of BNC Women's and Children's Hospital in November 2015. The Group had not recorded any impairment on goodwill during the Track Record Period. There was sufficient headroom with no impairment required for 2015 or the nine months ended September 30, 2016, if the compounded revenue growth rate had been 3% lower, if the costs and operating expenses as a percentage of revenue had been 3% higher, or if the pre-tax discount rate had been 1 % higher. Nonetheless, we cannot assure you that we would not experience a compounded growth rate lower than or operating expenses as a percentage of revenue higher than the ranges adopted in our sensitivity analysis. See "Risk Factors — Risks Related to Our Business and Industry — We have recognized goodwill in connection with an acquisition and may recognize goodwill in connection with acquisitions in the future. If we determine that our goodwill has become impaired, it could adversely affect our results of operations and financial position." For further information on goodwill impairment review and the goodwill recorded by the Group during the Track Record Period, see Notes 2.6, 4(a) and 7 to our consolidated financial statements included in Appendix I — "Accountant's Report" to this prospectus.

Consideration paid and purchase price allocation in business combination

The business combination was related to the Group's acquisition of 100% equity interests in BNC Women's and Children's Hospital from Jiahua Likang with a consideration of RMB20 million and the shares agreed.

The application of business combination accounting requires the use of significant estimates and assumptions. For the shares issued as the consideration paid, management used the accounting estimation to account for the total amount by reference to a valuation report issued by an independent international appraisal. The valuation technique relies on a number of factors and judgements. Changes in these estimates and assumptions could have a significant impact on the assessed value of the total consideration paid.

The purchase method of accounting for business combinations requires us to estimate the fair value of identifiable assets acquired and liabilities assumed. Our estimate requires the use of management's assumptions and judgement, including a presumption of contractual relationship renewal at minimum cost, which would not reflect unanticipated events and circumstances that may occur.

Allocation of the purchase price affects our results because intangible assets with finite useful life time are amortized, whereas intangible assets with indefinite life time, including goodwill, are not amortized, and such allocation could result in differing amortization charges.

Current and deferred income taxes

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

We recognize 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 utilized. The recognition of deferred tax assets mainly involved our management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses.

When the Company estimates taxable profits, it must make assumptions about the following key factors (i) revenue growth rate, based on management's market forecast; (ii) cost of inventories and consumables as a percentage of revenue, determined on the basis of management's past experience; and (iii) growth rate of employee benefits expenses and other miscellaneous operating expenses, based on management's past experiences and future development plan.

The Company did not recognize deferred tax assets with respect to tax losses of BNC Women's and Children's Hospital in 2013 and 2014 because the underlying profitability of BNC Women's and Children's Hospital was unforeseen in its preliminary development stage for the year 2013 and 2014, as it was established only in 2012. However, management recognized deferred tax assets with respect to tax losses of BNC Women's and Children's Hospital since November 30, 2015 mainly due to the following trigger events:

(i) Following the announcement of the "Universal Two-Child Policy" in October 2015, which was further detailed in 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) issued by the State Council in December 2015, it has been expected that the affordability and demands for high-end medical services in pediatrics, obstetric and gynecologic will increase in the future.

(ii) Based on the strong demand for the Company's obstetric services packages in BNC Women's and Children's Hospital in October and November 2015, the Company believed BNC Women's and Children's Hospital would be profitable from the beginning of 2016. It has been further supported by the fact that BNC Women's and Children's Hospital had generated profit in the first half of 2016.

(iii) At the time of the Company's acquisition of BNC Women's and Children's Hospital on November 30, 2015, the Company expected to share BNC Children's Hospital's well established operating experiences, standardized management systems, group-wide best practices and high-caliber medical professionals with BNC Women's and Children's Hospital, which would increase BNC Women's and Children's Hospital's profitability.

Considering the foregoing factors, management developed a profit forecast and estimated there would be sufficient taxable profits generated from BNC Women's and Children's Hospital in the foreseeable future against which deductible losses could be utilized. As a result, management recognized deferred tax assets on the stand alone financial statement of BNC Women's and Children's Hospitals on November 30, 2015 which was the acquisition date and as at the December 31, 2015 after BNC Women's and Children's Hospitals was consolidated into the Group.

Fair value of other non-current liabilities and convertible preferred shares

Our other non-current liabilities as of December 31, 2015 represented mainly the convertible preferred shares we agreed to issue to CDH Investment II, and our other none-current liabilities as of September 30, 2016 represented 3,560,993 Shares JoeCare transferred to Group B Investors, to which Shares the Company granted the same rights of Group B Shares and which were redesignated as liability at fair value through profit and loss. Our convertible preferred shares represented the Group B Shares issued and outstanding as of September 30, 2016. The fair values of other non-current liabilities and convertible preferred shares are determined by using various valuation techniques. The Group applies judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. If there is any change in methods and assumptions, the loss relating to fair value changes could increase.

SUMMARY FINANCIAL INFORMATION

The following table sets forth a summary of our consolidated statements of comprehensive income for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
				(unaudited)	
	(in thousands of RMB)				
Revenue	238,770	249,013	258,196	174,536	340,026
Cost of revenue	(88,981)	(105,118)	(117,686)	(78,403)	(176,414)
Gross profit	149,789	143,895	140,510	96,133	163,612
Selling expenses	(7,272)	(11,278)	(10,612)	(6,892)	(13,811)
Administrative expenses	(32,883)	(34,702)	(38,312)	(20,984)	(63,935)(1)
Other income	70	186	238	116	335
Other losses — net	(43)	(50)	(113)	(30)	(18,262)(2)
Operating Profit	109,661	98,051	91,711	68,343	67,939
Finance income	1,087	2,647	316	237	299
Finance expenses	—	—	(43)	—	(1,260)
Profit before income tax	110,748	100,698	91,984	68,580	66,978
Income tax expense	(28,038)	(26,383)	(24,789)	(17,826)	(23,840)
Profit for the year/period	82,710	74,315	67,195	50,754	43,138
Profit for the year/period attributable to:					
Owner of the Group	53,566	46,705	40,903	32,060	19,193
Non-controlling interests	29,144	27,610	26,292	18,694	23,945
	82,710	74,315	67,195	50,754	43,138

(1) Includes the expenses in relation to the Listing of RMB16.8 million.

(2) Mainly reflected losses from fair value changes of convertible preferred shares and other non-current liabilities of RMB33.5 million and gains on liability settlement by equity instrument of RMB15.3 million as a result of certain transactions taking place in our Reorganization and Pre-IPO Investments. See "Financial Information — Principal Components of the Consolidated Statements of Comprehensive Income — Other losses-net".

PRINCIPAL COMPONENTS OF THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

We generate revenue primarily from providing medical services, which include the provision of healthcare services and pharmaceutical sales. We also generate a portion of revenue for providing hospital consulting services. Our medical services mainly include pediatric and obstetric and gynecologic services provided at our medical institutions. We also provide hospital consulting services to Jiahua Likang for the Likang Hospitals, which commenced in December 2015. In 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, revenue from our provision of medical services accounted for 98.3%, 98.1%, 97.4%, 97.9% and 92.9% of our total revenue, respectively. We expect the provision of medical services to continue to contribute the majority of our revenue. The following table sets forth a breakdown of our revenue for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2013		2014		2015		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
Medical services										
Provision of healthcare services	200,652	84.0%	208,392	83.7%	216,560	83.9%	148,523	85.1%	274,569	80.7%
Pharmaceutical sales	34,057	14.3	35,989	14.5	34,967	13.5	22,426	12.8	41,185	12.1
Total medical services	234,709	98.3%	244,381	98.1%	251,527	97.4%	170,949	97.9%	315,754	92.9%
Hospital consulting services	—	—	—	—	1,751	0.7	—	—	20,348	6.0
Others[1]	4,061	1.7	4,632	1.9	4,918	1.9	3,587	2.1	3,924	1.2
Total	238,770	100.0%	249,013	100.0%	258,196	100.0%	174,536	100.0%	340,026	100.0%

(1) Include revenue from cafeteria and gift shop sales in our medical institutions.

Revenue by category of medical services

During the Track Record Period, our medical services included primarily pediatric and obstetric and gynecologic services. We commenced the provision of obstetric and gynecologic services after we acquired BNC Women's and Children's Hospital in November 2015. The following table sets forth the composition of our revenue from pediatric and obstetric and gynecologic services for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2013		2014		2015		2015		2016	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
							(unaudited)			
	(in thousands of RMB, except percentages)									
Pediatric services	234,709	98.3%	244,381	98.1%	247,111	95.7%	170,949	97.9%	253,806	74.6%
Obstetric and gynecologic services	—	—	—	—	4,416	1.7	—	—	61,948	18.2
Total	234,709	98.3%	244,381	98.1%	251,527	97.4%	170,949	97.9%	315,754	92.9%

Segmentation of medical services

Management has determined the Group's operating segments based on the information reviewed by the chief operating decision-maker (the "CODM") of the Group for the purposes of allocating resources and assessing performance. The CODM considers the business from both the services and products perspective, and reviews the Group's performance by service line rather than legal entity. In the view of the CODM, the Group is principally engaged in four distinct segments: (i) pediatrics, (ii) obstetrics and gynecology, (iii) hospital consulting services and (iv) others, which are subject to different business risks and economic characteristics. An operating segment is defined in HKFRS 8 as a component of an entity that (a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); (b) whose operating results are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

Based on the definition of the operating segment, it is not necessarily always being identified by legal entities, instead, the judgement to determine operating segments primarily depends on how the CODM manages the businesses, allocates resources, and evaluates the performance of businesses.

During the Track Record Period, the Group was mainly engaged in the provision of pediatric services through BNC Children's Hospital and BNC Harmony Clinic. After the acquisition of BNC Women's and Children's Hospital in November 2015, the Group integrated the pediatric business acquired from BNC Women's and Children's Hospital with its original pediatrics business. For example, management has leveraged its resources across its pediatrics platform, such as the secondment of certain medical professionals and the referral of patients from BNC Children's Hospital to BNC Women's and Children's Hospital, where appropriate, to improve the overall business performance in the pediatrics segment and to achieve synergy effects. Therefore, the CODM manages the pediatric business carried out by BNC Children's hospital, BNC Harmony Clinic and BNC Woman's and Children's Hospital as one operating segment and allocated resources and evaluate the performance of the segment accordingly.

Management is of the view that pediatric services and obstetrics and gynecology services are different in terms of the nature of businesses, including but not limited to different customers, different medical personnel involved, different medical procedures and different financial performance. Management recognizes revenue and identifiable direct cost and expenses in relation to pediatric services and obstetric and gynecologic services in the Group's business and accounting systems separately. Management uses a reasonable and consistent basis with reference to some historical information, e.g. areas occupied, in determining those common costs and expenses incurred in pediatric services and obstetric and gynecologic services to be attributable to each segment and prepare discrete financial information for the CODM to review. As a result, discrete segmental financial information is available for the creation and disclosure of segment reports for the different services provided by the Group. See Note 5 to our consolidated financial statements included in Appendix I — "Accountant's Report."

Revenue by medical institution

We operated BNC Children's Hospital and BNC Harmony Clinic throughout the Track Record Period, and we commenced the operation of BNC Women's and Children's Hospital after we acquired it in November 2015. The following table sets forth the composition of our revenue by medical institution for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2013		2014		2015		2015		2016	
	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue	Amount	% of total revenue
							(unaudited)			
	(in thousands of RMB, except percentages)									
BNC Children's Hospital	231,040	96.8%	238,724	95.9%	235,534	91.2%	168,134	96.3%	190,843	56.1%
BNC Women's and Children's Hospital(1)	—	—	—	—	11,119	4.3	—	—	125,102	36.8
BNC Harmony Clinic	7,730	3.2	10,289	4.1	9,792	3.8	6,402	3.7	7,972	2.3
Total	238,770	100.0%	249,013	100.0%	256,445	99.3%	174,536	100.0%	323,917	95.3%

(1) We consolidated the revenue from BNC Women's and Children's Hospital only after our acquisition of this hospital in November 2015.

Revenue and key operating data

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

	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
Group[(1)(2)]					
Inpatients					
Inpatient visits	4,964	4,928	4,981	3,536	5,948
Revenue from medical services attributable to inpatients (in thousands of RMB)	115,277	116,492	111,902	78,338	145,120
Average inpatient spending per visit (RMB)	23,223	23,639	22,466	22,154	24,398
Outpatients					
Outpatient visits[(3)]	81,909	87,643	95,790	64,938	128,924
Revenue from medical services attributable to outpatients (in thousands of RMB)	104,645	110,696	115,177	76,807	143,569
Average outpatient spending per visit (RMB)	1,278	1,263	1,202	1,183	1,114
Revenue recognized for membership card sales (in thousands of RMB)	14,787	17,193	24,448	15,804	27,065
BNC Children's Hospital[(4)]					
Inpatients					
Inpatient visits	4,964	4,928	4,765	3,536	3,622
Revenue from medical services attributable to inpatients (in thousands of RMB)	115,277	116,492	107,164	78,338	86,145
Average inpatient spending per visit (RMB)	23,223	23,639	22,490	22,154	23,784
Outpatients					
Outpatient visits[(3)]	75,678	79,821	82,376	59,749	65,595
Revenue from medical services attributable to outpatients (in thousands of RMB)	98,010	101,327	100,816	71,223	84,544
Average outpatient spending per visit (RMB)	1,295	1,269	1,224	1,192	1,289
Revenue recognized for membership card sales (in thousands of RMB)	14,164	16,306	22,661	14,987	17,472

	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
BNC Women's and Children's Hospital[5][6]					
Inpatients					
Inpatient visits	798	1,664	1,672	1,158	2,326
Revenue from medical services attributable to inpatients (in thousands of RMB)	20,026	45,019	38,758	27,931	58,975
Average inpatient spending per visit (RMB)	25,095	27,055	23,181	24,120	25,355
Outpatients					
Outpatient visits[3]	31,164	51,854	57,198	40,247	55,889
Revenue from medical services attributable to outpatients (in thousands of RMB)	24,523	45,444	50,501	35,344	52,075
Average outpatient spending per visit (RMB)	787	876	883	878	932
Revenue recognized for membership card sales (in thousands of RMB)	3,483	7,231	8,409	6,893	8,571
BNC Harmony Clinic[7]					
Outpatients					
Outpatient visits[3]	6,231	7,822	7,390	5,189	7,440
Revenue from medical services attributable to outpatients (in thousands of RMB)	6,635	9,369	8,718	5,584	6,950
Average outpatient spending per visit (RMB)	1,065	1,198	1,180	1,076	934
Revenue recognized for membership card sales (in thousands of RMB)	623	887	1,074	817	1,022

(1) With respect to BNC Women's and Children's Hospital, only data since our acquisition of this hospital in November 2015 are included.

(2) In addition to revenue from medical services attributable to inpatients and outpatients, our medical services revenue also included the revenue recognized from the membership card sales.

(3) Includes accident and emergency visits.

(4) In addition to revenue from medical services attributable to inpatients and outpatients, the medical services revenue of BNC Children's Hospital also included the revenue recognized from the membership card sales.

(5) Includes the data of BNC Women's and Children's Hospital throughout the Track Record Period.

(6) In addition to revenue from medical services attributable to inpatients and outpatients, the medical services revenue of BNC Women's and Children's Hospital also included the revenue recognized from the membership card sales.

(7) In addition to revenue from medical services attributable to outpatients, the medical services revenue of BNC Harmony Clinic also included the revenue recognized from the membership card sales.

Cost of revenue

Our cost of revenue consists primarily of employee benefits expenses, cost of inventories and consumables, consultation fees, outsourced examination and inspection fees and utilities, maintenance fees and office expenses. The following table sets forth a breakdown of our cost of revenue for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2013		2014		2015		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
Employee benefits expenses	34,348	38.6%	48,221	45.9%	60,679	51.6%	39,899	50.9%	98,492	55.8%
Cost of inventories and consumables	20,724	23.3	24,595	23.4	23,686	20.1	14,509	18.5	31,043	17.6
Consultation fees	10,989	12.3	13,429	12.8	15,360	13.0	12,203	15.6	10,859	6.2
Outsourced examination and inspection fees	10,498	11.8	6,460	6.1	3,601	3.1	1,974	2.5	4,250	2.4
Utilities, maintenance fees and office expenses	6,306	7.1	6,415	6.1	6,021	5.1	4,942	6.3	5,771	3.3
Others[1]	6,116	6.9	5,998	5.7	8,339	7.1	4,876	6.2	25,999	14.7
Total	88,981	100.0%	105,118	100.0%	117,686	100.0%	78,403	100.0%	176,414	100.0%

(1) Includes rental expenses, canteen expenses, travelling and entertainment expenses, depreciation and amortization, employee training expenses and other expenses.

Employee benefits expenses mainly consist of the salaries, bonuses, pension and other social security and welfare of our physicians and other medical professionals. In 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, our employee benefits expenses were RMB34.3 million, RMB48.2 million, RMB60.7 million, RMB39.9 million and RMB98.5 million, respectively. The continued increase in our employee benefits expenses during the Track Record Period was primarily attributable to (i) increases in average salaries for physicians and other medical professionals due to intensifying market competition in Beijing, (ii) increases in the number of our medical professionals and (iii) solely with respect to the increase in 2015 and the nine months ended September 30, 2016, the employee benefit expenses from BNC Women's and Children's Hospital we recorded after our acquisition of this hospital in November 2015.

Cost of inventories and consumables represents primarily the cost of procuring pharmaceuticals and medical consumables. In 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, our cost of inventories and consumables was RMB20.7 million, RMB24.6 million, RMB23.7 million, RMB14.5 million and RMB31.0 million, respectively, which generally reflected our business scope, including the business of BNC Women's and Children's Hospital after our acquisition of this hospital in November 2015.

Consultation fees primarily represent the compensation we paid to our part-time physicians. In 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, our consultation fees were RMB11.0 million, RMB13.4 million, RMB15.4 million, RMB12.2 million and RMB10.9 million, respectively, which were generally in line with the patient visits of part-time physicians at our medical institutions.

Outsourced examination and inspection fees primarily represent the fees we incur for certain outsourcing examination and inspection services, such as MR, CT and genetic disease testing. In 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, our outsourced examination and inspection fees were RMB10.5 million, RMB6.5 million, RMB3.6 million, RMB2.0 million and RMB4.3 million respectively. The decreases in 2014 and 2015 were primarily related to the our adjustment of business strategies to gradually reduce the level of outsourced services, and the increase in the nine months ended September 30, 2016 was mainly due to the outsourced examination and inspection fees of BNC Women's and Children's Hospital.

Gross profit and gross profit margin

Gross profit represents revenue less cost of revenue. In 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, our gross profit was RMB149.8 million, RMB143.9 million, RMB140.5 million, RMB96.1 million and RMB163.6 million, respectively. Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. In 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, our gross profit margin was 62.7%, 57.8%, 54.4%, 55.1% and 48.1% respectively. The following table sets forth a breakdown of our gross profit and gross profit margin by category of services we provided for the periods indicated:

	Year ended December 31,						**Nine months ended September 30,**			
	2013		**2014**		**2015**		**2015**		**2016**	
	Gross profit	**Gross profit margin (%)**	**Gross profit**	**Gross profit margin (%)**	**Gross profit**	**Gross profit margin (%)**	**Gross profit**	**Gross profit margin (%)**	**Gross profit**	**Gross profit margin (%)**
							(unaudited)			
	(in thousands of RMB, except percentages)									
Medical services										
Pediatric services	148,289	63.2%	141,191	57.8%	135,111	54.7%	94,287	55.2%	125,186	49.3%
Obstetric and gynecologic services	—	—	—	—	1,402	31.7	—	—	26,512	42.8
Subtotal	148,289	63.2%	141,191	57.8%	136,513	54.3%	94,287	55.2%	151,698	48.0%
Hospital consulting services	—	—	—	—	1,474	84.2%	—	—	10,666	52.4%

The gross profit margins of our medical services decreased during the Track Record Period. The decrease in 2014 was primarily due to the increase in employee benefits expenses of our cost of revenue; the decrease in 2015 was primarily due to (i) the lower profit margin of BNC Women's and Children's Hospital primarily because of its preliminary development stage in which it has been ramping up since its establishment in 2012 and (ii) the increase in employee benefits expenses of our cost of revenue at our other medical institutions; and the decrease in the nine months ended September 30, 2016 was primarily due to the lower profit margin of BNC Women's and Children's Hospital for the same reason stated above.

The gross profit margins of our hospital consulting services were 84.2% and 52.4%, respectively, in 2015 and the nine months ended September 30, 2016, which is primarily because our hospital consulting services in December 2015 mainly included those related to the commencement of hospital operations, which had higher gross profit margin, and we leased office premises for our hospital consulting services in January 2016 in response to the business growth of such business.

The following table sets forth a breakdown of our gross profit and gross profit margin by medical institution for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2013		2014		2015		2015		2016	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
							(unaudited)			
	(in thousands of RMB, except percentages)									
BNC Children's Hospital	146,671	63.5%	141,000	59.1%	133,181	56.5%	94,749	56.4%	107,875	56.5%
BNC Women's and Children's Hospital	—	—	—	—	4,179	37.6	—	—	46,921	37.5
BNC Harmony Clinic	3,118	40.3%	2,896	28.1%	2,147	21.9%	1,384	21.6%	2,328	29.2%

The gross profit margins of our medical institutions differ due to various factors, such as the healthcare services they provide, the pharmaceuticals they sell, the number of their inpatient and outpatient visits, and their respective development stages and business focus. For example, the gross profit margin of our BNC Children's Hospital was higher than our BNC Women and Children's Hospital during the Track Record Period mainly because of the preliminary development stage of BNC Women's and Children's Hospital which has been ramping up since its establishment in 2012. The gross profit margin of our BNC Children's Hospital was higher than our BNC Harmony Clinic mainly because BNC Children's Hospital provided comprehensive pediatric services, including those provided to inpatients, which generally have higher gross profit margins than the basic pediatric services provided by BNC Harmony Clinic.

The gross profit margin of BNC Children's Hospital decreased from 63.5% in 2013 to 59.1% in 2014 and further decreased to 56.5% in 2015, and it was 56.4% and 56.5% in the nine months ended September 30, 2015 and in the same period in 2016, respectively. The decreases in 2014 and 2015 were primarily attributable to continued increases in employee benefits expenses. The gross profit margin of BNC Harmony Clinic decreased from 40.3% in 2013 to 28.1% in 2014 and further decreased to 21.9% in 2015 for the same reasons. The gross profit margin of BNC Harmony Clinic increased from 21.6% in the nine months ended September 30, 2015 to 29.2% in the same period in 2016 mainly because of the decrease in its outsourced examination and inspection fees primarily driven by our adjustment of business strategies to reduce the level of outsourced services.

Selling expenses

Our selling expenses consist primarily of employee benefits expenses for our sales and marketing staff and customer service staff, utilities, maintenance fees and office expenses, rental expenses and advertising and marketing expenses. Our selling expenses were RMB7.3 million, RMB11.3 million, RMB10.6 million, RMB6.9 million and RMB13.8 million in 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, respectively, representing 3.0%, 4.5%, 4.1%, 3.9% and 4.1% respectively, of our revenue in these periods. The following table sets forth a breakdown of our selling expenses for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2013		2014		2015		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
Employee benefits expenses	5,889	81.0%	6,389	56.7%	8,113	76.5%	5,381	78.1%	11,216	81.2%
Utilities, maintenance fees and office expenses	830	11.4	1,305	11.6	1,146	10.8	747	10.8	940	6.8
Rental expenses	172	2.4	210	1.9	247	2.3	175	2.5	360	2.6
Advertising and marketing expenses	112	1.5	2,881	25.5	626	5.9	231	3.4	366	2.7
Others[(1)]	269	3.7	493	4.3	480	4.5	358	5.2	929	6.7
Total	7,272	100.0%	11,278	100.0%	10,612	100.0%	6,892	100.0%	13,811	100.0%

(1) Include primarily travelling and entertainment expenses, depreciation and amortization and other expenses.

Administrative expenses

Administrative expenses mainly comprise maintenance fees and office expenses, listing expenses, employee benefits expenses for our directors, senior management and other administrative staff, rental expenses and other expenses. Our administrative expenses were RMB32.9 million, RMB34.7 million, RMB38.3 million, RMB21.0 million and RMB63.9 million in 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, representing 13.8%, 13.9%, 14.8%, 12.0% and 18.8%, respectively, of our total revenue in the same periods. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2013		2014		2015		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
Utilities, Maintenance fees and office expenses	16,055	48.8%	18,764	54.1%	10,831	28.3%	6,892	32.8%	17,930	28.0%
Expenses in relation to the Listing	—	—	—	—	5,982	15.6	—	—	16,845	26.3
Employee benefits expenses	7,834	23.8	8,877	25.6	11,501	30.0	7,201	34.3	12,401	19.4
Rental expenses	2,749	8.4	3,019	8.7	3,745	9.8	1,982	9.4	4,947	7.7
Depreciation and amortization	864	2.6	1,040	3.0	1,156	3.0	975	4.6	3,433	5.4
Travelling and entertainment expenses	2,059	6.3	924	2.7	739	1.9	516	2.5	655	1.0
Others[(1)]	3,322	10.1	2,078	6.0	4,358	11.4	3,418	16.3	7,724	12.1
Total	32,883	100.0%	34,702	100.0%	38,312	100.0%	20,984	100.0%	63,935	100.0%

(1) Include bank charges, PRC auditors' remuneration and other expenses. In 2013, 2014, 2015 and the nine months ended September 30, 2015 and 2016, we incurred PRC auditors' remuneration expenses of RMB28,000, RMB70,000, RMB105,000, RMB105,000 and RMB125,000, respectively.

Other income

Other income mainly comprises (i) tax refunds which represent government grants for the purpose of encouraging the withholding of personal income tax from our employees' salaries, (ii) government subsidies for the purpose of encouraging our compliance with the government policy in relation to unemployment insurance and (iii) early termination payment by departing employees. Our other income was RMB70,000, RMB186,000, RMB238,000, RMB116,000 and RMB335,000 in 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, respectively.

Other losses — net

Other losses primarily represent (i) gains on liability settlement by equity instrument, (ii) fair value changes of convertible preferred shares and other non-current liabilities and (iii) net losses on the disposal of property, plant and equipment. Our gains on liability settlement by equity instrument related to our transfer of 30% equity interests in each of BNC Harmony Clinic and BNC Women's and Children's Hospital to Jiahua Kangming in which part of the liability to our preferred shareholders was in effect settled by equity instruments transferred to Jiahua Kangming and gains of RMB15.3 million therefrom was charged to other losses — net. Fair value changes of convertible preferred shares and other non-current liabilities represents the fair value changes recognized for (i) 3,560,993 Shares JoeCare transferred to Group B Investors in February 2016, to which Shares the Company granted the same rights of Group B Shares and which were redesignated as liability at fair value through profit and loss as of September 30, 2016 and (ii) the Group B Shares issued and outstanding as of September 30, 2016. See Notes 1(b), 16(g), 20 and 30 to our consolidated financial statements included in Appendix I — "Accountant's Report." We incurred net losses of RMB43,000, RMB50,000, RMB113,000, RMB30,000 and RMB18.3 million in 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, respectively.

Finance income and expenses

Finance income consists of interest income on our bank deposits. Finance expenses consist of interest expenses on our borrowings. We had finance income of RMB1.1 million, RMB2.6 million, RMB316,000, RMB237,000 and RMB299,000 in 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, respectively. We incurred finance expenses of RMB43,000 and RMB1.3 million in 2015 and the nine months ended September 30, 2016, respectively.

Income Tax Expense

Income tax expense comprises enterprise income tax ("EIT") and deferred tax. The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2013	**2014**	**2015**	**2015**	**2016**
				(unaudited)	
	(in thousands of RMB)				
EIT	(29,533)	(24,891)	(25,081)	(17,826)	(21,535)
Deferred tax	1,495	(1,492)	292	—	(2,305)
Total	(28,038)	(26,383)	(24,789)	(17,826)	(23,840)

We were not subject to any income, estate, corporation, capital gains or other tax in the Cayman Islands during the Track Record Period. We did not make any provision for Hong Kong profit tax as we did not have assessable profit subject to Hong Kong profit tax during the Track Record Period. Our PRC subsidiaries were subject to EIT at the tax rate of 25% during the Track Record Period. Our effective tax rates for 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016 were 25.3%, 26.2%, 26.9%, 26.0% and 35.6%, respectively. During the Track Record Period, we paid all relevant taxes and had no disputes or any unsolved tax issues with the relevant tax authorities.

SENSITIVITY ANALYSIS

Cost of inventories and consumables of our cost of revenue, representing the cost of procuring pharmaceuticals and medical consumables, is a major component of our costs and expenses. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in cost of inventories and consumables on our net profit for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2013		2014		2015		2015		2016	
	Change in net profit	%change in net profit	Change in net profit	%change in net profit	Change in net profit	%change in net profit	Change in net profit	%change in net profit	Change in net profit	%change in net profit
	(in thousands of RMB, except percentages)									
+20%	(5,193)	-6%	(6,156)	-8%	(5,936)	-9%	(3,629)	-7%	(7,878)	-18%
+10%	(2,597)	-3%	(3,078)	-4%	(2,968)	-4%	(1,814)	-4%	(3,939)	-9%
-10%	2,597	3%	3,078	4%	2,968	4%	1,814	4%	3,939	9%
-20%	5,193	6%	6,156	8%	5,936	9%	3,629	7%	7,878	18%

RESULTS OF OPERATIONS

Nine months ended September 30, 2016 compared to nine months ended September 30, 2015

Revenue

Our revenue increased by 94.8% from RMB174.5 million in the nine months ended September 30, 2015 to RMB340.0 million in the same period in 2016, primarily due to (i) RMB125.1 million revenue derived from BNC Women's and Children's Hospital, (ii) the increase of RMB22.7 million in the revenue derived from BNC Children's Hospital and (iii) the revenue of RMB20.3 million through our provision of hospital consulting services. The increase in our revenue from the provision of medical services at BNC Children's Hospital was primarily due to the increase in its outpatient visits to general pediatrics as a result of a longer season of respiratory diseases compared to the previous period and the continued growth of our Doctor Panda Club Members.

Cost of revenue

Our cost of revenue increased significantly from RMB78.4 million in the nine months ended September 30, 2015 to RMB176.4 million in the same period in 2016, principally as a result of a significant increase in our employee benefits expenses from RMB39.9 million in the nine months ended September 30, 2015 to RMB98.5 million in the same period in 2016, which was primarily attributable to (i) the employee benefit expenses of BNC Women's and Children's Hospital and (ii) increases in average salaries for physicians and other medical professionals caused by intensifying market competition in Beijing. This increase was partially attributable to (i) the significant increase in our other cost of revenue from RMB4.9 million in the nine months ended September 30, 2015 to RMB26.0 million in the same period in 2016, primarily relating to that of BNC Women's and Children's Hospital and (ii) the significant increase in our cost of inventories and consumables from RMB14.5 million in the nine months ended September 30, 2015 to RMB31.0 million in the same period in 2016 primarily as a result of consolidating the respective expenses of BNC Women's and Children's Hospital.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 70.2% from RMB96.1 million in the nine months ended September 30, 2015 to RMB163.6 million in the same period in 2016. Our gross profit margin, which represents our gross profit as a percentage of our revenue, decreased from 55.1% in the nine months ended September 30, 2015 to 48.1% in the same period in 2016, mainly because of the change in our revenue mix by including the revenue derived from BNC Women's and Children's Hospital which had a lower profit margin primarily due to its preliminary development stage in which it has been ramping up since its establishment in 2012.

Selling expenses

Our selling expenses increased significantly from RMB6.9 million in the nine months ended September 30, 2015 to RMB13.8 million in the same period in 2016, principally as a result of the selling expenses of BNC Women's and Children's Hospital and the increase in the employee benefits expenses of our other medical institutions, primarily due to the increased compensation level.

Administrative expenses

Our administrative expenses increased significantly from RMB21.0 million in the nine months ended September 30, 2015 to RMB63.9 million in the same period in 2016, principally as a result of the administrative expenses of BNC Women's and Children's Hospital and the expenses in relation to the Listing.

Other income

Our other income increased significantly from RMB116,000 in the nine months ended September 30, 2015 to RMB335,000 in the same period in 2016, primarily due to (i) the government subsidy for purpose of encouraging our compliance with the government policy in relation to unemployment insurance and (ii) other income of BNC Women's and Children's Hospital.

Other losses — net

Our other net losses increased significantly from RMB30,000 in the nine months ended September 30, 2015 to RMB18.3 million in the same period in 2016. The increase is mainly as a result of losses from fair value changes of convertible preferred shares and other non-current liabilities of RMB33.5 million in the nine months ended September 30, 2016 recognized for (i) 16,394,266 Shares issued to Group A investors; (ii) 3,560,993 Shares JoeCare transferred to Group B Investors in February 2016, to which Shares the Company granted the same rights of Group B Preferred Shares and which were redesignated as liability at fair value through profit and loss as of September 30, 2016 and (iii) the Group B Shares issued and outstanding as of September 30, 2016. The losses were partially offset by the gains on liability settlement by equity instrument of RMB15.3 million related to our transfer of 30% equity interests in each of BNC Harmony Clinic and BNC Women's and Children's Hospital to Jiahua Kangming, in which part of the liability to our preferred shareholders was in effect settled by equity instruments transferred to Jiahua Kangming. See Notes 1(b), 16(g), 20 and 30 to our consolidated financial statements included in "Appendix I — Accountant's Report."

Finance income and expenses

Our finance income increased by 26.2% from RMB237,000 in the nine months ended September 30, 2015 to RMB299,000 in the same period in 2016 primarily due to the increase in our average bank deposits balance. We recorded finance expenses of RMB1.3 million in the nine months ended September 30, 2016 primarily due to the interest expenses incurred on bank borrowings of BNC Women's and Children's Hospital.

Income tax expenses

Our income tax expenses increased by 33.7% from RMB17.8 million in the nine months ended September 30, 2015 to RMB23.8 million in the same period in 2016, primarily due to expenses not tax deductible of our Company as a result of its incurrence of certain Listing expense and losses from fair value changes of convertible preferred shares and other non-current liabilities. Our effective income tax rate was 26.0% and 35.6% in the nine months ended September 30, 2015 and 2016, respectively.

Profit for the period

As a result of the foregoing, our profit for the period decreased by 15.0% from RMB50.8 million in the nine months ended September 30, 2015 to RMB43.1 million in the same period in 2016. Our net profit margin, which represents profit for the period as a percentage of revenue, decreased from 29.1% in the nine months ended September 30, 2015 to 12.7% in the same period in 2016, which was mainly as a result of the significant increase in our other losses-net and was also in line with the decrease in our gross profit margin in the nine months ended September 30, 2016.

Year ended December 31, 2015 compared to year ended December 31, 2014

Revenue

Our revenue increased by 3.7% from RMB249.0 million in 2014 to RMB258.2 million in 2015, primarily due to (i) the revenue of RMB9.4 million from the provision of medical services at BNC Women's and Children's Hospital after our acquisition of this hospital in November 2015 and (ii) the revenue of RMB1.8 million through our provision of hospital consulting services, which we commenced in December 2015.

The increase in our revenue in 2015 was partially offset by the decrease in the revenue from medical services attributable to inpatients at BNC Children's Hospital from RMB116.5 million in 2014 to RMB107.2 million in 2015. Such decrease was mainly due to the lower revenue from pediatric internal medicine in the fourth quarter of 2015 which was usually the high season in previous years.

The revenue from medical services attributable to outpatients at BNC Children's Hospital decreased from RMB101.3 million in 2014 to RMB100.8 million in 2015, mainly due to the continued implementation of our adjustment of business strategies to reduce the level of outsourced services. Such decrease was partially offset by the increase in the revenue from medical services attributable to outpatients of pediatric surgery and child healthcare primarily as a result of the continued growth of our Doctor Panda Club Members.

Cost of revenue

Our cost of revenue increased by 12.0% from RMB105.1 million in 2014 to RMB117.7 million in 2015, principally as a result of an increase in our employee benefits expenses by 25.8% from RMB48.2 million in 2014 to RMB60.7 million in 2015, which was primarily attributable to (i) increases in average salaries for physicians and other medical professionals caused by intensifying market competition in Beijing, (ii) an increase in the number of our medical professionals and (iii) the employee benefit expenses of BNC Women's and Children's Hospital we consolidated after our acquisition of this hospital in November 2015. This increase was partially offset by a decrease in our outsourced examination and inspection fees by 44.3% from RMB6.5 million in 2014 to RMB3.6 million in 2015 primarily as a result of the continued implementation of our adjustment of business strategies to reduce the level of outsourced services.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 2.4% from RMB143.9 million in 2014 to RMB140.5 million in 2015. Our gross profit margin, which represents our gross profit as a percentage of our revenue, decreased from 57.8% in 2014 to 54.4% in 2015 primarily driven by the increase in employee benefits expenses of cost of revenue of our BNC Children's Hospital and the lower profit margin of BNC Women's and Children's Hospital primarily due to its preliminary development stage in which it has been ramping up since its establishment in 2012.

Selling expenses

Our selling expenses decreased by 5.9% from RMB11.3 million in 2014 to RMB10.6 million in 2015, principally as a result of (i) the significant decrease in the advertising and marketing expenses from RMB2.9 million in 2014 to RMB626,000 in 2015 and (ii) the decrease in the utilities, maintenance fees and office expenses by 12.2% from RMB1.3 million in 2014 to RMB1.1 million in 2015, both primarily due to the expenses in relation to our special promotion initiatives in 2014 which did not repeat in 2015. This decrease was partially offset by the increase in the employee benefits expenses by 27.0% from RMB6.4 million in 2014 to RMB8.1 million in 2015 primarily due to the increased compensation level.

Administrative expenses

Our administrative expenses increased by 10.4% from RMB34.7 million in 2014 to RMB38.3 million in 2015, principally as a result of (i) the expenses in relation to the Listing of RMB6.0 million, (ii) the significant increase in other administrative expenses from RMB2.1 million in 2014 to RMB4.4 million in 2015 primarily due to the expense incurred for employee training and (iii) increase in the employee benefits expenses by 29.6% from RMB8.9 million in 2014 to RMB11.5 million in 2015 primarily due to the increase in the compensation level and the increased number of our administrative staff. This increase was partially offset by the decrease in utilities, maintenance fees and office expenses from RMB18.8 million in 2014 to RMB10.8 million in 2015, primarily due to the repair expense incurred by BNC Harmony Clinic in 2014 which did not repeat in 2015 and our stringent energy conservation measures adopted in 2015.

Other income

Our other income increased by 28.0% from RMB186,000 in 2014 to RMB238,000 in 2015, primarily due to the increase in the government grant for the purpose of encouraging the withholding of personal income tax from our employees' salaries.

Other losses — net

Out other net losses increased significantly from RMB50,000 in 2014 to RMB113,000 in 2015. The losses recorded in 2014 and 2015 were primarily related to the disposal of certain fixed assets, such as office and medical equipment that had reached the end of their service lives.

Finance income and expenses

Our finance income decreased significantly from RMB2.6 million in 2014 to RMB316,000 in 2015 primarily due to the decrease in our term deposit which matured in May 2014. We recorded finance expenses of RMB43,000 in 2015 primarily due to the interest expenses incurred on bank borrowings of BNC Women's and Children's Hospital.

Income tax expenses

Our income tax expenses decreased by 6.0% from RMB26.4 million in 2014 to RMB24.8 million in 2015, primarily due to a decrease in our profit before income tax by 8.7% from RMB100.7 million in 2014 to RMB92.0 million in 2015. Our effective income tax rate was 26.2% and 26.9% in 2014 and 2015, respectively.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 9.6% from RMB74.3 million in 2014 to RMB67.2 million in 2015. Our net profit margin, which represents profit for the year as a percentage of revenue, decreased from 29.8% in 2014 to 26.0% in 2015, which was generally in line with the decrease in our gross profit margin in 2015.

Year ended December 31, 2014 compared to year ended December 31, 2013

Revenue

Our total revenue increased by 4.3% from RMB238.8 million in 2013 to RMB249.0 million in 2014, primarily due to the increase in our revenue from medical services attributable to pediatric outpatients from RMB104.6 million 2013 to RMB110.7 million in 2014, mainly as a result of the growth of our general pediatrics, pediatric surgery and child healthcare services primarily due to the continued growth of our Doctor Panda Club Members. This increase was partially offset by the decrease in the revenue from our outsourced services mainly due to our adjustment of business strategies to reduce the level of our outsourced services.

Cost of revenue

Our cost of revenue increased by 18.1% from RMB89.0 million in 2013 to RMB105.1 million in 2014, principally as a result of (i) an increase in our employee benefits expenses by 40.4% from RMB34.3 million in 2013 to RMB48.2 million in 2014 and (ii) an increase in our cost of inventories and consumables by 18.7% from RMB20.7 million in 2013 to RMB24.6 million in 2014. The increase in employee benefits expenses was mainly due to the increase in average salaries for physicians and other medical professionals due to intensifying market competition in Beijing and an increase in the number of our medical professionals. The increase in our cost of inventories and consumables was mainly as a result of the growth of our business. These increases were partially offset by a decrease in our outsourced examination and inspection fees by 38.5% from RMB10.5 million in 2013 to RMB6.5 million in 2014 as a result of our adjustment of business strategies to reduce the level of our outsourced services.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 3.9% from RMB149.8 million in 2013 to RMB143.9 million in 2014. Our gross profit margin decreased from 62.7% in 2013 to 57.8% in 2014, primarily driven by the 40.4% increase in our employee benefits expenses of cost of revenue.

Selling expenses

Our selling expenses increased by 55.1% from RMB7.3 million in 2013 to RMB11.3 million in 2014, principally as a result of (i) the increase in the utilities, maintenance fees and office expenses by 57.2% from RMB830,000 in 2013 to RMB1.3 million in 2014 and the significant increase in the advertising and marketing expenses from RMB112,000 in 2013 to RMB2.9 million in 2014 both primarily due to the expenses in relation to our special promotion initiatives in 2014, and (ii) the increase in the employee benefits expenses by 8.5% from RMB5.9 million in 2013 to RMB6.4 million in 2014 primarily due to increased compensation levels and the increased number of customer service staff members.

Administrative expenses

Our administrative expenses increased by 5.5% from RMB32.9 million in 2013 to RMB34.7 million in 2014, principally as a result of (i) the increase in the utilities, maintenance fees and office expenses by 16.9% from RMB16.1 million in 2013 to RMB18.8 million in 2014 primarily due to the growth of our business and (ii) the increase in the employee benefits expenses by 13.3% from RMB7.8 million in 2013 to RMB8.9 million in 2014 primarily due to the increase in the compensation level and the number of our administrative staff. This increase was partially offset by (i) the decrease in the travelling and entertainment expenses by 55.1% from RMB2.1 million in 2013 to RMB924,000 in 2014 due to certain expenses in connection with exploring business cooperation opportunity which incurred in 2013 but did not repeat in 2014 and (ii) the decrease in other administrative expenses by 37.4% from RMB3.3 million in 2013 to RMB2.1 million in 2014 primarily because in 2014 we terminated the relationship with a third party employee training service provider, and we reversed the expense recorded in 2013 on that service.

Other income

Our other income increased significantly from RMB70,000 in 2013 to RMB186,000 in 2014, primarily due to (i) the government grant for the purpose of encouraging the withholding of personal income tax from our employees' salaries and (ii) early termination payments by departing employees.

Other losses — net

We incurred other net losses of RMB43,000 and RMB50,000 in 2013 and 2014, respectively. The losses recorded in 2013 and 2014 primarily related to the disposal of certain fixed assets, such as office and medical equipment, that had reached the end of their service lives.

Finance income

Our finance income increased from RMB1.1 million in 2013 to RMB2.6 million in 2014, primarily due to the interest payment on our term deposit.

Income tax expenses

Our income tax expenses decreased by 5.9% from RMB28.0 million in 2013 to RMB26.4 million in 2014, primarily due to a decrease in our profit before income tax by 9.1% from RMB110.7 million in 2013 to RMB100.7 million in 2014. Our effective income tax rate was 25.3% and 26.2% in 2013 and 2014, respectively.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 10.1% from RMB82.7 million in 2013 to RMB74.3 million in 2014. Our net profit margin decreased from 34.6% in 2013 to 29.8% in 2014, which was generally in line with the decrease in our gross profit margin in 2014.

LIQUIDITY AND CAPITAL RESOURCES

Our business operations and expansion plans require a significant amount of capital, including upgrading our existing medical institutions and establishing and acquiring new medical institutions and other working capital requirement. Historically, we financed our capital expenditures and other working capital requirements mainly through cash generated from operations and capital contribution by our Shareholders as well as bank borrowings. After the Listing, we intend to fund our capital requirements using primarily cash flows generated from our operating activities and the proceeds from the Global Offering.

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
				(unaudited)	
	(in thousands of RMB)				
Net cash generated from operating activities	87,705	84,560	79,071	47,248	72,112
Net cash used in investing activities	(4,646)	(3,029)	(19,122)	(3,675)	7,215
Net cash used in financing activities	(80,091)	(89,851)	(99,357)	(100,655)	(8,687)
Cash and cash equivalents at beginning of the year/period	125,991	128,959	120,639	120,639	81,231
Cash and cash equivalents at end of the year/period	128,959	120,639	81,231	63,557	151,871

Operating activities

We derive our cash inflow from operating activities primarily through provision of healthcare services and hospital consulting services. Cash outflow from operating activities primarily comprises payments for employee benefits expenses, pharmaceuticals, outsourced examination and inspection fees, utilities, maintenance fees and office expenses and other operating expenses. Our net cash flow generated from operating activities primarily reflects our profit before income tax, as adjusted for non-cash items, such as depreciation of property, plant and equipment, amortization, the effects of changes in working capital items and income tax paid.

In the nine months ended September 30, 2016, we had net cash generated from operating activities of RMB72.1 million, primarily attributable to profit before income tax of RMB67.0 million, adjusted to reflect mainly (i) depreciation of property, plant and equipment of RMB11.7 million, (ii) our other losses of RMB18.3 million mainly as a result of the fair value changes of convertible preferred shares and other non-current liabilities of RMB33.5 million, partially offset by the gains on liability settlement by equity instrument of RMB15.3 million, (iii) an increase in trade and other payables of RMB6.2 million mainly due to our business growth and (iv) an increase in deferred revenue of RMB18.1 million. These adjustments were partially offset by (i) an increase in balances with related parties of RMB23.8 million and (ii) income tax paid of RMB23.2 million.

In 2015, we had net cash generated from operating activities of RMB79.1 million, primarily attributable to profit before income tax of RMB92.0 million, adjusted to reflect mainly (i) depreciation of property, plant and equipment of RMB3.8 million and (ii) an increase in trade and other payables of RMB10.6 million mainly due to our acquisition of BNC Women's and Children's Hospital in November 2015 and the growth of our business. These adjustments were partially offset by adjusting for (i) an increase in trade and other receivables of RMB3.6 million mainly due to the growth of our business and our acquisition of BNC Women's and Children's Hospital in November 2015, (ii) an increase in balances with related parties of RMB2.1 million mainly due to our provision of hospital consulting services to Jiahua Likang and (iii) income tax paid of RMB24.2 million.

In 2014, we had net cash generated from operating activities of RMB84.6 million, primarily attributable to profit before income tax of RMB100.7 million, adjusted to reflect mainly (i) depreciation of property, plant and equipment of RMB2.3 million, (ii) an increase in trade and other payables of RMB9.7 million mainly due to the growth of our business and (iii) an increase in deferred revenue of RMB2.7 million. These adjustments were partially offset by income tax paid of RMB33.7 million.

In 2013, we had net cash generated from operating activities of RMB87.7 million, primarily attributable to profit before tax of RMB110.7 million, adjusted to reflect mainly (i) depreciation of property, plant and equipment of RMB1.8 million, (ii) an increase in balances with related parties of RMB2.0 million mainly due to examination and laboratory test services received and purchase of goods from BCH and (iii) an increase in trade and other payables of RMB15.5 million mainly due to the growth of business. These adjustments were partially offset by (i) an increase in deferred revenue of RMB11.1 million and (ii) the income tax paid of RMB29.5 million.

Investing activities

Our cash used in investing activities reflects our cash used in acquisition of BNC Women's and Children's Hospital and purchases of property, plant and equipment such as office and medical equipment and intangible assets such as computer software. Cash inflow from investing activities mainly comprises loan repayments received from our related parties.

In the nine months ended September 30, 2016, we had net cash generated from investing activities of RMB7.2 million, primarily attributable to loan repayments from related parties.

In 2015, we had net cash used in investing activities of RMB19.1 million, primarily attributable to our acquisition of BNC Women's and Children's Hospital in November 2015 and purchases of property, plant and equipment.

In 2014, we had net cash used in investing activities of RMB3.0 million, primarily attributable to our purchases of property, plant and equipment.

In 2013, we had net cash used in investing activities of RMB4.6 million, primarily attributable to our purchases of property, plant and equipment as well as intangible assets, including computer software.

Financing activities

We used cash in financing activities primarily for repayment to related parties, dividends paid to our Shareholders and dividends paid to non-controlling interests. Cash inflows from financing activities mainly comprise capital contribution by our Shareholders, proceeds from borrowings and borrowings from related parties.

In the nine months ended September 30, 2016, we had net cash used in financing activities of RMB8.7 million, primarily attributable to (i) deemed distribution to the controlling shareholder of RMB200.0 million, reflecting the total consideration paid to Ms. Zhao and Ms. Zhou Jie for our acquisition of 99.0% and 1.0% of equity interest in Jiahua Yihe and (ii) dividends paid to non-controlling interests of RMB23.0 million, which were offset by proceeds from the issuance of convertible preferred shares of RMB215.8 million.

In 2015, we had net cash used in financing activities of RMB99.4 million, primarily attributable to loan repayments to related parties of RMB180.8 million, dividends paid to the controlling shareholder of RMB90.3 million and dividends paid to non-controlling interests of RMB28.6 million, which were offset by capital contribution by our Shareholders of RMB200.0 million and proceeds from borrowings of RMB30.0 million.

In 2014, we had net cash used in financing activities of RMB89.9 million, which consists of dividends paid to the controlling shareholder of RMB58.4 million and dividends paid to non-controlling interests of RMB31.4 million.

In 2013, we had net cash used in financing activities of RMB80.1 million, which consists of dividends paid to the controlling shareholder of RMB52.1 million and dividends paid to non-controlling interests of RMB28.0 million.

Capital expenditures and commitments

During the Track Record Period, our historical capital expenditures included expenditures primarily for purchases of property, plant and equipment such as medical equipment, and intangible assets such as computer software relating to our operations, and acquisition of BNC Women's and Children's Hospital. Our capital expenditures amounted to RMB4.3 million, RMB3.3 million, RMB19.1 million, RMB3.7 million and RMB10.7 million in 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, respectively. The following table sets forth our capital expenditure for the periods indicated:

	Year ended December 31,			Nine month ended September 30,	
	2013	2014	2015	2015	2016
	(in thousands of RMB)				
Property, plant and equipment	2,854	3,248	5,694	3,562	10,552
Intangible assets	1,493	81	133	114	159
Acquisition	—	—	13,296	—	—
Total	4,347	3,329	19,123	3,676	10,711

We expect to incur RMB13.0 million in capital expenditures in 2016, primarily related to upgrading our existing medical institutions. We intend to fund our planned capital expenditures through a combination of cash flow from operating activities and the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds" for further details.

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in thousands of RMB)			
Contracted but not provided:				
Property, plant and equipment	—	436	1,148	1,291
Total	—	436	1,148	1,291

Capital commitments that were contracted but not provided represent commitments arising out of a contractual relationship where the relevant property, plant and equipment and intangible assets were not provided as of the relevant dates.

Operating leases

We are lessees in respect of a number of properties held under operating leases for our medical institutions and offices. Our lease agreements have a term ranging from 10 to 15 years with an option to renew. The following table sets forth our operating lease commitments which were due as of the dates indicated:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in thousands of RMB)			
Minimum lease payments under operating leases:				
No more than 1 year	2,669	1,011	12,629	12,466
More than 1 year and no later than 5 years	4,283	2,455	39,982	27,501
More than 5 years	—	—	—	—
Total	6,952	3,466	52,611	39,967

Net current assets/liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of September 30,	As of October 31,
	2013	2014	2015	2016	2016
	(in thousands of RMB)				
					(unaudited)
Current assets					
Inventories	4,783	3,320	4,625	6,281	5,486
Trade receivables	6,971	6,567	12,193	7,987	11,260
Other receivables, deposits and prepayments	2,706	2,055	6,985	17,470	17,555
Amounts due from related parties	3,217	2,513	21,078	22,913	25,772
Cash and cash equivalents	128,959	120,639	81,231	151,871	157,570
Subtotal	146,636	135,094	126,112	206,522	217,643

	As of December 31,			As of September 30,	As of October 31,
	2013	2014	2015	2016	2016
	(in thousands of RMB)				
					(unaudited)
Current liabilities					
Trade payables	8,027	7,608	13,336	14,277	14,552
Accruals, other payables and provisions	24,594	35,906	103,909	105,742	105,897
Deferred revenue	1,935	4,659	6,907	24,961	24,694
Current income tax liabilities	10,155	1,395	2,280	612	872
Amounts due to related parties	3,927	8,400	29,055	2,281	2,396
Borrowings	—	—	10,020	20,040	20,040
Subtotal	48,638	57,968	165,507	167,913	168,451
Net current assets/(liabilities)	97,998	77,126	(39,395)	38,609	49,192

As of October 31, 2016, we had net current assets of RMB49.2 million, consisting of current assets of RMB217.6 million and current liabilities of RMB168.5 million, compared to our net current assets of RMB38.6 million as of September 30, 2016.

As of September 30, 2016, we had net current assets of RMB38.6 million, consisting of current assets of RMB206.5 million and current liabilities of RMB167.9 million, compared to our net current liabilities of RMB39.4 million as of December 31, 2015. This was primarily due to (i) the significant increase in our cash and cash equivalents from RMB81.2 million as of December 31, 2015 to RMB151.9 million as of September 30, 2016 and (ii) the significant decrease in our amounts due to related parties from RMB29.1 million as of December 31, 2015 to RMB2.3 million as of September 30, 2016 as a result of our settlement of the fees due to BCH and the dividend payment made by BNC Children's Hospital to BCH. This was partially offset by the increase in our borrowings designated as current liabilities from RMB10.0 million as of December 31, 2015 to RMB20.0 million as of September 30, 2016 as more prescribed installments of our bank loan became payable within one year. See " — Indebtedness" for details.

As of December 31, 2015, we had net current liabilities of RMB39.4 million, compared to our net current assets of RMB77.1 million as of the same date in 2014. This was a result of (i) the decrease in our current assets by 6.6% from RMB135.1 million in 2014 to RMB126.1 million in 2015, primarily due to the decrease in our cash and cash equivalents by 32.7% from RMB120.6 million as of December 31, 2014 to RMB81.2 million as of the same date in 2015 principally resulting from the dividends paid by BNC Children's Hospital to its shareholders and our higher demand for working capital, which was partially offset by the significant increase in our amounts due from related parties from RMB2.5 million as of December 31, 2014 to RMB21.1 million as of the same date in 2015 primarily as a result of the increase in loans to related parties and (ii) the significant increase in our current liabilities from

RMB58.0 million as of December 31, 2014 to RMB165.5 million as of the same date in 2015 primarily due to the significant increase in our accruals, other payables and provisions from RMB35.9 million as of December 31, 2014 to RMB103.9 million as of the same date in 2015 principally resulting from our acquisition of BNC Women's and Children's Hospital.

As of December 31, 2014, we had net current assets of RMB77.1 million compared to our net current assets of RMB98.0 million as of the same date in 2013. This decrease in our net current assets was primarily due to (i) the decrease in our cash and cash equivalents by 6.5% from RMB129.0 million as of December 31, 2013 to RMB120.6 million as of the same date in 2014, principally resulting from higher demand for working capital and (ii) the increase in our accruals, other payables and provisions by 46.0% from RMB24.6 million as of December 31, 2013 to RMB35.9 million as of the same date in 2014 mainly due to the increase in the membership cards sales and accrued employee benefits in 2014.

Working capital sufficiency

During the Track Record Period, we met our working capital needs mainly from cash generated from operations. We manage our cash flow and working capital by closely monitoring and managing our operations and hospital expansion plans. We also diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations and expansion plans.

Taking into account the financial resources available to us including cash flow from operating activities and the estimated net proceeds from the issuance of new Shares in the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus. Based on the above financial resources available to us, the Joint Sponsors concur with the view of our Directors.

CERTAIN BALANCE SHEET ITEMS

Intangible Assets

Our intangible assets consist primarily of goodwill, computer software and medical licenses. The following table sets forth our intangible assets by category as of the dates indicated:

	As of December31,			As of September 30,
	2013	2014	2015	2016
	(in thousands of RMB)			
Goodwill	—	—	97,682	97,682
Computer software	1,579	1,274	1,337	1,068
Medical licenses	—	—	156,348	152,428
Total	1,579	1,274	255,367	251,178

Goodwill

We recorded goodwill of RMB97.7 million as a result of our acquisition of BNC Women's and Children's Hospital in November 2015. The goodwill was primarily allocated to our pediatrics segment and to a lesser extent our obstetrics and gynecology segment. This goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquired entities and the fair value of any previous equity interest in the acquired entities as of the acquisition date over the fair value of the net identifiable assets we acquired.

Review of goodwill impairment

We do not amortize goodwill, but we conduct impairment reviews at least annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, we allocate goodwill acquired in a business acquisition to each of the operating segments that we expect to benefit from the synergies of the acquisition. We compare the carrying value of the operating segments containing the goodwill to its recoverable amount, which is the higher of the operating segment's value-in-use and fair value less costs of disposal. We did not recognize any impairment losses in respect of goodwill during the Track Record Period. For further information on goodwill impairment review and the goodwill recorded by the Group during the Track Record Period, see Notes 2.6(a) and 7 to our consolidated financial statements included in Appendix I — "Accountant's Report" to this prospectus.

In evaluating the potential for impairment of goodwill, we make assumptions regarding future operating performance, business trends, and market and economic conditions. This analysis further requires us to make assumptions about compounded revenue growth rates, cost and operating expense as a percentage of revenue, long-term growth rates and pre-tax discount rates. There are inherent uncertainties relating to these factors and our management's judgment in applying these factors to the assessment of goodwill recoverability.

Certain assumptions used in evaluating goodwill impairment

We make the following assumptions, among others, when evaluating goodwill impairment.

(i) *Compound growth rates*

The compound growth rates for the eight-year projection period are based on the Company's forecast of its average revenue growth rate from 2016 to 2023. In particular, the Company's management estimated that the compound growth rate of its pediatrics segment revenue is expected to be 10.10% during the period and the compound growth rate of its obstetrics and gynecology segment revenue is expected to be 17.45%.

The Company took into account its past experiences and market forecasts in estimating these growth rates. During the period from 2007 to 2015, BNC Children's Hospital had achieved a compound growth rate of approximately 22.4%, while Frost and Sullivan has also forecasted that Beijing's mid- to high-end private pediatric and obstetric and gynecologic medical services market will experience rapid growth with a Compound Annual Growth Rate ("CAGR") of 23.4% and 28.4%, respectively, from 2015 to 2023.

The revenue growth rate is for the eight-year forecast period. The management of the Company used eight-year financial budgets when it performed goodwill impairment tests for the following reasons:

(i) the investment cycle in the healthcare industry is generally longer than that in other industries, and the useful lives of the business licenses of BNC Children's Hospital and BNC Women's and Children's Hospital are longer than eight years;

(ii) the key assumptions used in the forecast of future cash flows will be affected by the relevant assumptions and estimates, including but not limited to growth trend of neonates, growing children population aged 0-14 years old with implementation of "Universal Two-Child Policy," as well as increasing affordability and increasing demands for high-end medical services. The Company believes that these assumptions and estimates are reliable and are supported by government statistics and research by Frost & Sullivan, an independent market research and consulting company; and

(iii) according to the Frost & Sullivan Report, as a result of the greater demand for high-end healthcare services and overloaded public healthcare institutions, Beijing's mid- to high-end private pediatrics and obstetric and gynecologic medical services are projected to maintain rapid growth with a CAGR of 23.4% and 28.4%, respectively, from 2015 to 2023. As a result, after taking into account the growth potential of BNC Women's and Children's Hospital following the Company's acquisition of this hospital and the steady and the above-industry average historical growth rate of BNC Children's Hospital, the management of the Company believes that the revenue of the two hospitals will maintain rapid growth over the eight-year forecast period and will not enter into a relatively low long-term growth rate stage until after the eight-year forecast period.

The Company's management has adopted a higher compound growth rate for the eight-year projection because reliable information and market forecasts are available for the Company to estimate the compound growth rate. However, adopting a conservative base case, after the eight-year projection period, the Company has used 3% as a long term growth rate. The 3% long-term growth rate was estimated on the basis of the long-term inflation rate in the PRC. It is a commonly used valuation assumption that the long-term growth rate of a company will converge with the long-term growth rate of the country in which it operates.

(ii) *Cost and operation expenses (% of revenue)*

The cost and operation expenses (% of revenue) was determined on the basis of the management's past experience with the Company's pediatrics segment and its cost and operation expenses estimation with respect to the obstetrics and gynecology segment in relation to the Company's acquisition of BNC Women's and Children's Hospital.

(iii) *Discount rates*

The discount rates were determined with reference to discount rates provided by an independent valuer. Discount rates were estimated based on the weighted average cost of capital ("WACCs") of the cash generating units. The WACCs were calculated by weighting the required returns on interest-bearing debt and equity capital in proportion to their estimated percentages in the expected capital structure of some guideline companies in China healthcare sector.

The discount rates of the Company's two cash generating units, BNC Children's Hospital and BNC Women's and Children's Hospital, are different, because of their respective different profitability and revenue profiles.

Sensitivity analysis of goodwill impairment test

Management performs sensitivity analyses when conducting goodwill impairment tests. There was sufficient headroom with no impairment required as at December 31, 2015 and September 30, 2016, even if the compounded revenue growth rate had been 3.0% lower, if the costs and operating expenses as a percentage of revenue had been 3.0% higher, or if the pre-tax discount rate had been 1.0% higher.

Even if the compound growth rate were 5% lower (for example, decreasing from 10.10% to 5.10% in the pediatrics segment, or from 17.45% to 12.45% in the obstetrics and gynecology segment), there still would be no impairment losses for 2015 and the nine months ended September 30, 2016 because the total recoverable amount would be higher than the total carrying amount in the impairment test. If the cost and operation expenses ratio were 5% higher (for example, increasing from 59.13% to 64.13% in the pediatrics segment, or from 74.06% to 79.06% in the obstetrics and gynecology segment) or the discount rate were 3% higher (for example, increasing from 18.74% to 21.74% and from 19.16% to 22.16% in the pediatrics segment for 2015 and the nine months period ended September 30, 2016, respectively, or increasing from 22.21% to 25.21% and from 22.55% to 25.55% in the obstetrics and gynecology segment for 2015 and the nine months period ended September 30, 2016, respectively), there still would be sufficient headroom with no impairment required as at December 31, 2015 and September 30, 2016.

The sensitivity analysis as at September 30, 2016 is shown as below:

Pediatrics segment

If the compound growth rate were 1.0% lower, for example, decreasing from 10.10% to 9.10%, the recoverable amount of the cash-generating unit as at September 30, 2016 would be approximately RMB56.7 million lower.

If the cost and operation expenses ratio were 1.0% higher, for example, increasing from 59.13% to 60.13%, the recoverable amount of the cash-generating unit as at September 30, 2016 would be approximately RMB33.2 million lower.

If the discount rate were 1.0% higher, for example, increasing from 19.16% to 20.16%, the recoverable amount of the cash-generating unit as at September 30, 2016 would be approximately RMB75.8 million lower.

Obstetrics and gynecology segment

If the compound growth rate were 1.0% lower, for example, decreasing from 17.45% to 16.45%, the recoverable amount of the cash-generating unit as at September 30, 2016 would be approximately RMB5.9 million lower.

If the cost and operation expenses ratio were 1.0% higher, for example, increasing from 74.06% to 75.06%, the recoverable amount of the cash-generating unit as at September 30, 2016 would be approximately RMB6.7 million lower.

If the discount rate were 1.0% higher, for example, increasing from 22.55% to 23.55%, the recoverable amount of the cash-generating unit as at September 30, 2016 would be approximately RMB9.0 million lower.

Based on the sensitivity analysis shown as above there still would be sufficient headroom with no impairment required as at September 30, 2016.

The Company’s management selected the rates for its sensitivity analyses based on views of participants in the PRC healthcare industry.

Medical licenses

Medical license, amounting to RMB152.4 million of our intangible assets as of September 30, 2016, represented the medical license we acquired in our acquisition of BNC Women's and Children's Hospital in November 2015. The medical license acquired in a business combination was recognized at fair value which had been valued by an independent valuer at the acquisition date. The medical license has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the license over its estimated useful life of 30 years.

BNC Women's and Children's Hospital initially held a medical license which was renewed in December 2013 for a two-year term expiring in December 2015 without incurring any significant expenses. In December 2015, BNC Women's and Children's Hospital renewed the medical license for a 15-year term with an expiry date of December 28, 2030 without incurring any significant expenses. In their estimation of the useful life of the medical license, our Directors are of the view that a further renewal for another 15 years after the expiration in 2030 without incurring any significant expenses is realistic. As a result, the estimated useful life of the medical license determined by our Directors is 30 years.

Inventories

The following table sets forth a breakdown of our inventories as of the respective dates indicated:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in thousands of RMB)			
Pharmaceuticals	2,564	1,706	2,822	3,363
Medical consumables	2,219	1,614	1,803	2,918
Total	4,783	3,320	4,625	6,281

Our inventories increased by 35.8% from RMB4.6 million as of December 31, 2015 to RMB6.3 million as of September 30, 2016 primarily due to the growth of our business. Our inventories increased by 39.3% from RMB3.3 million as of December 31, 2014 to RMB4.6 million as of the same date in 2015 primarily due to our acquisition of BNC Women's and Children's Hospital in November 2015. Our inventories decreased by 30.6% from RMB4.8 million as of December 31, 2013 to RMB3.3 million as of the same date in 2014 primarily due to our improved inventory management.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2013	2014	2015	2016
Inventory turnover days[(1)]	17.2	14.1	12.3	8.5

(1) Inventory turnover days were calculated based on the average of the opening and closing inventory balances divided by the cost of revenue for the relevant period and multiplied by 365 days for 2013, 2014 and 2015 and 274 days for the nine months ended September 30, 2016.

The continuing decrease in our average inventory turnover days during the Track Record Period was primarily due to our improved inventory management and, with respect to the decreases in 2015 and the nine months ended September 30, 2016, partially due to the decreased inventory as a percentage of cost of revenue.

Trade receivables

Our trade receivables represent the receivables from our patients and commercial medical insurance providers. As of December 31, 2013, 2014 and 2015 and September 30, 2016, we had trade receivables of RMB7.0 million, RMB6.6 million, RMB12.3 million and RMB8.1 million, respectively, of which 99.4%, 89.9%, 77.5% and 88.0% were from commercial medical insurance providers. After deducting allowance for impairment of trade receivables, our net trade receivables were RMB7.0 million, RMB6.6 million, RMB12.2 million and RMB8.0 million, respectively, as of the same dates. The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in thousands of RMB)			
Trade receivables	6,977	6,578	12,276	8,052
Less: allowance for impairment of trade receivables	(6)	(11)	(83)	(65)
Trade receivables — net	6,971	6,567	12,193	7,987

Our net trade receivables decreased by 34.5% from RMB12.2 million as of December 31, 2015 to RMB8.0 million as of September 30, 2016 primarily due to our implementation of more stringent receivables collection policies. Our net trade receivables increased by 85.7% from RMB6.6 million as of December 31, 2014 to RMB12.2 million as of the same date in 2015, primarily due to our acquisition of BNC Women's and Children's Hospital in November 2015. Our net trade receivables decreased by 5.8% from RMB7.0 million as of December 31, 2013 to RMB6.6 million as of the same date in 2014 primarily due to our implementation of more stringent receivables collection policies.

We generally do not extend any credit period to our patients. We allow a credit period of approximately 40 to 60 days to commercial medical insurance providers. The following table sets forth an aging analysis of our trade receivable as of the dates indicated:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in thousands of RMB)			
Up to 3 months	6,447	5,848	11,467	6,828
4 - 6 months	242	535	552	694
7 months - 1 year	213	135	161	226
Over 1 year	75	60	96	304
Total	6,977	6,578	12,276	8,052

The trade receivables that were past due but not impaired are primary receivables from commercial insurance providers. Based on our past experience, our management believes that these trade receivables can be recovered within a reasonable period of time. The following table sets forth an aging analysis of our trade receivables past due but not impaired as of the dates indicated:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in thousands of RMB)			
Up to 3 months	328	278	589	111
4 - 6 months	242	509	551	694
7 months - 1 year	213	135	161	226
Over 1 years	75	60	96	304
Total	858	982	1,397	1,335

As of December 31, 2013, 2014, 2015 and September 30, 2016, we recognized impairment losses on trade receivables of RMB6,000, RMB11,000, RMB83,000 and RMB65,000, respectively, which mainly related to the amounts due from individual patients. As of September 30, 2016, our trade receivable past due as of December 31, 2015 had been reduced by 68.8% to RMB436,000.

The following table sets forth our trade receivables turnover days for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2013	2014	2015	2016
Trade receivables turnover days[(1)]	10.7	9.9	13.3	8.1

(1) Trade receivables turnover days were calculated based on the average of the opening and closing trade receivables divided by revenue for the relevant period and multiplied by 365 days for 2013, 2014 and 2015 and 274 days for the nine months ended September 30, 2016.

Our average trade receivables turnover days were 13.3 days in 2015, which were significantly higher than other periods during the Track Record Period, primarily as a result of our acquisition of BNC Women's and Children's Hospital in November 2015. This resulted in our consolidation of all trade receivables of BNC Women's and Children's Hospital as of December 31, 2015 while only consolidating the revenue thereof for the last month in 2015. In 2013, 2014 and the nine months ended September 30, 2016, our average trade receivables turnover days were 10.7 days, 9.9 days and 8.1 days, respectively, mainly reflecting our implementation of more stringent receivable collection policies over years.

Other receivables, deposits and prepayments

Other receivables, deposits and prepayments represent prepaid rental expenses for our leases, prepayments for our medical equipment, deposits to our suppliers, receivables from patients through credit card payment and advance to employees for business purpose. The following table sets forth a breakdown of our other receivables, deposits and prepayments as of the dates indicated:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in thousands of RMB)			
Prepayments	242	248	2,960	11,815
Other receivables	2,061	1,399	1,218	1,832
Deposits	289	292	1,000	1,257
Others	114	116	1,807	2,566
Total	2,706	2,055	6,985	17,470

Our other receivables, deposits and prepayments increased significantly from RMB7.0 million as of December 31, 2015 to RMB17.5 million as of September 30, 2016, primarily due to an increase of RMB8.9 million in prepayments mainly as a result of (i) our prepaid listing expenses and (ii) the increase in our prepaid rental expenses for our leases and prepayments for our medical equipment.

Our other receivables, deposits and prepayments increased significantly from RMB2.1 million as of December 31, 2014 to RMB7.0 million as of the same date in 2015, primarily due to our acquisition of BNC Women's and Children's Hospital in November 2015.

Our other receivables, deposits and prepayments decreased by 24.1% from RMB2.7 million as of December 31, 2013 to RMB2.1 million as of the same date in 2014, primarily due to a decrease of RMB662,000 in our other receivables mainly because we decided to limit our advance to employees for business purpose at the year end.

Amounts due from/to related parties

During the Track Record Period, we entered into certain transactions with our related parties, comprising those that are trade in nature and those that are non-trade in nature. Our related party transactions that are trade in nature mainly related to healthcare services we provided to BCH's patients, hospital consulting services we provided to Jiahua Likang and the Likang Hospital, healthcare services such as medical examinations received from BCH, purchase of goods such as patient meals from BCH, and cleaning services received from related parties. The following table sets forth a breakdown of our related party transactions that are trade in nature during the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2013	2014	2015	2015	2016
				(unaudited)	
	(in thousands of RMB)				
Medical services provided to					
Beijing Children's Hospital	1,153	872	172	173	—
Hospital consulting services provided to					
Beijing Jiahua Likang Medical Investment and Management Co., Ltd.	—	—	1,751	—	20,348
Examination and laboratory test services received from					
Beijing Children's Hospital	1,205	1,210	1,042	888	938
Purchase of goods from					
Beijing Children's Hospital	300	285	470	323	339
Cleaning services received from					
Beijing Jiahe Commercial & Management Co., Ltd.	—	—	792	792	—
Beijing MuHeJiaYe Property Management Co., Ltd.	—	—	1,547	426	4,466
Total	2,658	2,367	5,774	2,602	26,091

Our Directors believe that our related party transactions during the Track Record Period were conducted on an arm's length basis. Our Directors are also of the view that no related party transaction would distort our results of operations. See "Connected Transactions" for more details.

The following table sets forth our amounts due from/to various related parties by nature of trade and non-trade as of the dates indicated:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in thousands of RMB)			
Amounts due from related companies				
Trade				
Beijing Jiahua Likang Medical Investment and Management Co., Ltd.	—	—	1,751	22,913
Beijing Children's Hospital	1,053	791	963	—
	1,053	791	2,714	22,913
Non-Trade				
Beijing Jiahua Likang Medical Investment and Management Co., Ltd.	39	—	17,923	—
Tianjin Heping New Century Women's and Children's Hospital Co., Ltd.	90	515	400	—
Suzhou New Century International Children's Hospital Co., Ltd.	—	—	23	—
Chengdu New Century Women's and Children's Hospital Co., Ltd.	—	2	18	—
BNC Women's and Children's Hospital	882	1,205	—	—
Beijing Jiahua Kangyong Investment and Management Co., Ltd.	1,153	—	—	—
	2,164	1,722	18,364	—
Total	3,217	2,513	21,078	22,913

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in thousands of RMB)			
Amounts due to related companies				
Trade				
Beijing Children's Hospital	1,466	1,539	1,076	1,042
Beijing Muhe Jiaye Property Management Co., Ltd.	—	—	128	138
	1,466	1,539	1,204	1,180
Non-Trade				
Beijing Children's Hospital	1,900	2,033	23,059	1,099
Beijing Jiahua Kangyong Investment and Management Co., Ltd.	—	4,146	4,783	—
Tianjin Heping New Century Women's and Children's Hospital Co., Ltd.	—	—	9	—
BNC Women's and Children's Hospital	74	179	—	—
Beijing Jiahua Likang Medical Investment and Management Co., Ltd.	—	16	—	—
Mr. Jason ZHOU	487	487	—	—
Century Star Investment Co., Ltd	—	—	—	—
Mr. XU Han	—	—	—	1
Ms. XIN Hong	—	—	—	1
	2,461	6,861	27,851	1,101
Total	3,927	8,400	29,055	2,281

Our amounts due from related parties increased by 8.7% from RMB21.1 million as of December 31, 2015 to RMB22.9 million as of September 30, 2016, primarily due to an increase of RMB3.2 million in our amounts due from Jiahua Likang as a result of our provision of hospital consulting services to Jiahua Likang, which was partially offset by the settlement of our loans to Jiahua Likang.

Our amounts due from related parties increased significantly from RMB2.5 million as of December 31, 2014 to RMB21.1 million as of the same date in 2015, primarily as a result of a significant increase of RMB19.7 million in loans to Jiahua Likang.

Our amounts due from related parties decreased by 21.9% from RMB3.2 million as of December 31, 2013 to RMB2.5 million as of the same date in 2014, primarily as a result of the full settlement of amounts due from Jiahua Kangyong of RMB1.2 million, partially offset by increases in loans to Tianjin Heping New Century Women's and Children's Hospital and BNC Women's and Children's Hospital.

Our amounts due to related parties decreased significantly from RMB29.1 million as of December 31, 2015 to RMB2.3 million as of September 30, 2016 primarily due to a significant decrease of RMB22.0 million in our amounts due to BCH that were non-trade in nature. Such amounts represented utilities and maintenance expenses incurred by BNC Children's Hospital and prepaid by BCH, which owns BNC Children's Hospital's premises. See "Business—Our PPP Arrangements with Public Hospitals—PPP Arrangement with BCH" for details.

Our amounts due to related parties increased significantly from RMB8.4 million as of December 31, 2014 to RMB29.1 million as of the same date in 2015, primarily as a result of a significant increase in the dividends payable to BCH.

Our amounts due to related parties increased significantly from RMB3.9 million as of December 31, 2013 to RMB8.4 million as of the same date in 2014, primarily as a result of a significant increase of RMB4.1 million in amounts due to Jiahua Kangyong mainly due to a decrease in the registered capital of RMB5.0 million of BNC Harmony Clinic, which was wholly owned by Jiahua Kangyong prior to the Reorganization, in June 2014. For details of the Reorganization, see "History, Reorganization and Development — Our Reorganization."

During the Track Record Period, certain of our amounts due from/to related parties were non-trade in nature. As of the Latest Practicable Date, we had RMB1.1 million due to BCH, which were the said utilities and maintenance expenses incurred by BNC Children's Hospital and prepaid by BCH. As of the same date, we did not have any other amount due from/to related parties which were non-trade in nature. We intend to fully settle prior to the Listing all of such amount due to BCH.

Our amounts due from/to related parties which are trade-in nature will be settled prior to the Listing other than those which constitute continuing connected transactions as disclosed in the section headed "Connected Transactions." Other than as disclosed above, we did not have any other material related party transactions. See Notes 13 and 37 to our consolidated financial statements included in Appendix I — "Accountant's Report" and "Connected Transactions" for more information about related party transactions.

Trade payables

Trade payables primarily represent outstanding amounts due to our suppliers of pharmaceuticals and medical consumables. As of December 31, 2013, 2014, 2015 and September 30, 2016, we had trade payables of RMB8.0 million, RMB7.6 million, RMB13.3 million and RMB14.3 million, respectively.

Our trade payables increased by 7.1% from RMB13.3 million as of December 31, 2015 to RMB14.3 million as of September 30, 2016 primarily due to the growth of our business.

Our trade payables increased by 75.3% from RMB7.6 million as of December 31, 2014 to RMB13.3 million as of the same date in 2015, primarily due to our acquisition of BNC Women's and Children's Hospital in November 2015.

Our trade payables decreased by 5.2% from RMB8.0 million as of December 31, 2013 to RMB7.6 million as of the same date in 2014, primarily due to our improved inventory management.

The following table sets out the turnover days for our trade payables for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2013	2014	2015	2016
Trade payables turnover days[(1)]	31.2	27.1	32.5	21.4

(1) Trade payables turnover days were calculated based on the average of the opening and closing trade payables divided by cost of revenue for the relevant period and multiplied by 365 days for 2013, 2014 and 2015 and 274 days for the nine months ended September 30, 2016.

Our average trade payables turnover days in 2015 is not comparable to other periods during the Track Record Period, because we only recorded the revenue of BNC Women's and Children's Hospital in December 2015 but its entire balance of trade payables as of December 31, 2015.

Other than 2015, our average trade payables turnover days in other periods during the Track Record Period continued to decrease, primarily due to our improved inventory management.

Trade payables are non-interest bearing and are normally granted on a credit term of one to two months in the case of pharmaceuticals procurement and three to six months in the case of medical consumables procurement.

The following table sets forth an aging analysis of our trade payables, based on the goods received date, as of the dates indicated:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in thousands of RMB)			
Up to 3 months	6,774	6,778	9,843	9,529
4 - 6 months	877	515	2,949	3,628
7 - 12 months	278	82	333	797
Over 1 year	98	233	211	323
Total	8,027	7,608	13,336	14,277

Accruals, other payables and provisions

Accruals, other payables and provisions represent accrued employee benefits, accrued operating expenses, payables in relation to listing expenses, advance from customers, duty and tax payable other than corporate income tax, other payables to suppliers of plant and equipment and others. The following table sets forth our accruals, other payables and provisions as of the dates indicated:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in thousands of RMB)			
Accrued employee benefits	5,973	10,434	25,611	27,813
Accrued operating expenses	—	—	1,947	2,528
Payables in relation to listing expenses	—	—	4,207	16,153
Advance from customers	13,683	18,837	56,482	47,059
Duty and tax payable other than corporate income tax	514	845	1,121	1,529
Other payables to suppliers of plant and equipment	2,004	3,238	8,703	5,321
Others	2,420	2,552	5,838	5,339
Total	24,594	35,906	103,909	105,742

Our accruals, other payables and provisions increased by 1.8% from RMB103.9 million as of December 31, 2015 to RMB105.8 million as of September 30, 2016, primarily due to a significant increase in our payables in relation to listing expenses from RMB4.2 million as of December 31, 2015 to RMB16.2 million as of September 30, 2016, which was partially offset by a decrease in our advance from customers by 16.7% from RMB56.5 million as of December 31, 2015 to RMB47.1 million as of September 30, 2016 mainly as a result of the change in the terms of our membership card program, following which we recognized membership card sales initially as deferred revenue instead of advance from customers. See " — Deferred revenue" for details.

Our accruals, other payables and provisions increased significantly from RMB35.9 million as of December 31, 2014 to RMB103.9 million as of the same date in 2015, primarily due to (i) a significant increase in our advance from customers from RMB18.8 million as of December 31, 2014 to RMB56.5 million as of the same date in 2015 mainly as a result of the increase in the packaged obstetric services and the membership card sales by BNC Women's and Children's Hospital and (ii) a significant increase in accrued employee benefits from RMB10.4 million as of December 31, 2014 to RMB25.6 million as of the same date in 2015 mainly as a result of the accrued employee benefits of BNC Women's and Children's Hospital.

Our accruals, other payables and provisions increased by 46.0% from RMB24.6 million as of December 31, 2013 to RMB35.9 million as of the same date in 2014, primarily due to (i) an increase in our advance from customers by 37.7% from RMB13.7 million as of December 31, 2013 to RMB18.8

million as of the same date in 2014 mainly as a result of the increase in the membership card sales and (ii) an increase in our accrued employee benefits by 74.7% from RMB6.0 million as of December 31, 2013 to RMB10.4 million as of the same date in 2014 mainly as a result of the increase in our total employees and the average salaries of our employees.

Deferred revenue

Deferred revenue represents unearned revenue we record until corresponding services have been rendered. Our deferred revenue primarily arises from our membership card sales and promotion services to third parties. As of December 31, 2013, 2014, 2015 and September 30, 2016, our deferred revenue was RMB1.9 million, RMB4.7 million, RMB6.9 million and RMB25.0 million, respectively. The increases in our deferred revenue during the Track Record Period were mainly due to the increase in the number of members of our membership programs. The significant increase in our deferred revenue in the nine months ended September 30, 2016 was primarily because, starting February 1, 2016, we recognized membership card sales initially as deferred revenue instead of advance from customers as we changed the terms of membership card program, under the revised terms of which membership cards sold after such date are not eligible for a refund. See Note 23 to the consolidated financial statements included in "Appendix I — Accountant's Report."

INDEBTEDNESS

Our indebtedness during the Track Record Period mainly consisted of bank borrowings. The table below sets forth the maturity profile of our bank borrowings as of the dates indicated:

	As of December 31,			As of September 30,	As of October 31,
	2013	2014	2015	2016	2016
	(in thousands of RMB)				
					(unaudited)
Within 1 year	—	—	10,020	20,040	20,040
Between 1 and 2 years	—	—	19,980	4,950	3,280
Total	—	—	30,000	24,990	23,320

As of September 30, 2016, we had bank borrowings of RMB25.0 million which were to finance the capital expenditure incurred by BNC Women's and Children's Hospital. The bank loan has a fixed interest rate of 5.7%, which was borrowed on December 23, 2015 and will be matured on December 13, 2017. The bank loan is guaranteed by Jiahua Likang and BNC Children's Hospital. The loan became payable with the prescribed installments from July 13, 2016. Our borrowing agreement contains terms, conditions and covenants that are customary for commercial bank loans in the PRC.

As of October 31, 2016, the balance of our bank borrowings was RMB23.3 million and we did not have any committed unutilized banking facility, other outstanding bank loans, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material covenants or contingent liabilities. We will remove the loan guarantee provided by Jiahua Likang prior to the Listing.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not breached any financial covenant or defaulted in repayment of trade and other payables and bank borrowings or other loan facilities that were due. Since October 31, 2016 to the date of this prospectus, there has not been any material adverse change in our indebtedness liabilities. Other than as disclosed above, we do not expect to raise material external debt financing in the near future based on our current business plans.

KEY FINANCIAL RATIOS

	As of and for the year ended December 31,			As of and for the nine months ended September 30,
	2013	2014	2015	2016
Profitability ratios				
Gross profit margin[(1)]	62.7%	57.8%	54.4%	48.1%
Net profit margin[(2)]	34.6%	29.8%	26.0%	12.7%
Return on equity[(3)]	70.1%	76.3%	n.m.[(8)]	n.a.
Return on total assets[(4)]	49.6%	47.8%	12.6%	n.a.
Liquidity ratios				
Current ratio[(5)]	3.01x	2.33x	0.76x	1.23x
Quick ratio[(6)]	2.92x	2.27x	0.73x	1.19x
Capital adequacy ratios				
Gearing ratio[(7)]	—	—	n.m.[(8)]	36.6%

(1) Gross profit for a period divided by revenue for the same period and multiplied by 100.0%.

(2) Profit for a period divided by revenue for the same period and multiplied by 100.0%.

(3) Profit for a period divided by total equity as of the end of such period and multiplied by 100.0%.

(4) Profit for a period divided by total assets as of the end of such period and multiplied by 100.0%.

(5) Current assets divided by current liabilities as of the end of a period and multiplied by 100.0%.

(6) Current assets less inventories divided by current liabilities as of the end of a period and multiplied by 100.0%.

(7) Total borrowings divided by total equity as of the end of such period and multiplied by 100.0%.

(8) Not meaningful due to the negative total equity as of December 31, 2015.

Return on equity

Our return on equity increased from 70.1% in 2013 to 76.3% in 2014, because the decrease in our net profit by 10.1% from RMB82.7 million in 2013 to RMB74.3 million in 2014 was outpaced by the decrease in our total equity by 17.4% from RMB118.0 million as of December 31, 2013 to RMB97.5 million as of the same date in 2014. The decrease in our total equity was mainly due to the dividends paid to the Shareholders of RMB58.4 million and the dividends paid to non-controlling interests of RMB31.4 million in 2014.

Return on total assets

Our return on total assets decreased from 47.8% in 2014 to 12.6% in 2015, primarily due to the significant increase in our total assets from RMB155.4 million as of December 31, 2014 to RMB532.1 million as of the same date in 2015, mainly as a result of our acquisition of BNC Women's and Children's Hospital in November 2015, while we only consolidated its profit for December 2015.

Our return on total assets decreased from 49.6% in 2013 to 47.8% in 2014, as a result of the decrease in our net profit by 10.1% from RMB82.7 million in 2013 to RMB74.3 million in 2014, which outpaced the decrease in our total assets by 6.7% from RMB166.6 million as of December 31, 2013 to RMB155.4 million as of the same date in 2014.

Current ratio

Our current ratio increased from 0.76 times as of December 31, 2015 to 1.23 times as of September 30, 2016 because the increase in our current assets by 63.8% from RMB126.1 million as of December 31, 2015 to RMB206.5 million as of September 30, 2016 outpaced the increase in our current liabilities by 1.5% from RMB165.5 million as of December 31, 2015 to RMB167.9 million as of September 30, 2016. The increase in our current assets was primarily due to the significant increase in our cash and cash equivalents from RMB81.2 million as of December 31, 2015 to RMB151.9 million as of September 30, 2016.

Our current ratio decreased from 3.01 times as of December 31, 2013 to 2.33 times as of the same date in 2014 and further to 0.76 times as of the same date in 2015 as a result of the continued decrease in our current assets, primarily due to the decreases in our cash and cash equivalents, and the continued increase in our current liabilities, primarily due to the increases in our accruals, other payables and provisions, as of such dates.

See " — Liquidity and Capital Resources — Net current assets/liabilities" for a detailed analysis of the changes in our current assets and current liabilities during the Track Record Period.

Quick ratio

Consistent with the changes in our current ratio, we recorded quick ratios of 2.92 times, 2.27 times, 0.73 times and 1.19 times as of December 31, 2013, 2014 and 2015 and September 30, 2016, respectively.

See "— Our Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during various periods.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

FINANCIAL RISK MANAGEMENT

Our activities expose us to a variety of financial risks, including market risk, credit risk and liquidity risk. The market risks to which we are exposed to, as well as our practices to manage such risks, are as follows.

Market risk

Foreign exchange risk

Foreign exchange rate risk arises when recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. We mainly operates in the PRC with most of the transactions settled in RMB. During the Track Record Period, our assets and liabilities were primarily denominated in RMB.

Fair value interest rate risk

Our exposure to changes in interest rates is mainly attributable to its borrowings and cash and cash equivalents. Our income and operating cash flows are substantially independent of changes in market interest rates as we have no significant interest-bearing assets. Borrowings carried at fixed rates expose us to fair value interest-rate risk. The Directors of the Company believe that there is no material interest rate risk related to the Group's borrowings and cash and cash equivalents.

Credit risk

Our credit risk mainly arises from short-term deposits, bank balance, amount due from related parties and trade and other receivables. The maximum exposure to credit risk is represented by its carrying amount in our consolidated balance sheets.

The credit risk of our short-term bank deposit and bank balance is limited because the counterparties are state-owned or reputable commercial banks which are high-credit-quality financial institutions located in the PRC.

We, being a healthcare services provider, has a highly diversified customer base, without any single customer contributing material revenue. Moreover, some of our revenue is settled by reputable commercial insurance companies. We can also closely monitor the patients' billing and claim status by communication with commercial insurance companies to manage the credit risk. We consider that adequate provision for unrecoverable trade receivables had been made during the Track Record Period after considering our experience in collection of trade receivables.

For other receivables and amounts due from related parties, our management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience. The Directors of the Company do not expect any losses from non-performance by these counterparties.

Liquidity risk

We aim to maintain sufficient cash to meet our operating capital requirements. The following table sets forth our financial liabilities by different maturities as of the dates indicated.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	(in thousands of RMB)				
At December 31, 2013					
Trade payables	8,027	—	—	—	8,027
Accruals and other payables (excluding non-financial liabilities)	18,107	—	—	—	18,107
Amounts due to related parties	3,927	—	—	—	3,927
	30,061	—	—	—	30,061
At December 31, 2014					
Trade payables	7,608	—	—	—	7,608
Accruals and other payables (excluding non-financial liabilities)	24,627	—	—	—	24,627
Amounts due to related parties	8,400	—	—	—	8,400
	40,635	—	—	—	40,635
At December 31, 2015					
Borrowings	11,583	20,534	—	—	32,117
Trade payables	13,336	—	—	—	13,336
Accruals and other payables (excluding non-financial liabilities)	77,177	—	—	—	77,177
Amounts due to related parties	29,055	—	—	—	29,055
Other non-current liabilities	—	339,361	—	—	339,361
	131,151	359,895	—	—	491,046
At September 30, 2016					
Borrowings	20,887	4,978	—	—	25,865
Trade payables	14,277	—	—	—	14,277
Accruals and other payables (excluding non-financial liabilities)	76,400	—	—	—	76,400
Amounts due to related parties	2,281	—	—	—	2,281
Convertible preferred shares	—	217,964	—	—	217,964
Other non-current liabilities	—	102,913	—	—	102,913
	113,845	325,855	—	—	439,700

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to the Reporting Accountant, legal advisers and other professional advisers for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-Allotment Option is not exercised, including underwriting commissions and any discretionary incentive fee which may be payable by us) for the Global Offering are RMB84.6 million. During the Track Record Period, we incurred listing expenses of RMB22.8 million, which were recognized as administrative expenses. We expect to incur additional listing expenses of RMB61.8 million, of which RMB19.3 million is expected to be recognized as administrative expenses for the fourth quarter of 2016 and RMB42.5 million will be capitalized. Our Directors do not expect such expenses will have a material and adverse impact on our results of operations for 2016.

DIVIDENDS

Pursuant to the Companies Law (2012 Revision), Cap.22 of the Cayman Islands and our Articles of Association, we, through a general meeting, may declare dividends in any currency, but no dividend may be declared in excess of the amount recommended by the Board. In 2013, 2014 and 2015 and the nine months ended September 30, 2016, we declared dividends of RMB80.1 million, RMB89.9 million, RMB141.6 million and RMB2.0 million, respectively, and distributed dividends of RMB80.1 million, RMB89.9 million, RMB118.8 million and RMB24.8 million, respectively. Pursuant to a shareholder resolution of the Company on December 12, 2016 and a shareholder resolution of Jiahua Yihe on December 16, 2016, dividends of approximately RMB27.5 million related to the profit of BNC Children's Hospital from December 2015 to May 24, 2016 before the completion of the Reorganization, has been agreed and declared to be paid to the then shareholders of Jiahua Yihe immediately before the completion of the Reorganization. However, we do not have any specific dividend policy.

Our Board has the absolute discretion to recommend any dividends. Our dividend distribution record in the past may not be useful as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on September 30, 2016 and based on the consolidated net tangible assets attributable to the owners of the Company as at September 30, 2016 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

This unaudited pro forma adjusted consolidated net tangible assets 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 Group had the Global Offering been completed as at September 30, 2016 or at any future date.

	Audited consolidated net tangible liabilities attributable to the owners of the Company as at September 30, 2016(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per share	
	RMB'000	RMB'000	RMB'000	RMB(3)	HK$(5)
Based on the Offer Price of HK$6.36 per share	(177,811)	627,436	449,625	0.96	1.07
Based on the Offer Price of HK$8.36 per share	(177,811)	833,575	655,764	1.40	1.56

(1) The audited consolidated net tangible assets attributable to the owners of the Company as at September 30, 2016 is extracted from the Accountant's Report set forth in Appendix I to the prospectus, which is based on the audited consolidated net assets attributable to the owners of the Company as at September 30, 2016 of RMB27,285,000 with an adjustment for the intangible assets attributable to the owners of the Company as at September 30, 2016 of RMB205,096,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$6.36 and HK$8.36 per share, being the lower end and higher end of the stated offer price range, respectively, after deduction of the underwriting fees and other related expenses payable by the Group, as adjusted by the amount of about RMB22,827,000 which was incurred in the year 2015 and the nine months ended September 30, 2016 , and do not take into account of any shares that may be issued pursuant to the Over-Allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per share are determined after the adjustments as described in note 2 above and on the basis that 468,897,005 shares are in issue, assuming the Global Offering and Capitalization Issue had been completed on September 30, 2016 but take no account of the conversion of Group B Preferred Shares of 7,542,002 shares and the ordinary shares of 3,560,993 shares classified as non-current liability to ordinary shares or any shares which may fall to be issued upon the exercise of the Over-Allotment Option.

(4) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to September 30, 2016, including the conversion of the preferred shares and the dividend of RMB27,542,000 declared by Jiahua Yihe on December 16, 2016.

Upon completion of the Listing and the Global Offering, the entire Group B Preferred Shares and the ordinary shares classified as non-current liability (which have the same holders' rights as Group B Preferred Shares) will be automatically converted to ordinary shares on a one-for-one basis. On December 16, 2016, Jiahua Yihe declared dividend of RMB27,542,000 related to the profit for the period from December 2015 to May 24, 2016 to the then shareholders of Jiahua Yihe before the completion of the Reorganization. If the Group B Preferred Shares and the ordinary shares classified as non-current liability were converted to ordinary shares on September 30, 2016 and the 2,757,744 restricted shares pursuant to the restricted shares award scheme, which was adopted by the Company in August 2016, were assumed to be in issue on September 30, 2016 and the dividend of RMB27,542,000 declared and paid by Jiahua Yihe on September 30, 2016, the unaudited pro forma adjusted consolidated net tangible assets of our Company will increase by RMB293,335,000, being the carrying amounts of the preferred shares as at September 30, 2016 less the dividend declared. Accordingly, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our

Company would be RMB742,960,000 (based on the Offer Price of HK$6.36 per share) and RMB949,099,000 (based on the Offer Price of HK$8.36 per share) respectively. On the basis that 480,000,000 shares are in issue assuming the Global Offering and Capitalization Issue had been completed on September 30, 2016, the unaudited pro forma adjusted consolidated net tangible assets per share would be RMB1.55 (equivalent to HK$1.73) (based on the Offer Price of HK$6.36 per share) and RMB1.98 (equivalent to HK$2.21) (based on the Offer Price of HK$8.36 per share) respectively.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.89477. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the listing of the Shares on the Hong Kong Stock Exchange.

DISTRIBUTABLE RESERVES

As of September 30, 2016, our Company had no distributable reserves.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial, operational or trading position since September 30, 2016, being the end of the period reported on in the Accountant's Report included in Appendix I — "Accountant's Report."

FUTURE PLANS

Our goal is to become a world-class healthcare group focusing on children and women. We intend to achieve this through our business strategies, details of which are set out in "Our Business — Our Strategies" of this prospectus.

USE OF PROCEEDS

The following table sets forth the estimate of net proceeds (the "**Net Proceeds**") from the Global Offering which we are expected to receive after deduction of underwriting commissions and any discretionary incentive fee which may be payable by us in connection with the Global Offering:

	Assuming the Over-Allotment Option is not exercised	Assuming the Over-Allotment Option is exercised in full
	(in millions of Hong Kong dollars)	
Assuming an Offer Price of HK$7.36 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus) . .	788.7	915.8
Assuming an Offer Price of HK$8.36 per Offer Share (being the high end of the Offer Price range stated in this prospectus) . . .	903.9	1,048.3
Assuming an Offer Price of HK$6.36 per Offer Share (being the low end of the Offer Price range stated in this prospectus). . . .	673.5	783.4

We estimate that the Net Proceeds will be HK$788.7 million (after deduction of underwriting commissions and any discretionary incentive fee which may be payable by us in connection with the Global Offering), assuming the Over-Allotment Option is not exercised and an Offer Price of HK$7.36 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to use the Net Proceeds for the following purposes:

- HK$39.4 million (representing 5.0% of the Net Proceeds) will be used for constructing a remote medical diagnostic center in Beijing;

- HK$39.4 million (representing 5.0% of the Net Proceeds) will be used for renovation and upgrade of one surgery center in Beijing;

- HK$157.7 million (representing 20.0% of the Net Proceeds) will be used for opening one new hospital in Beijing to provide specialty pediatric and obstetric and gynecologic services and two clinics in Beijing to mainly provide outpatient services;

- HK$157.7 million (representing 20.0% of the Net Proceeds) will be used for opening one new hospital and two clinics in Tier 1 Cities other than Beijing;

- 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. As of the Latest Practicable Date, we had not identified any targets . See "Business — Our Future Expansion" for more details; and

- HK$78.9 million (representing 10.0% of the Net Proceeds) will be used for working capital and other general corporate purposes.

If the Offer Price is determined at the highest point of the stated range, the Net Proceeds would be increased by HK$115.2 million. In such event, we have the present intention to apply such amount for additional investment needs in relation to the above-mentioned purposes and any other desirable investment opportunities. If the Offer Price is determined at the lowest point of the stated range, the Net Proceeds would be decreased by HK$115.2 million. In such event, we intend to reduce the amounts to be used for acquisition purposes accordingly.

To the extent that the Net Proceeds from the Global Offering are not immediately used for the above purposes and to the extent permitted by applicable laws and regulations, the Directors may allocate part or all of the proceeds to short-term interest-bearing deposits and/or money-market instruments with authorized financial institutions and/or licensed banks in Hong Kong and/or the PRC. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (the "**Cornerstone Investment Agreements**") with, among others, three cornerstone investors (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), who have agreed to subscribe for, or cause their respective designated entities to subscribe for, (1) 23,900,000 Offer Shares and (2) such number of our Offer Shares (rounded down to the nearest whole board) that may be purchased with US$50.0 million in the aggregate (equivalent to approximately HK$388.3 million) (the "**Cornerstone Placing**") at the Offer Price.

Assuming an Offer Price of HK$6.36 per Share (being the low end of the Offer Price range set forth in this prospectus), the total number of Shares subscribed for by the Cornerstone Investors would be approximately 84,954,000, representing approximately (i) 70.80% of the Offer Shares, assuming that the Over-Allotment Option is not exercised; (ii) 61.56% of the Offer Shares, assuming that the Over-Allotment Option is exercised in full; and (iii) 17.70% of the Shares in issue upon completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. Assuming an Offer Price of HK$7.36 per Share (being the mid-point of the Offer Price range set forth in this prospectus), the total number of Shares subscribed for by the Cornerstone Investors would be approximately 76,658,500, representing approximately (i) 63.88% of the Offer Shares, assuming that the Over-Allotment Option is not exercised; (ii) 55.55% of the Offer Shares, assuming that the Over-Allotment Option is exercised in full; and (iii) 15.97% of the Shares in issue upon completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. Assuming an Offer Price of HK$8.36 per Share (being the high end of the Offer Price range set forth in this prospectus), the total number of Shares subscribed for by the Cornerstone Investors would be approximately 70,347,500, representing approximately (i) 58.62% of the Offer Shares, assuming that the Over-Allotment Option is not exercised; (ii) 50.98% of the Offer Shares, assuming that the Over-Allotment Option is exercised in full; and (iii) 14.66% of the Shares in issue upon completion of the Global Offering, assuming that the Over-Allotment Option is not exercised.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Share under the Global Offering other than and pursuant to the relevant Cornerstone Investment Agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of the Company. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus.

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party, not our connected person or an existing shareholder of our Company or a close associate (as defined under the Listing Rules) of our Group. In addition, each of the Cornerstone Investors is independent of each other, and makes independent investment decisions.

Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations to be published on or about January 17, 2017.

CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about our Cornerstone Investors set forth below has been provided by the relevant Cornerstone Investors in connection with the Cornerstone Placing:

China Life Reinsurance Company Limited

China Life Reinsurance Company Limited ("**China Re**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot) that may be purchased for US$30.00 million in the aggregate (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$6.36 per Share, being the low end of the Offer Price range set forth in this prospectus, the total number of Shares that China Re would subscribe for would be 36,632,500, representing approximately (i) 30.53% of the Offer Shares, assuming that the Over-Allotment Option is not exercised; (ii) 26.55% of the Offer Shares, assuming that the Over-Allotment Option is exercised in full; and (iii) 7.63% of the Shares in issue immediately following the completion of the Global Offering, assuming that Over-Allotment Option is not exercised. Assuming an Offer Price of HK$7.36 per Share, being the mid-point of the Offer Price range set forth in this prospectus, the total number of Shares that China Re would subscribe for would be 31,655,000, representing approximately (i) 26.38% of the Offer Shares, assuming that the Over-Allotment Option is not exercised; (ii) 22.94% of the Offer Shares, assuming that the Over-Allotment Option is exercised in full; and (iii) 6.59% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised. Assuming an Offer Price of HK$8.36 per Share, being the high end of the Offer Price range set forth in this prospectus, the total number of Shares that China Re would subscribe for would be 27,868,500, representing approximately (i) 23.22% of the Offer Shares, assuming that the Over-Allotment Option is not exercised; (ii) 20.19% of the Offer Shares, assuming that the Over-Allotment Option is exercised in full; and (iii) 5.81% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-Allotment Option is not exercised.

China Re is the specialized life reinsurance company in China approved by the State Council and China Insurance Regulatory Commission and founded in December 2003. China Re is a wholly-controlled main business subsidiary of China Reinsurance (Group) Corporation, which has been listed on the Hong Kong Stock Exchange (stock code: 1508). With its headquarters in Beijing, it has a branch in Shanghai and Shenzhen respectively.

CNCB (Cayman) NCH LP

CNCB (Cayman) NCH LP ("**CNCB Fund**") has agreed to subscribe for 23,900,000 Offer Shares at the Offer Price, representing approximately (i) 19.92% of the Offer Shares, assuming that the Over-Allotment Option is not exercised; (ii) 17.32% of the Offer Shares, assuming that the Over-Allotment Option is exercised in full; and (iii) 4.98% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-Allotment Option is not exercised.

Assuming an Offer Price of HK$6.36 per Share, being the low end of the Offer Price range set forth in this prospectus, the aggregate subscription amount for CNCB Fund is HK$152.0 million. Assuming an Offer Price of HK$7.36 per Share, being the mid-point of the Offer Price range set forth in this prospectus, the aggregate subscription amount for CNCB Fund is HK$175.9 million. Assuming an Offer Price of HK$8.36 per Share, being the high end of the Offer Price range set forth in this prospectus, the aggregate subscription amount for CNCB Fund is HK$199.8 million.

CNCB Fund is a specialized fund managed by CNCB (Cayman) Bright Limited, a wholly-owned subsidiary of CNCB (Hong Kong) Investment Limited ("**CNCB Investment**"). CNCB Investment is a company incorporated and registered in Hong Kong, and is the overseas investment and financing platform of China CITIC Bank Corporation Limited ("**CITIC Bank**"). CITIC Bank is a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 998.HK).

Janchor Partners Pan-Asian Master Fund

Janchor Partners Pan-Asian Master Fund ("**Janchor Partners Fund**") has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot) that may be purchased for US$20.0 million in the aggregate (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK$6.36 per Share, being the low end of the Offer Price range set forth in this prospectus, the total number of Shares that Janchor Partners Fund would subscribe for would be 24,421,500, representing approximately (i) 20.35% of the Offer Shares, assuming that the Over-Allotment Option is not exercised; (ii) 17.70% of the Offer Shares, assuming that the Over-Allotment Option is exercised in full; and (iii) 5.09% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-Allotment Option is not exercised. Assuming an Offer Price of HK$7.36 per Share, being the mid-point of the Offer Price range set forth in this prospectus, the total number of Shares that Janchor Partners Fund would subscribe for would be 21,103,500, representing approximately (i) 17.59% of the Offer Shares, assuming that the Over-Allotment Option is not exercised; (ii) 15.29% of the Offer Shares, assuming that the Over-Allotment Option is exercised in full; and (iii) 4.40% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-Allotment Option is not exercised. Assuming an Offer Price of HK$8.36 per Share, being the high end of the Offer Price range set forth in this prospectus, the total number of Shares that Janchor Partners Fund would subscribe for would be 18,579,000, representing approximately (i) 15.48% of the Offer Shares, assuming that the

Over-Allotment Option is not exercised; (ii) 13.46% of the Offer Shares, assuming that the Over-Allotment Option is exercised in full; and (iii) 3.87% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-Allotment Option is not exercised.

Janchor Partners Fund is an investment fund established in the Cayman Islands as an exempted company. It is advised by Janchor Partners Limited ("**Janchor Partners**"), an investment manager established in Hong Kong and regulated by SFC. Janchor Partners takes a long-term industrialist mindset in investing in companies that have superior business models, favorable growth prospects and the potential to take advantage of long term positive structural dynamics of Asian countries and economies. Janchor Partners's ability to invest for the long term is strengthened by its investment partners, comprising high quality global institutional, who commit their capital to Janchor Partners for multi-year periods. This in turn enables Janchor Partners to build strong and meaningful relationships with its investee companies.

CONDITIONS PRECEDENT

The subscription of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in those Underwriting Agreements;

b) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

c) the Listing Committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, the Shares and such approval or permission have not been revoked prior to the commencement of dealings in Shares on the Hong Kong Stock Exchange;

d) the Offer Price having been agreed upon by the Company and the Joint Global Coordinators (acting for themselves and on behalf of the Underwriters);

e) no laws having been enacted or promulgated by any governmental authority that prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or this prospectus and there having been no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

f) the respective representations, warranties, undertakings, acknowledgements and confirmations of the relevant Cornerstone Investor under the relevant Cornerstone Investment Agreement being accurate and true in all respects and not misleading and there being no breach of the relevant Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each of the above Cornerstone Investors has agreed and undertaken that unless it has obtained the prior written consent of the Company, the Joint Global Coordinators and the Joint Sponsors to do otherwise, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, effect any disposal of any of the Shares subscribed for by it pursuant to the relevant Cornerstone Investment Agreement.

Each Cornerstone Investor may transfer the Shares so subscribed in certain limited circumstances as set forth in the relevant Cornerstone Investment Agreement, such as transfer to a wholly owned subsidiary of such Cornerstone Investor, provided that, among other things, such wholly owned subsidiary undertakes in writing to be bound by the Cornerstone Investor's obligations under the relevant Cornerstone Investment Agreement.

HONG KONG UNDERWRITERS

Merrill Lynch Far East Limited

China International Capital Corporation Hong Kong Securities Limited

BOCI Asia Limited

China Merchants Securities (HK) Co., Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed by January 17, 2017 between the Joint Global Coordinators (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 12,000,000 Hong Kong Public Offer Shares and the International Offering of initially 108,000,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" as well as to the Over-Allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Public Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (on behalf of the Underwriters) and our Company agreeing upon the Offer Price) being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares are subject to termination by written notice from the Joint Sponsors and the Joint Global Coordinators, if, at any time prior to 8:00 a.m. on the Listing Date:

(1) there shall develop, occur, exist or come into effect:

(i) any event or series of events or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the PRC, Hong Kong, the Cayman Islands, the British Virgin Islands, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to the Global Offering (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, or any event or series of events or circumstance resulting or likely to result in or representing any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the US dollar or revaluation of Hong Kong dollar or Renminbi against any foreign currencies or a change in any other currency exchange rates) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, NYSE MKT, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent government authority), London, Singapore, the PRC, the Cayman Islands, the European Union (or any member thereof), Japan or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing Laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vii) a change or development or event involving a prospective change in or affecting Taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, Euro, the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) any litigation, claim or legal action being threatened or instigated against any member of the Group or the Controlling Shareholders; or

(ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any government, political, regulatory body of any action against any Director in his or her capacity as such or an announcement by any governmental, political regulatory body that it intends to take any such action; or

(x) the chairman or chief executive officer or Director vacating his or her office; or

(xi) an authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group, the Controlling Shareholders or any Director; or

(xii) a contravention by any member of the Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or other applicable Laws; or

(xiii) a prohibition on the Company or the Controlling Shareholders for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Shares to be issued pursuant to the Over-Allotment Option) pursuant to the terms of the Global Offering; or

(xiv) non-compliance of the prospectus and Application Forms (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or

(xv) the issue or requirement to issue by the Company of any supplement or amendment to the Prospectus, Application Forms, preliminary offering circular or final offering circular or to any other documents used in connection with the contemplated and sale of the Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC without the prior consent of the Joint Sponsors and the Joint Global Coordinators; or

(xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(xvii) an order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Joint Global Coordinators:

(A) has or will have or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, financial or trading position, or performance of the Group as a whole; or

(B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(C) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the prospectus and Application Forms; or

(D) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting), the Global Offering incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Joint Sponsors and the Joint Global Coordinators:

(i) that any statement contained in any of the prospectus and Application Forms, post hearing information pack and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the prospectus and Application Forms, post hearing information pack and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable grounds or, where appropriate, based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(ii) non-compliance of the prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations; or

(iii) any contravention by any member of the Group or any Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or other applicable laws; or

(iv) that any matter or event has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the prospectus, constitute a material omission from any of the prospectus and Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(v) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(vi) any event, act or omission which gives or is likely to give rise to any liability of any of the Company or the Controlling Shareholders pursuant to the indemnities given by the Company or the Controlling Shareholders under the Hong Kong Underwriting Agreement or the Company or the Controlling Shareholders under the International Underwriting Agreement; or

(vii) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position, reputation or condition, financial or otherwise including any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(viii) any matter or event arising or has been discovered rendering or showing any of the representations, warranties and undertakings given by the covenantors in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading or having been breached in any material aspect; or

(ix) approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-Allotment Option under the Global Offering) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(x) any of the experts (other than the Joint Sponsors) named in the paragraph headed "F. Other Information — 7. Qualification of Experts" in Appendix IV to the prospectus has withdrawn its respective consent to the issue of the prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(xi) the Company withdraws the prospectus and the Application Forms (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(xii) the Stock Borrowing Agreement is not duly authorized, executed and delivered or it is terminated; or

(xiii) the investment commitments by any cornerstone investors after signing of the Cornerstone Investment Agreements, have been withdrawn, terminated or cancelled or if any corporate or cornerstone investors is unlikely to fulfill its obligation under the respective agreement.

Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules

(B) *Undertakings by Our Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except in certain circumstances provided under Rule 10.08 of the Listing Rules.

(C) *Undertakings by our Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and to our Company that, except pursuant to the Global Offering of the Shares (including pursuant to the Over-Allotment Option and the Stock Borrowing Agreement (if applicable)), it/he shall not and shall procure that the relevant registered holder(s) shall not, unless in compliance with the requirements of the Listing Rules:

(i) in the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner; and

(ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests, or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder of our Company.

Note (2) to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent a Controlling Shareholder from using the Shares beneficially owned by it/him as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have further undertaken to the Hong Kong Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he shall and shall procure the relevant registered holders:

(i) when it/he or the relevant registered holders pledge or charge any Shares beneficially owned by it/him in favor of an authorized institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when it/he or the relevant registered holders receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) *Undertakings by Our Company*

Our Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, that except pursuant to the Global Offering (including pursuant to the exercise of the Over-Allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the "**First Six-month Period**") our Company will not, and procure each other member of the Group not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) (subject to the requirements set out in the Listing Rules):

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing) (the "**Held Interests**"), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of such Held Interests; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or agree to, or publicly disclose any intention to effect any transaction described in (i), (ii) or (iii) above,

whether any of the foregoing transactions described in sub-paragraphs (i) to (iii) above is to be settled by delivery of such Held Interests in cash or otherwise (whether or not the issue of the Shares or such other securities will be completed within the First Six-Month Period).

If our Company enters into any of the foregoing transactions described in sub-paragraphs (i) to (iv) above during the period of six months commencing on the date on which the First Six-Month Period expires, our Company must take all necessary steps to ensure that it will not create a disorderly or false market in the securities of our Company.

(B) *Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders has undertaken to each of the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and the Hong Kong Underwriters that, except as pursuant to the Global Offering (including pursuant to the exercise of the Over-Allotment Option) and the Stock Borrowing Agreement, none of our Controlling Shareholders will, without the prior written consent of the Joint Sponsors and Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules:

(i) during the First Six-Month Period:

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly (including by way of altering the composition or classes of beneficiaries of any trust), conditionally or unconditionally, any Shares or other securities of the Company or, to the extent applicable, shares or other securities of JoeCare or Century Star or any interest respectively therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities of the Company, or to the extent applicable, shares or other securities of JoeCare or Century Star or any interest in any of the foregoing) (the "**Locked-up Interests**"), or deposit any Shares or other securities of the Company or shares or other securities of JoeCare or Century Star with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Locked-up Interests; or

(c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

(d) offer to or agree to, or publicly disclose any intention to effect any transaction described in (a) to (c) above, whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or shares or other securities of JoeCare or Century Star, as applicable, in cash or otherwise (whether or not the issue of such Shares or such other securities of the Company or shares or other securities of JoeCare or Century Star will be completed within the First Six-month Period);

(ii) during the six months after the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), our Controlling Shareholders will not enter into any of the foregoing transactions in sub-clauses (a), (b) or (c) above or offer to or agree to or publicly disclose any intention to effect any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance, any of our Controlling Shareholders will cease to be a "controlling shareholder" (as defined in the Listing Rules) of our Company; and

(iii) until the expiry of the Second Six-Month period, in the event that any of our Controlling Shareholders enters into any transactions or offers to or agrees to, or publicly disclose an intention to enter into any such transactions, it/he will take all reasonable steps to ensure that it/he will not create a disorderly or false market in the securities of our Company.

Undertakings by Other Shareholders of the Company

(A). *Undertakings by Ms. Liang and Victor Gains*

Pursuant to an undertaking submitted to the Hong Kong Stock Exchange and a deed of lock-up undertaking (the "**Deed of Lock-up I**") entered into by each of Ms. Liang and Victor Gains in favor of, among others, the Company and the Underwriters, each of Ms. Liang and Victor Gains has undertaken to each of the Hong Kong Stock Exchange, the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that:

(i) during the period (the "**Lock-up Period I**") commencing on the date of the Deed of Lock-up I and ending on, and including, the date that is six months from the Listing Date, she/it will not and, will procure that none of her/its associates or companies controlled by her/it or any nominee or trustee holding in trust for her/it will:

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly (including by way of altering the composition or classes of beneficiaries of any trust), conditionally or unconditionally, any Shares or other securities of the Company or to the extent applicable, shares or other securities of Victor Gains or any interest respectively therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or such other securities of the Company or to the extent applicable, shares or other securities of Victor Gains or any interest in any of the foregoing) (the "**Locked-up Securities I**") in respect of which she/it is the beneficial owner, or deposit any Locked-up Securities I with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities I; or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce or publicly disclose any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company, or shares or other securities of Victor Gains in cash or otherwise (whether or not the issue of such Shares or such other securities of the Company or shares or other securities of Victor Gains will be completed within the Lock-up Period I);

(ii) during the period of six months commencing on the date on which the Lock-up Period I expires, she/it will not enter into any of the foregoing transactions in paragraph (a), (b) or (c) above or offer to or agree to or publicly disclose any intention to effect any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance, the percentage of the total equity interest beneficially held by Mr. Zhou and Ms. Liang in the Company in aggregate will be less than 30%; and

(iii) during the period of six months commencing on the date on which the Lock-up Period I expires, in the event that she/it enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announce or publicly disclose, any intention to effect any such transaction, she/it will take all reasonable steps to ensure that she/it will not create a disorderly or false market in the securities of the Company.

(B). *Undertakings by Pre-IPO Investors*

Each of the Pre-IPO Investors has entered into a deed of lock-up undertaking (effectively the "**Deeds of Lock-up**") in favor of, among others, the Company and the Underwriters, pursuant to which, each of the Pre-IPO Investors has undertaken to each of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that:

(i) during the period (the "**Lock-up Period II**") commencing on the date of the Deeds of Lock-up and ending on, and including, the date that is six months from the Listing Date, it will not and, will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it will:

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly (including by way of altering the composition or classes of beneficiaries of any trust), conditionally or unconditionally, any Shares or other securities of the Company or any interest respectively therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or such other securities of the Company or any interest in any of the foregoing) in respect of which it is the beneficial owner (the "**Locked-up Securities II**"), or deposit any Locked-up Securities II with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities II; or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce or publicly disclose any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of the Company in cash or otherwise (whether or not the issue of such Shares or other securities of the Company will be completed within the Lock-up Period II); and

(ii) during the period of six months commencing on the date on which the Lock-up Period II expires, in the event that it enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announce or publicly disclose, any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Indemnity

We and our Controlling Shareholders have agreed to indemnify, amongst others, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach or alleged breach by our Company and our Controlling Shareholders of the Hong Kong Underwriting Agreement, as the case may be.

Hong Kong Underwriters' Interests in Our Company

Except for their respective obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we and our Controlling Shareholders will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally and not jointly agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-Allotment Option

We expect to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-Allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 18,000,000 Shares, representing no more than 15% of the initial Offer Shares, at the Offer Price under the International Offering, to cover, amongst others, over-allocations in the International Offering, if any.

Commissions and Expenses

The Joint Global Coordinators will receive an underwriting commission equal to 3.0% of the aggregate Offer Price payable for the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering. The Company may, at its sole and absolute discretion, pay the Hong Kong Underwriters an additional discretionary incentive fee of up to 1.0% of the Offer Price for each Hong Kong Public Offer Share.

For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering (in such proportion as the Joint Global Coordinators in their sole discretion consider appropriate), the underwriting commission regarding such Hong Kong Public Offer Shares shall be reallocated to the International Underwriters (in such proportion as the Joint Global Coordinators in their sole discretion consider appropriate).

Assuming the Over-Allotment Option is not exercised, the aggregate commissions and fees, together with Hong Kong Stock Exchange listing fees, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK$94.5 million (assuming an Offer Price of HK$7.36 per Offer Share, being the mid-point of the indicative Offering Price range stated in this prospectus), are payable and borne by our Company, of which approximately HK$47.5 million of the indicative will be capitalized after the Listing. The remaining approximately HK$47.0 million fees and expenses is expected to be charged to our profit and loss accounts.

INDEPENDENCE OF JOINT SPONSORS

The Joint Sponsors satisfy the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-Allotment Option):

(a) the Hong Kong Public Offering of 12,000,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed "The Hong Kong Public Offering" below; and

(b) the International Offering of an aggregate of 108,000,000 Shares (subject to adjustment and the Over-Allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act as described in the paragraph headed "The International Offering" below.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-Allotment Option as set out in the paragraph headed "The International Offering — Over-Allotment Option" in this section.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in the paragraph headed "The Hong Kong Public Offering — Reallocation".

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Public Offer Shares Initially Offered

We are initially offering 12,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-Allotment Option is not exercised. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in the paragraph headed "Conditions of the Global Offering" below.

Allocation

The allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Public Offer Shares initially in Pool A and Pool B will be 6,000,000 and 6,000,000, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5.00 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5.00 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple applications or suspected multiple applications and any application for more than 6,000,000 Hong Kong Public Offer Shares (being 50% of the 12,000,000 Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 12,000,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 36,000,000 Offer Shares, representing 30.00% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 48,000,000 Offer Shares, representing 40.00% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 60,000,000 Offer Shares, representing 50.00% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators in their sole discretion consider appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering in such proportions as the Joint Global Coordinators in their sole discretions consider appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$8.36 per Offer Share in addition to the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and Allocation" below, is less than the maximum price of HK$8.36 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For details, please refer to the section headed "How to Apply for Hong Kong Public Offer Shares".

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

Subject to reallocation as described in this section and the exercise of the Over-Allotment Option, the International Offering will consist of an initial offering of 108,000,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-Allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may require any investor who has been offered International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" in this section, the exercise of the Over-Allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Offering.

Over-Allotment Option

We expect to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-Allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 18,000,000 Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover, amongst others, over-allocations in the International Offering, if any. If the Over-Allotment Option is exercised in full, the Offer Shares will represent 27.7% of our Company's issued share capital immediately following completion of the Global Offering and the exercise of the Over-Allotment Option. In the event that the Over-Allotment Option is exercised, we will make an announcement in due course.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilizing Manager or any person acting for it.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-Allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, or any person acting for it, will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, or any person acting for it, may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Joint Global Coordinators, or any person acting for it may cover such over-allocation by, amongst others, using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market, exercising the Over-Allotment Option in full or in part, or through the stock borrowing arrangement mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. The number of Shares which can be over-allocated will not exceed the number of Shares which may be allotted and issued pursuant to the exercise in full of the Over-Allotment Option, being 18,000,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 18,000,000 Shares from JoeCare pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager and JoeCare on or around the Price Determination Date. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set forth in Listing Rule 10.07(3), including:

(a) the stock borrowing arrangements are fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-Allotment Option in connection with the International Offering;

(b) the maximum number of Shares to be borrowed from JoeCare by the Stabilizing Manager is the maximum number of Shares that may be issued upon full exercise of the Over-Allotment Option;

(c) the same number of Shares borrowed under the Stock Borrowing Agreement is returned to JoeCare within three business days after the last day on which the Over-Allotment Option may be exercised or, if earlier, the date on which the Over-Allotment Option is exercised in full;

(d) borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with applicable Listing Rules, laws and other regulatory requirements; and

(e) no payments will be made to JoeCare by the Stabilizing Manager in relation to the Stock Borrowing Agreement.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different price or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Wednesday, January 11, 2017 and in any event no later than Tuesday, January 17, 2017.

The Offer Price will not be more than HK$8.36 per Offer Share and is expected to be not less than HK$6.36 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause them to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.ncich.com.cn**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) notices of the reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Joint Global Coordinators (on behalf of the Underwriters), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set forth in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings solely in the discretion of the Joint Global Coordinators.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Tuesday, January 17, 2017 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.ncich.com.cn**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting."

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-Allotment Option);

(b) the Offer Price having been agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before Tuesday, January 17, 2017, the Global Offering will not proceed and lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst others, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.ncich.com.cn**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**). In such eventuality, all application monies will be returned, without interest, on the terms set forth in the paragraph headed "How to Apply for Hong Kong Public Offer Shares — Dispatch/Collection of Share Certificates and Refund Monies". In the meantime, all application monies will be held in a separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Hong Kong Public Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue, the Global Offering (including pursuant to the exercise of the Over-Allotment Option) and the conversion of the Group B Shares upon completion of the Global Offering.

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, January 18, 2017, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, January 18, 2017. The Shares will be traded on the main board of the Hong Kong Stock Exchange in board lots of 500 Shares each.

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO service provider** and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO service**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO service** for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, December 30, 2016 until 12:00 noon on Wednesday, January 11, 2017 from:

(i) any of the following offices of the Hong Kong Underwriters:

Merrill Lynch Far East Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29th Floor,
One International
Finance Centre
1 Harbour View Street,
Central
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

(ii) any of the branches of the following receiving bank:

Standard Chartered Bank (Hong Kong) Limited

District	Branch	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon	Kwun Tong Branch	G/F, 414 Kwun Tong Road, Kowloon
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
New Territories	Metroplaza Branch	Shop No. 175 , Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Tuen Mun Town Plaza Branch	Shop No. G047-G052, Tuen Mun Town Plaza Phase I, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, December 30, 2016 until 12:00 noon on Wednesday, January 11, 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED-NEW CENTURY HEALTHCARE PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, December 30, 2016 — 9:00 a.m. to 5:00 p.m.
- Saturday, December 31, 2016 — 9:00 a.m. to 1:00 p.m.
- Tuesday, January 3, 2017 — 9:00 a.m. to 5:00 p.m.
- Wednesday, January 4, 2017 — 9:00 a.m. to 5:00 p.m.
- Thursday, January 5, 2017 — 9:00 a.m. to 5:00 p.m.
- Friday, January 6, 2017 — 9:00 a.m. to 5:00 p.m.
- Saturday, January 7, 2017 — 9:00 a.m. to 1:00 p.m.
- Monday, January 9, 2017 — 9:00 a.m. to 5:00 p.m.
- Tuesday, January 10, 2017 — 9:00 a.m. to 5:00 p.m.
- Wednesday, January 11, 2017 — 9:00 a.m. to 12:00 noon

The application for the Hong Kong Public Offer Shares will commence on Friday, December 30, 2016 up to Wednesday, January 11, 2017, being slightly longer than normal market practice of four days.

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, January 11, 2017, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO service**, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first- named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the "Personal Collection" section in the prospectus to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO service provider** by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Hong Kong Public Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO service provider** to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO service provider** at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, December 30, 2016 until 11:30 a.m. on Wednesday, January 11, 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, January 11, 2017 or such later time under the "10. Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO service**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO service** to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO service**, more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO service** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "New Century Healthcare Holding Co. Limited" **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support the funding of "Source of Dong Jiang—Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and are not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering;

- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Public Offer Shares. Instructions for more than 500 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, December 30, 2016 — 9:00 a.m. to 8:30 p.m.[(1)]
- Saturday, December 31, 2016 — 8:00 a.m. to 1:00 p.m.[(1)]
- Tuesday, January 3, 2017 — 8:00 a.m. to 8:30 p.m. [(1)]
- Wednesday, January 4, 2017 — 8:00 a.m. to 8:30 p.m. [(1)]
- Thursday, January 5, 2017 — 8:00 a.m. to 8:30 p.m.[(1)]
- Friday, January 6, 2017 — 8:00 a.m. to 8:30 p.m.[(1)]
- Monday, January 9, 2017 — 8:00 a.m. to 8:30 p.m.[(1)]
- Tuesday, January 10, 2017 — 8:00 a.m. to 8:30 p.m.[(1)]
- Wednesday, January 11, 2017 — 8:00 a.m.[(1)] to 12:00 noon

(1) These times are subject to changes as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m., on Friday, December 30, 2016 until 12:00 noon on Wednesday, January 11, 2017 (24 hours daily, except from 3:00 a.m. on Saturday, January 7, 2017 to 7:00 a.m. on Sunday, January 8, 2017).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, January 11, 2017, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO service** is also only a facility provided by the **White Form eIPO service provider** to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO service** will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, January 11, 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO service**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO Service** in respect of a minimum of 500 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed "Structure of the Global Offering — Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or

- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, January 11, 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, January 11, 2017 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Tuesday, January 17, 2017 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.ncich.com.cn** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.ncich.com.cn** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, January 17, 2017;

- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, January 17, 2017 to 12:00 midnight on Monday, January 23, 2017;

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, January 17, 2017 to Friday, January 20, 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, January 17, 2017 to Thursday, January 19, 2017 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO service provider**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the **White Form eIPO service provider** and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Public Offer Shares is void:**

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO service** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50.00% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$8.36 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, January 17, 2017.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by a **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Tuesday, January 17, 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, January 18, 2017 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, January 17, 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, January 17, 2017, by ordinary post and at your own risk.

(ii) ***If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, January 17, 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, January 17, 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, January 17, 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) ***If you apply through the White Form eIPO service***

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, January 17, 2017 or such other date as notified by the Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, January 17, 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) ***If you apply via Electronic Application Instructions to HKSCC***

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, January 17, 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, January 17, 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, January 17, 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, January 17, 2017. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, January 17, 2017.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

30 December 2016

The Directors
New Century Healthcare Holding Co. Limited

Merrill Lynch Far East Limited
China International Capital Corporation Hong Kong Securities Limited

Dear Sirs,

We report on the financial information of New Century Healthcare Holding Co. Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at 31 December 2013, 2014 and 2015 and 30 September 2016, the balance sheets of the Company as at 31 December 2015 and 30 September 2016, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to the prospectus of the Company dated 30 December 2016 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 31 July 2015 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization as described in Note 1(b) of Section II headed "Reorganization" below, which was completed on 24 May 2016, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganization").

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

As at the date of this report, the Company has direct or indirect interests in the subsidiaries as set out in Note 1(b) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No statutory audited financial statements have been prepared by the Company as there is no statutory audit requirement in the Cayman Islands. The statutory audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section II.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the financial position of the Company as at 31 December 2015 and 30 September 2016 and the financial position of the Group as at 31 December 2013, 2014 and 2015 and 30 September 2016, and of the Group's financial performance and cash flows for the Relevant Periods.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2015 and a summary of significant accounting policies 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 accounting policies set out in Note 2 of Section II below.

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 of the Stub Period Comparative Financial Information 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 HKSAs 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 purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2013, 2014 and 2015 and 30 September 2016 and for each of the years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2015 and 2016 (the "Financial Information").

CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December			As at 30 September
		2013	2014	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	16,926	19,059	114,359	109,969
Intangible assets	7	1,579	1,274	255,367	251,178
Deferred income tax assets	24	1,495	3	36,225	32,861
Total non-current assets		20,000	20,336	405,951	394,008
Current assets					
Inventories	9	4,783	3,320	4,625	6,281
Trade receivables	11	6,971	6,567	12,193	7,987
Other receivables, deposits and prepayments	12	2,706	2,055	6,985	17,470
Amounts due from related parties	13	3,217	2,513	21,078	22,913
Cash and cash equivalents	14	128,959	120,639	81,231	151,871
Total current assets		146,636	135,094	126,112	206,522
Total assets		166,636	155,430	532,063	600,530

	Note	As at 31 December 2013	As at 31 December 2014	As at 31 December 2015	As at 30 September 2016
		RMB'000	RMB'000	RMB'000	RMB'000
EQUITY					
Equity attributable to owners of the Company					
Share capital	15	—	—	—	66
Share premium	16	—	—	—	1,538,280
Reserves	16	27,500	22,500	(32,956)	(1,519,709)
Retained earnings/(accumulated losses)		52,286	40,588	(10,545)	8,648
Subtotal		79,786	63,088	(43,501)	27,285
Non-controlling interests	8(a)	38,212	34,374	11,107	40,955
Total equity/(deficit)		117,998	97,462	(32,394)	68,240
LIABILITIES					
Non-current liabilities					
Borrowings	19	—	—	19,980	4,950
Convertible preferred shares	20	—	—	—	217,964
Deferred income tax liabilities	24	—	—	39,609	38,550
Other non-current liabilities	20	—	—	339,361	102,913
Total non-current liabilities		—	—	398,950	364,377
Current liabilities					
Trade payables	21	8,027	7,608	13,336	14,277
Accruals, other payables and provisions	22	24,594	35,906	103,909	105,742
Deferred revenue	23	1,935	4,659	6,907	24,961
Current income tax liabilities		10,155	1,395	2,280	612
Amounts due to related parties	13	3,927	8,400	29,055	2,281
Borrowings	19	—	—	10,020	20,040
Total current liabilities		48,638	57,968	165,507	167,913
Total liabilities		48,638	57,968	564,457	532,290
Total equity and liabilities		166,636	155,430	532,063	600,530

BALANCE SHEETS OF THE COMPANY

	Note	As at 31 December 2015	As at 30 September 2016
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries	25	1,531,735	1,733,437
Total non-current assets		1,531,735	1,733,437
Current assets			
Cash and cash equivalents	14	—	9,256
Other receivables, deposits and prepayments		—	1,240
Total current assets		—	10,496
Total assets		1,531,735	1,743,933
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	—	66
Share premium	17	—	1,538,282
Reserves	17	1,192,374	(101,907)
Accumulated losses		(4,207)	(23,320)
Total equity		1,188,167	1,413,121
LIABILITIES			
Non-current liabilities			
Convertible preferred shares	20	—	217,964
Other non-current liabilities	20	339,361	102,913
Total non-current liabilities		339,361	320,877
Current liabilities			
Amounts due to subsidiaries		—	883
Accruals, other payables and provisions	22	4,207	9,052
Total current liabilities		4,207	9,935
Total liabilities		343,568	330,812
Total equity and liabilities		1,531,735	1,743,933

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
	Note	2013	2014	2015	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	26	238,770	249,013	258,196	174,536	340,026
Cost of revenue	27	(88,981)	(105,118)	(117,686)	(78,403)	(176,414)
Gross profit		149,789	143,895	140,510	96,133	163,612
Selling expenses	27	(7,272)	(11,278)	(10,612)	(6,892)	(13,811)
Administrative expenses	27	(32,883)	(34,702)	(38,312)	(20,984)	(63,935)
Other income	29	70	186	238	116	335
Other losses — net	30	(43)	(50)	(113)	(30)	(18,262)
Operating profit		109,661	98,051	91,711	68,343	67,939
Finance income	31	1,087	2,647	316	237	299
Finance expenses	31	—	—	(43)	—	(1,260)
Profit before income tax		110,748	100,698	91,984	68,580	66,978
Income tax expense	32	(28,038)	(26,383)	(24,789)	(17,826)	(23,840)
Profit for the year/period		82,710	74,315	67,195	50,754	43,138
Other comprehensive income		—	—	—	—	—
Total comprehensive income		82,710	74,315	67,195	50,754	43,138
Profit and total comprehensive income attributable to:						
Owners of the Company		53,566	46,705	40,903	32,060	19,193
Non-controlling interests		29,144	27,610	26,292	18,694	23,945
		82,710	74,315	67,195	50,754	43,138
Earnings per share attributable to owners of the Company (expressed in RMB per share)						
Basic and diluted	33	0.64	0.56	0.49	0.38	0.23

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings/ (accumulated losses)	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013		—	27,500	50,779	78,279	37,100	115,379
Comprehensive income							
- Profit for the year		—	—	53,566	53,566	29,144	82,710
Transactions with owners							
- Dividend	18	—	—	(52,059)	(52,059)	(28,032)	(80,091)
Total transactions with owners		—	—	(52,059)	(52,059)	(28,032)	(80,091)
At 31 December 2013		—	27,500	52,286	79,786	38,212	117,998
At 1 January 2014		—	27,500	52,286	79,786	38,212	117,998
Comprehensive income							
- Profit for the year		—	—	46,705	46,705	27,610	74,315
Transactions with owners							
- Capital withdrawn by the controlling shareholder	16(b)	—	(5,000)	—	(5,000)	—	(5,000)
- Dividend	18	—	—	(58,403)	(58,403)	(31,448)	(89,851)
Total transactions with owners		—	(5,000)	(58,403)	(63,403)	(31,448)	(94,851)
At 31 December 2014		—	22,500	40,588	63,088	34,374	97,462
At 1 January 2015		—	22,500	40,588	63,088	34,374	97,462
Comprehensive income							
- Profit for the year		—	—	40,903	40,903	26,292	67,195
Transactions with owners							
- Dividend	18	—	—	(92,036)	(92,036)	(49,559)	(141,595)
- Capital contribution by the controlling shareholder	16(c)	—	200,000	—	200,000	—	200,000
- Ordinary shares agreed to be issued for Listing Business	16(d)	—	1,192,374	—	1,192,374	—	1,192,374
- Merger reserve during the Reorganization	16(e)	—	(1,423,090)	—	(1,423,090)	—	(1,423,090)
- Deemed distribution to the controlling shareholder	16(f)	—	(24,740)	—	(24,740)	—	(24,740)
Total transactions with owners		—	(55,456)	(92,036)	(147,492)	(49,559)	(197,051)
At 31 December 2015		—	(32,956)	(10,545)	(43,501)	11,107	(32,394)

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Reserves	Retained earnings/ (accumulated losses)	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016		—	—	(32,956)	(10,545)	(43,501)	11,107	(32,394)
Comprehensive income								
-Profit for the period		—	—	—	19,193	19,193	23,945	43,138
Transaction with owners								
- Dividend	18	—	—	—	—	—	(2,024)	(2,024)
- Issuance of ordinary shares	15(d)& 16(d)	55	1,192,374	(1,192,374)	—	55	—	55
- Deemed distribution to the controlling shareholder	16(f)	(2)	—	(301,907)	—	(301,909)	—	(301,909)
- Liability settlement by equity instrument	16(g)	—	—	8,555	—	8,555	—	8,555
- Transaction with the non-controlling interests	16(g)	—	—	(1,027)	—	(1,027)	7,927	6,900
- Conversion from preferred shares into ordinary shares	15(f)	11	345,908	—	—	345,919	—	345,919
- Shares issued to restricted shares award scheme	15(g)	2	(2)	—	—	—	—	—
Total transactions with owners		66	1,538,280	(1,486,753)	—	51,593	5,903	57,496
At 30 September 2016		66	1,538,280	(1,519,709)	8,648	27,285	40,955	68,240
(Unaudited)								
At 1 January 2015		—	22,500	—	40,588	63,088	34,374	97,462
Comprehensive income								
- Profit for the period		—	—	—	32,060	32,060	18,694	50,754
Transaction with owners								
- Dividend	18	—	—	—	(72,090)	(72,090)	(38,818)	(110,908)
- Capital contribution by the controlling shareholder		—	200,000	—	—	200,000	—	200,000
Total transactions with owners		—	200,000	—	(72,090)	127,910	(38,818)	89,092
At 30 September 2015		—	222,500	—	558	223,058	14,250	237,308

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Nine months ended 30 September	
	Note	2013	2014	2015	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from operations	34	116,125	115,564	102,951	67,353	96,286
Interest paid		—	—	—	—	(1,270)
Interest received	31	1,087	2,647	316	237	299
Income tax paid		(29,507)	(33,651)	(24,196)	(20,342)	(23,203)
Net cash generated from operating activities		87,705	84,560	79,071	47,248	72,112
Cash flows from investing activities						
Business combination, net of cash acquired	35	—	—	(13,296)	—	—
Purchases of property, plant and equipment		(2,854)	(3,248)	(5,694)	(3,562)	(10,552)
Purchases of intangible assets	7	(1,493)	(81)	(133)	(114)	(159)
Loan to related parties		(300)	—	—	—	—
Repayments from related parties		—	300	—	—	17,924
Proceeds from disposals of property, plant and equipment	34	1	—	1	1	2
Net cash (used in)/generated from investing activities		(4,646)	(3,029)	(19,122)	(3,675)	7,215

	Note	Year ended 31 December			Nine months ended 30 September	
		2013	2014	2015	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from financing activities						
Proceed from issuance of convertible preferred shares . . .		—	—	—	—	215,834
Capital withdrawn by the controlling shareholder		—	—	(5,000)	—	—
Proceeds from borrowings		—	—	30,000	—	—
Capital contribution by shareholders		—	—	200,000	200,000	66
Deemed distribution to the controlling shareholder		—	—	(24,740)	—	(200,000)
Transaction with non-controlling interests		—	—	—	—	6,900
Payments in relation to listing expenses		—	—	—	—	(1,676)
Repayment of related parties borrowings and bank borrowings		—	—	(180,799)	(200,000)	(5,010)
Dividends paid to the controlling shareholder	18	(52,059)	(58,403)	(90,253)	(72,090)	(1,783)
Dividends paid to the non-controlling interests		(28,032)	(31,448)	(28,565)	(28,565)	(23,018)
Net cash used in financing activities		(80,091)	(89,851)	(99,357)	(100,655)	(8,687)
Net increase/(decrease) in cash and cash equivalents		2,968	(8,320)	(39,408)	(57,082)	70,640
Cash and cash equivalents at the beginning of the year/period . . .		125,991	128,959	120,639	120,639	81,231
Cash and cash equivalents at the end of the year/period . . .		128,959	120,639	81,231	63,557	151,871

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

(a) General Information

The Company was incorporated in the Cayman Islands on 31 July 2015 as an exempted company with limited liability under the Companies Law (Cap 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

During the Relevant Periods, the Group is principally engaged in provision of medical services in pediatrics and obstetrics and gynecology for children and women in Beijing, the People's Republic of China (the "PRC").

The Group has also entered into a hospital consulting service contract with Beijing Jiahua Likang Health Investment Co., Ltd. ("Jiahua Likang"), a related party of the Group which is jointly controlled by Mr. Jason ZHOU, Ms. LIANG Yanqing ("Ms. Liang"), Beijing CDH Weixin Venture Investment Center L.P. ("CDH Weixin"), Beijing CDH Weisen Venture Investment Center L.P. ("CDH Weisen") and Tianjin CDH Asana Equity Investment Partnership L.P. ("CDH Asana") (CDH Weixin, CDH Weisen and CDH Asana are collectively referred to as "CDH Investment I"), to provide hospital consulting services to the seven subsidiaries of Jiahua Likang, all of which are for-profit private hospitals outside Beijing. For details of the transaction, please refer to Note 37(a).

The medical services and the hospital consulting services are collectively referred to as the Listing Business.

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

(b) Reorganization

Prior to the incorporation of the Company and the completion of the reorganization as described below (the "Reorganization"), the Listing Business was carried out by companies now comprising the Group, including Beijing Jiahua Yihe Management Consulting Co., Ltd. ("Jiahua Yihe"), Beijing New Century International Children's Hospital Co., Ltd. ("BNC Children's Hospital"), Beijing New Century Women's and Children's Hospital Co., Ltd. ("BNC Women's and Children's Hospital") and Beijing New Century Harmony Clinic Co., Ltd. ("BNC Harmony Clinic") (collectively the "Operating Companies"). Mr. Jason ZHOU is the controlling shareholder of the Company.

The Operating Companies

BNC Children's Hospital was established in the PRC on 13 December 2002, as a limited liability company with a registered capital of RMB 20,000,000, and was initially held as to 65% by an entity wholly-owned by Mr. Jason ZHOU and 35% by Beijing Children's Hospital, a public hospital in Beijing, the PRC. The 65% equity interest was transferred to Beijing Jiahua Kangyong Investment and Management Co., Ltd. ("Jiahua Kangyong") in 2007, which was held as to 90% by Mr. Jason ZHOU and as to 10% by Ms. ZHAO Juan ("Ms. Zhao"), Mr. Jason ZHOU's spouse.

The predecessor of BNC Harmony Clinic was set up in the PRC by Jiahua Kangyong as a branch medical clinic in 2008. On 30 May 2012, BNC Harmony Clinic was subsequently established by Jiahua Kangyong in the PRC as a limited liability company with an initial registered capital of RMB 8,000,000, which was reduced to RMB 3,000,000 in September 2014, to assume the business of the predecessor of BNC Harmony Clinic.

BNC Women's and Children's Hospital was established in the PRC on 4 January 2012 as a limited liability company with a registered capital of RMB 20,000,000 by Jiahua Likang. Jiahua Likang is a holding company which was jointly controlled by Jiahua Kangyong (41.25%), Beijing Zhonghe Qingrun Investment Co. Limited (33.75%) controlled by Ms. Liang, and CDH Investment I (25%).

On 15 June 2015, Jiahua Yihe was established by Ms. Zhao, with a registered capital of RMB 150,000. On 11 November 2015, Jiahua Yihe increased its registered capital from RMB150,000 to RMB 200,000,000. The capital of RMB 200,000,000 was fully paid in September 2015. On 11 November 2015, Ms. Zhao transferred 1.00% of her equity interest in Jiahua Yihe to Ms. ZHOU Jie, Mr. Jason ZHOU's sister, for a consideration of RMB 2,000,000.

Pursuant to the Reorganization in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"), the Operating Companies engaged in the Listing Business were transferred to the Company. The Reorganization involves the following steps:

Agreements in 2012

Pursuant to agreements in 2012 ("Likang Agreements"), Mr. Jason ZHOU, Ms. Liang and CDH Investment I, the joint venture partners of Jiahua Likang, agreed that, in light of BNC Children's Hospital's plan for a potential initial public offering in the future, to maximize the network effect and synergies and further BNC Children's Hospital's business strategies to develop the business in Beijing: (a) Jiahua Likang agreed to sell BNC Women's and Children's Hospital to the potential listing group comprising of BNC Children's Hospital based on the registered capital of BNC Women's and Children's Hospital; (b) in return, Mr. Jason ZHOU agreed to procure that he, Ms. Liang and CDH Investment I have the equity interests of 58.875%, 23.625% and 17.500% in the potential listing group respectively; (c) the payment of the acquisition price and the transfer of shares in the potential listed group will be settled at the initial public offering reorganization of BNC Children's Hospital; and (d) CDH Investment I is entitled to same preferential rights of any subsequent strategic investors, if any.

In order to execute the Likang Agreements among Mr. Jason ZHOU, Ms. Liang and CDH Investment I, the group A preferred shares purchase agreements ("Group A Preferred Shares Purchase Agreements") were signed on 25 August 2015.

Transfer of shares of the Operating Companies

(i) On 16 November 2015, Jiahua Yihe acquired the 65% equity interests in BNC Children's Hospital from Jiahua Kangyong, with a consideration of RMB 21,740,000. The remaining 35% equity interests is still held by Beijing Children's Hospital.

(ii) On 23 November 2015, Jiahua Yihe acquired the entire equity interests in BNC Harmony Clinic from Jiahua Kangyong with a consideration of RMB 3,000,000.

(iii) On 30 November 2015, Jiahua Yihe acquired the entire equity interests in BNC Women's and Children's Hospital from Jiahua Likang with a cash consideration of RMB 20,000,000.

(iv) On 22 January 2016 and 30 January 2016 respectively, Jiahua Yihe transferred its 30% equity interest in each of BNC Harmony Clinic and BNC Women's and Children's Hospital to Beijing Jiahua Kangming Medical Investment and Management Co., Ltd. ("Jiahua Kangming"), in which Ms. Zhao and Ms. Zhou Jie hold 99% and 1% respectively, for a consideration of RMB 900,000 and RMB 6,000,000 respectively. Based on the mutual understanding among shareholders of the Company, the shareholding structure of Jiahua Kangming is the same as that of the Company.

Incorporation of overseas companies

(i) On 31 July 2015, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. Upon incorporation, one share of par value of USD 1 each was allotted and issued to JoeCare Investment Co., Ltd. ("JoeCare"), a company 100% owned and controlled by Mr. Jason ZHOU, the controlling shareholder of the Company.

(ii) On 14 August 2015, New Millennium Investment Co., Ltd. ("New Millennium") was incorporated as a limited liability company in the BVI with authorized share capital comprised of 50,000 shares at par value of USD1 each. Upon incorporation, one share was allotted and issued to the Company.

(iii) On 21 July 2015, New Century Healthcare (International) Co. Limited ("New Century Healthcare HK") was incorporated in Hong Kong as a limited liability company with authorized share capital comprised of 1 share at par value of HKD1 each. Upon incorporation, one share was allotted and issued to Mr. Jason ZHOU who subsequently transferred it to New Millennium on 19 November 2015 for a consideration of HKD1.

(iv) On 18 February 2016, the Company conducted a 1 to 10,000 share sub-division to amend its authorized share capital by dividing 50,000 shares at par value of USD1 each to 500,000,000 shares of a par value of USD0.0001 each. The Company also conducted a series of share class re-designations, following which the Company's authorized share capital comprised three classes of shares including (a) 476,063,732 Shares of a par value of USD0.0001 each; (b) 16,394,266 group A preferred shares of a par value of USD0.0001 each; and (c) 7,542,002 group B preferred shares of a par value of USD0.0001 each.

On the same date, the Company allotted and issued at par value each (a) 83,605,734 ordinary shares, including 59,355,734 shares to JoeCare, 2,757,487 shares to Century Star Investment Co., Ltd., another company wholly-owned by Mr. Jason ZHOU, and 21,492,513 shares to Victor Gains Limited ("Victor Gains"), a company wholly-owned by Ms. Liang and (b) 16,394,266 group A preferred shares ("Group A Preferred Shares"), including 8,197,133 to Shanghai Fuji Investment Partnership L.P. ("CDH Fuji") and 8,197,133 to Shanghai Fuyi Investment Partnership L.P. ("CDH Fuyi") (CDH Fuji and CDH Fuyi are collectively referred to as "CDH Investment II"). Subscription consideration of USD10,000 for such allotments and issues was paid in cash and settled between 31 May 2016 and 30 June 2016. As mentioned in Note 1 (b), the shareholding arrangement was based on Likang Agreements. In August 2015, when the relevant parties were negotiating details of the Reorganization, such proportion was adjusted to 62.117%, 21.490% and 16.393%, respectively, taking into account the inclusion of interest in BNC Harmony Clinic in the Group.

(v) On 18 February 2016, JoeCare sold 10,125,000 shares to Smooth Yu Investments Limited ("Smooth Yu") which is wholly-owned by Ms. Liang at cash consideration of RMB 243,000,000.

On 18 February 2016, Anyi Hekang (Tianjin) Investment Partnership L.P., an investment company of Boyu Capital Advisory Company Limited ("Boyu AH"), acquired 6,548,602 shares from Smooth Yu for a total consideration of RMB 182,586,480. Unicorn Best Limited ("Unicorn Best"), a company wholly-owned by Ms. Gan Feng, an independent third party individual, acquired 3,576,398 shares and 3,800,000 shares from Smooth Yu and Victor Gains, for considerations of RMB99,716,233 and RMB 105,950,648, respectively. The consideration was paid in cash.

(vi) On 18 February 2016, the Company allotted and issued 7,542,002 group B preferred shares ("Group B Preferred Shares") at a price of RMB28.6 per share in accordance with the group B preferred shares purchase agreements ("Group B Preferred Shares Purchase Agreements") signed on 31 August 2015, including (a) 4,124,532 Group B Preferred Shares to Suzhou Industrial Park Guohe Jiahua Venture Capital L.P. whose general partner is CDB Kai Yuan Capital Management Co., Ltd. ("CDB GJ"), for a consideration of RMB118,034,742; (b) 2,121,188 Group B Preferred Shares to Boyu AH, for a consideration of RMB60,703,582; (c) 648,141 Group B Preferred Shares to CDH Fuji, for a total consideration of RMB18,548,316; and (d) 648,141 Group B Preferred Shares to CDH Fuyi, for a total consideration of RMB18,548,316. The total consideration of RMB215,834,956 was paid in cash.

(vii) On 18 February 2016, JoeCare transferred 3,560,993 shares of the Company pursuant to the Group B Preferred Shares Purchase Agreements, including (a) 1,947,418 shares to CDB GJ for a consideration of RMB 55,730,690; (b) 1,001,529 shares to Boyu AH for a consideration of RMB 28,661,498; (c) 306,023 shares to CDH Fuji for a total consideration of RMB 8,757,680; and (d) 306,023 shares to CDH Fuyi for a total consideration of RMB 8,757,680. The consideration was paid in cash. The Company granted the same rights of Group B Preferred Shares to these ordinary shares.

On 24 May 2016, New Century Healthcare HK acquired 99.0% and 1.0% of the equity interest in Jiahua Yihe from Ms. Zhao and Ms. Zhou Jie, for a consideration of RMB198,000,000 and RMB2,000,000 respectively. The consideration was paid in cash.

As a result, the Reorganization was completed.

Upon completion of the Reorganization and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company Name Note (1)	Country /Place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interests of the Group				Principal activities/ Place of operation	Note
			As at 31 December			As at 30 September		
			2013	2014	2015	2016		
Directly owned:								
New Millennium Investment Co., Ltd.	The BVI/ 14 August 2015	USD 50,000	—	—	100%	100%	Investment holding, the BVI	(2)
Indirectly owned:								
New Century Healthcare (International) Co., Ltd. (新世紀醫療(國際)有限公司)	Hong Kong/ 21 July 2015	HKD 1	—	—	100%	100%	Investment holding, Hong Kong	
Jiahua Yihe (北京嘉華怡和管理諮詢有限公司)	The PRC/ 15 June 2015	RMB200,000,000	—	—	100%	100%	Investment holding and hospital management consulting services, the PRC	
Beijing New Century International Children's Hospital Co., Ltd. (北京新世紀兒童醫院有限公司) ("BNC Children's Hospital")	The PRC/ 13 December 2002	RMB 20,000,000	65%	65%	65%	65%	Operating of hospital, the PRC	
Beijing New Century Women's and Children's Hospital Co., Ltd. (北京新世紀婦兒醫院有限公司) ("BNC Women's and Children's Hospital")	The PRC/ 4 January 2012	RMB 20,000,000	—	—	100%	70%	Operating of hospital, the PRC	
Beijing New Century Harmony Clinic Co. Ltd. (北京新世紀榮和門診部有限公司) ("BNC Harmony Clinic")	The PRC/ 30 May 2012	RMB 3,000,000	100%	100%	100%	70%	Operating of clinic, the PRC	

Note:

(1) English translation is for identification purpose only. The English names of the Group companies incorporated in the PRC represent the best efforts by management of the Group in translation their Chinese names as they do not have official English names.

(2) All companies comprising the Group have adopted 31 December as their financial year end date.

(3) In addition to the subsidiaries set forth above, the Company also consolidated Talent Wise Investments Limited during the Relevant Periods.

Talent Wise Investments Limited is a special purpose vehicle incorporated in the British Virgin Islands with limited liability for the purpose of the restricted share award schemes (the "RSA Scheme") of the Company and it acts as the nominee for the RSA Scheme.

As the Company has the power to govern the financial and operating policies of the RSA Scheme and can derive benefits from the contributions of the selected participants who are awarded with the shares by the scheme, the directors of the Company consider that it is appropriate to consolidate the Talent Wise Investments Limited. For the details, please refer to Note 15(g).

The statutory auditors of the Company and its subsidiaries throughout the Relevant Periods are set out below:

Company Name	Statutory auditors		
	2013	2014	2015
New Millennium Investment Co., Ltd.	N/A; Note (a)	N/A; Note (a)	N/A; Note (a)
New Century Healthcare (International) Co., Ltd.	N/A; Note (a)	N/A; Note (a)	N/A; Note (a)
Jiahua Yihe (北京嘉華怡和管理諮詢有限公司)	N/A; Note (a)	N/A; Note (a)	Jonten Certified Public Accountants (中天運會計師事務所(特殊普通合夥))
BNC Children's Hospital (北京新世紀兒童醫院有限公司)	Jonten Certified Public Accountants (中天運會計師事務所(特殊普通合夥))	Jonten Certified Public Accountants (中天運會計師事務所(特殊普通合夥))	Jonten Certified Public Accountants (中天運會計師事務所(特殊普通合夥))
BNC Women's and Children's Hospital (北京新世紀婦兒醫院有限公司)	Jonten Certified Public Accountants (中天運會計師事務所(特殊普通合夥))	Jonten Certified Public Accountants (中天運會計師事務所(特殊普通合夥))	Jonten Certified Public Accountants (中天運會計師事務所(特殊普通合夥))
BNC Harmony Clinic (北京新世紀榮和門診部有限公司)	Beijing Huwse Accounting Firm Co., Ltd. (北京慧運會計師事務所有限公司)	Beijing Huwse Accounting Firm Co., Ltd. (北京慧運會計師事務所有限公司)	Jonten Certified Public Accountants (中天運會計師事務所(特殊普通合夥))

Note:

(a) No audited financial statements have been prepared for these companies as they are newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

(c) **Basis of Presentation**

Prior to the incorporation of the Company, BNC Children's Hospital and BNC Harmony Clinic (together, the "Original Business") was under the control of Mr. Jason ZHOU through Jiahua Kangyong. For the purpose of Reorganization, Jiahua Yihe acquired the Original Business from Jiahua Kangyong in November 2015, and on 24 May 2016, the Company acquired the entire interests in Jiahua Yihe through its wholly-owned subsidiaries. Accordingly, the Reorganization of the Original Business is regarded as business combination under common control of Mr. Jason ZHOU before and after the Reorganization and has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

BNC Women's and Children's Hospital was acquired by the Group on 30 November 2015 with a cash consideration of RMB20,000,000 plus shares issued at equivalent value of RMB 108,645,000 (Note 16(d)). The Group applied acquisition accounting in accordance with HKFRS 3 issued by the HKICPA as the hospital was not controlled by Mr. Jason ZHOU before the acquisition.

For the disposals of the 30% equity interests of BNC Women's and Children's Hospital and BNC Harmony Clinic in 2016, they were accounted for as transactions with non-controlling interest and equity settlement with the holders of convertible preferred shares (Note 16(g)).

The Financial Information includes the consolidated balance sheets, consolidated statements of comprehensive income, changes in equity and cash flows of the companies now comprising the Group as if the existing Group structure had been in existence throughout the Relevant Periods or since their respective dates of incorporation/ establishment or acquisition, whichever is the shorter period.

Inter-company transactions and balances between group companies are eliminated on consolidation.

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 HKFRSs issued by the HKICPA are set out below.

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

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

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

Impact of new or revised standards and amendments to existing standards that are effective on or after 1 January 2017

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 2017 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 7	Disclosure Initiative	1 January 2017
Amendments to HKAS 12	Recognition of deferred tax	1 January 2017
HKFRS 9.	Financial Instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operation. According to the assessment made by the directors of the Company, except as described below, the directors of the 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 Group.

Amendments to HKAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the HKFRS's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. An entity shall apply those amendments to HKAS 7 for annual periods beginning on or after 1 January 2017.

Amendments to HKAS 12 on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. An entity shall apply those amendments to HKAS 12 for annual periods beginning on or after 1 January 2017.

HKFRS 9, "Financial Instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortized cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognized in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognized in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortized cost a day-1 loss equal to the 12-month ECL is recognized in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of HKAS39.

HKFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition. The directors of the Company has performed a preliminary assessment. Based on this assessment, it is noted that HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognize revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity normally recognizes revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligations are identified. The new standard is not expected to apply until the financial year of 2018. The financial impacts of the application of the standard and a reasonable estimate of the effect will be available once the detailed review is completed.

HKFRS 16 'Lease'. The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.24 with the Group's future operating lease commitments, which are not reflected in the consolidated balance sheet. As at 30 September 2016, the Group's total operating lease commitments amounted to

RMB39,967,000 (Note 36(b)). HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognize certain leases outside of the balance sheet. Instead, almost all leases must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. In the consolidated statement of comprehensive income, leases will be recognized in the future as depreciation of right of use assets and interest expense on lease liability and will no longer be recorded as an operating expense on a straight line basis. Therefore, during the initial period of lease term, the lease expense (asset depreciation plus interest) under the new standard is higher compared to the operating lease expense recognized under the existing standard. The new standard is not expected to apply until the financial year 2019, which will include the adjustment of prior years. It is expected that certain portion of these lease commitments will be required to be recognized in the consolidated balance sheet as right-of-use assets and lease liabilities.

2.2 **Subsidiaries**

(a) ***Consolidation***

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

(i) *Business Combinations*

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.6). If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

Intra-group transactions, balances and unrealized gains on transactions between the Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence on impairment of the transferred assets. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(b) ***Separate Financial Statements***

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

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

2.3 **Segment Reporting**

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

2.4 Foreign Currency Translation

(a) *Functional and Presentation Currency*

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

(b) *Transactions and Balances*

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

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

2.5 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to 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 2.7).

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 consolidated statement of comprehensive income.

Construction-in-progress (the "CIP") represents leasehold improvements under 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 amortized in accordance with the policy as stated above.

2.6 **Intangible Assets**

(a) ***Goodwill***

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) ***Medical Licences***

Medical Licenses acquired in a business combination are recognized at fair value at the acquisition date. These medical Licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of Licenses over their estimated useful lives of 30 years.

(c) ***Computer Software***

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

2.7 **Impairment of Non-financial Assets**

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

2.8 **Financial Assets**

(a) ***Classification***

The Group'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 Group's loans and receivables comprise "trade receivables", "other receivables, deposits and prepayments", "amounts due from related parties" and "cash and cash equivalents" in the consolidated balance sheet (Notes 2.12 and 2.13).

(b) ***Recognition and Measurement***

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Group 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 Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

2.9 **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.

2.10 **Impairment of Financial Assets**

Assets Carried at Amortized Cost

The Group 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 consolidated 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 Group 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 consolidated income statement.

2.11 **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.

2.12 **Trade and Other Receivables**

Trade receivables are amounts due from patients, 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 amortized cost using the effective interest method, less provision for impairment.

2.13 **Cash and Cash Equivalents**

In the consolidated 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.

2.14 **Share Capital**

Ordinary shares are classified as equity.

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

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

2.15 **Shares Held for Restricted Share Award Scheme ("RSA Scheme")**

The consideration paid by the Talent Wise Investments Limited (Note 15(g)) for purchasing the Company's shares for the RSA Scheme from the market, including any directly attributable incremental cost, is presented as "Shares held for restricted share award scheme" and the amount is deducted from total equity.

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

2.16 **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 amortized cost using the effective interest method.

2.17 **Borrowings**

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

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

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

2.18 **Convertible Preferred Shares**

The other non-current liabilities and convertible preferred shares were related to (i) the Reorganization in 2015 and the Company issued convertible preferred shares to CDH Investment II pursuant to Likang Agreements and (ii) 3,560,993 ordinary shares classified as liability in which the Company granted the same Group B Preferred Shares rights to relevant shareholders, and (iii) 7,542,002 Group B Preferred Shares pursuant to the Group B Preferred Shares Purchase Agreements. Convertible preferred shares entitle the holders (i) to convert into a variable number of equity instruments, or to convert into a fixed number of equity instruments in exchange of variable amount of cash and (ii) to participate in dividends appropriation in preference to holders of ordinary shares, subject to the discretion of the directors of the Company, are regarded as compound instruments that consist of a liability component, an embedded derivative and an equity component. The Group designates the convertible preferred shares as financial liabilities at fair value through profit or loss. The entire convertible preferred shares are initially and subsequently measured at fair value, with changes in fair value recognized in the consolidated statements of comprehensive income in the year in which they arise.

Issue costs that are directly attributable to the issue of the convertible preferred shares, designated as financial liabilities at fair value through profit or loss, are recognized immediately in the consolidated statements of comprehensive income.

The convertible preferred shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

2.19 **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.

(a) ***Current Income Tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the 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.

(b) ***Deferred Income Tax***

Inside Basis Differences

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 consolidated 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.

Outside Basis Differences

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

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

(c) ***Offsetting***

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

2.20 **Employee Benefits**

(a) ***Pension Obligations***

The subsidiaries of the Group which are incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement 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 Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

(b) ***Employee Leave Entitlements***

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.21 **Provisions**

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

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.

2.22 **Revenue Recognition**

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

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 Group 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 Group's activities, as described below. The Group 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.

(a) ***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 Group and such benefit could be reliably measured. Transactions are settled by payment of commercial assurance scheme, bank card or cash.

The Group 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. For upfront refundable membership fees, the Group initially recognized the amounts from patients as financial liabilities. For upfront non-refundable membership fees, the amount are deferred and accounted for as "Deferred Revenue". After initial recognition, the Group recognizes relevant membership fees as revenue on a basis that reflects the timing and value of the expected membership benefits provided during the membership period.

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

(b) ***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.

(c) ***Hospital Consulting Service Revenue***

Hospital consulting service revenue is recognized when services are rendered and when it is probable that the economic benefits from the service rendered will flow to the Group and such benefit could be reliably measured.

2.23 **Interest Income**

Interest income is recognized using the effective interest method.

2.24 **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.

2.25 **Dividend Distribution**

Dividend distribution to the company's shareholders is recognized as a liability in the Financial Information in the period in which the dividends are approved by the company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

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

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

(a) ***Market Risk***

(i) *Foreign Exchange Risk*

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

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

As at 31 December 2013, 2014, 2015 and 30 September 2016, the Group's assets and liabilities are primarily denominated in RMB.

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

(ii) *Fair Value Interest Rate Risk*

The Group's exposure to changes in interest rates is mainly attributable to its borrowings, cash and cash equivalents.

The interest rates and maturities of cash and cash equivalents and borrowings are disclosed in Note 14 and 19, respectively. The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. Borrowings carried at fixed rates expose the Group to fair value interest-rate risk. The directors of the Company believe that there is no material interest rate risk related to the Group's borrowings and cash and cash equivalents.

(b) ***Credit Risk***

Credit risk mainly arises from short-term deposits, bank balance, amount 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 consolidated balance sheets.

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

The Group, being a provider of medical services to patients, has a highly diversified customer base, without any single customer contributing material revenue. Moreover, some of the Group's revenue is settled by reputable commercial insurance companies which is purchased by patients. The Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with respective insurance companies' policy and within reimbursement limits, provided fulfilling all ethics and moral responsibilities as healthcare provider. The Group also has controls to closely monitor the patients' billing and claim status by communication with commercial insurance companies to minimize the credit risk. The Group considers that adequate provision for unrecoverable trade receivables has been made in the relevant accounting period after considering the Group's experience in collection of trade receivables.

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

(c) ***Liquidity Risk***

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

	Less than 1 year	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 2013					
Trade payables	8,027	—	—	—	8,027
Accruals and other payables (excluding non-financial liabilities) (Note 22)	18,107	—	—	—	18,107
Amounts due to related parties	3,927	—	—	—	3,927
	30,061	—	—	—	30,061
At 31 December 2014					
Trade payables	7,608	—	—	—	7,608
Accruals and other payables (excluding non-financial liabilities) (Note 22)	24,627	—	—	—	24,627
Amounts due to related parties	8,400	—	—	—	8,400
	40,635	—	—	—	40,635
At 31 December 2015					
Borrowings	11,583	20,534	—	—	32,117
Trade payables	13,336	—	—	—	13,336
Accruals and other payables (excluding non-financial liabilities) (Note 22)	77,177	—	—	—	77,177
Amounts due to related parties	29,055	—	—	—	29,055
Other non-current liabilities	—	339,361	—	—	339,361
	131,151	359,895	—	—	491,046
At 30 September 2016					
Borrowings	20,887	4,978	—	—	25,865
Trade payables	14,277	—	—	—	14,277
Accruals and other payables (excluding non-financial liabilities) (Note 22)	76,400	—	—	—	76,400
Amounts due to related parties	2,281	—	—	—	2,281
Convertible preferred shares	—	217,964	—	—	217,964
Other non-current liabilities	—	102,913	—	—	102,913
	113,845	325,855	—	—	439,700

3.2 **Capital Risk Management**

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

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

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

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2013, 2014 and 2015 and 30 September 2016 was as follows:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
The liability-to-asset ratio	29.19%	37.30%	106.09%	88.64%

There were no changes in the Group's approach to capital management during the Relevant Periods. The significant increase of the liability-to-asset ratio as at 31 December 2015 was due to the increase of other non-current liabilities related with the convertible preferred shares to be issued by the Company. While the decrease of the liability-to-asset ratio as at 30 September 2016 was mainly caused by the conversion from Group A Preferred Shares into ordinary shares of the Company.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

3.3 **Fair Value Estimation**

The table below analyses the Group's financial instruments carried at fair value as by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

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

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

See Note 20 for disclosures of the other non-current liabilities and convertible preferred shares that are measured at fair value:

	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Other non-current liabilities	—	—	339,361	339,361

	As at 30 September 2016			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Convertible preferred shares	—	—	217,964	217,964
Other non-current liabilities	—	—	102,913	102,913
Total	—	—	320,877	320,877

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

(a) *Estimated Impairment of Goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations or fair value less costs of disposal calculations. These calculations require the use of estimates. When applying valuation technique, the Group relies on a number of factors and judgements, including among others, historical results, business plans, forecasts, market data and the success of acquisitions and expansions in the future. Changes in the conditions for these estimates and assumptions can significantly affect the assessed result of goodwill impairment test. This is further described in Note 7.

There was no impairment of goodwill during the years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016.

(b) ***Consideration Paid and Purchase Price Allocation in Business Combination***

The business combination was related to the Group's acquisition of 100% equity interests in BNC Women's and Children's Hospital from Jiahua Likang with a cash consideration of RMB 20,000,000 and the shares agreed as part of Likang Agreements in 2012.

The application of business combination accounting requires the use of significant estimates and assumptions. For the shares issued as the consideration paid, management used the accounting estimation to account for the total amount by reference to a valuation report issued by an independent valuer. The valuation technique relies on a number of factors and judgements. Changes in these estimates and assumptions could have a significant impact on the assessed value of the total consideration paid.

The purchase method of accounting for business combinations requires the Group to estimate the fair value of identifiable assets acquired and liabilities. This exercise requires the use of management's assumptions and judgements, including a presumption of contractual relationship renewal at minimum cost, which would not reflect unanticipated events and circumstances that may occur.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortized, whereas indefinite lived intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite lived and finite lived intangible assets.

(c) ***Current and Deferred Income Taxes***

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

The Group 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 utilized. The recognition of deferred tax assets mainly involved management's judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses.

(d) ***Fair value of other Non-current Liabilities and Convertible Preferred Shares***

The fair values of other non-current liabilities and convertible preferred shares are determined by using valuation techniques. The Group applies judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. If there is any change in methods and assumptions, the loss relating to fair value changes could increase.

5 SEGMENT INFORMATION

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

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

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

During the Track Record Period, the Group was mainly engaged in the provision of pediatric services through BNC Children's Hospital and BNC Harmony Clinic. After the acquisition of BNC Women's and Children's Hospital in November 2015, the Group integrated the pediatric business acquired from BNC Women's and Children's Hospital with its original pediatric business. For example, management has leveraged its resources across its pediatric business, such as the secondment of certain medical professionals and the referral of patients from BNC Children's Hospital to BNC Women's and Children's Hospital, where appropriate, to improve the overall business performance in pediatric segment and to achieve synergy effects. Therefore, the CODM manages the pediatric business carried out by BNC Children's hospital, BNC Harmony Clinic and BNC Woman's and Children's Hospital as one operating segment and allocates resources and evaluates the performance of the segment accordingly.

Management is of the view that pediatric services and obstetrics and gynecology services are different in terms of the nature of businesses, including but not limited to different customers, different medical personnel involved, different medical procedures and different financial performance. Management recognizes revenue and identifiable direct cost and expenses in relation to pediatric services and obstetrics and gynecology services in the Group's business and accounting systems separately. Management uses a reasonable and consistent basis with reference to some historical information, e.g. areas occupied, in determining those common costs and expenses incurred in pediatric services and obstetrics and gynecology services to be attributable to each segment and prepare discrete financial information for the CODM to review. As a result, discrete segmental financial information is available for the creation and disclosure of segment reports for the different services provided by the Group.

The Group's operating and reportable segments for segment reporting purpose are as follows:

(a) ***Pediatrics***

Revenue derived from specialized pediatric services, is mainly provided by BNC Children's Hospital, BNC Harmony Clinic and BNC Women's and Children's Hospital.

(b) ***Obstetrics and Gynecology***

Revenue derived from specialized obstetrics and gynecology services, is mainly provided by BNC Women's and Children's Hospital.

(c) ***Hospital Consulting Services***

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

(d) ***Others***

The Group provides marketing services and operates canteens, gift and groceries shops in its own hospitals.

The accounting policies of the operating segments are the same as the Group'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, other losses - net and listing expense 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, deferred income tax assets and other assets that not directly related to the respective segment. Segment liabilities exclude borrowings, tax payable and other liabilities that not directly related to the respective segment.

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

Revenues attributable to the hospital consulting services segment of approximately RMB 1,751,000 and RMB 20,348,000 for the year ended 31 December 2015 and the nine months ended 30 September 2016 are derived from Jiahua Likang and no revenue generated from Jiahua Likang for the years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015.

	Pediatrics	Obstetrics and Gynecology	Hospital consulting services	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2013						
Revenue	234,709	—	—	4,061	—	238,770
Cost of revenue	86,420	—	—	2,561	—	88,981
Segment results	109,384	—	—	1,500	—	110,884
Unallocated income					1,157	1,157
Unallocated cost					(1,293)	(1,293)
Profit before income tax	109,384	—	—	1,500	(136)	110,748
Income tax expense					(28,038)	(28,038)
Profit after income tax						82,710
As at 31 December 2013						
Total assets	32,965	—	—	—	133,671	166,636
Total liabilities	44,712	—	—	—	3,926	48,638
Other segment information						
Addition to non-current assets	6,082	—	—	—	—	6,082
Depreciation and amortization	(2,051)	—	—	—	—	(2,051)
Losses on disposal of property, plant and equipment, net	(43)	—	—	—	—	(43)

	Pediatrics	Obstetrics and Gynecology	Hospital consulting services	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2014						
Revenue	244,381	—	—	4,632	—	249,013
Cost of revenue	103,190	—	—	1,928	—	105,118
Segment results	96,528	—	—	2,704	—	99,232
Unallocated income					2,833	2,833
Unallocated cost					(1,367)	(1,367)
Profit before income tax	96,528	—	—	2,704	1,466	100,698
Income tax expense					(26,383)	(26,383)
Profit after income tax						74,315
As at 31 December 2014						
Total assets	32,275	—	—	—	123,155	155,430
Total liabilities	49,568	—	—	—	8,400	57,968
Other segment information						
Addition to non-current assets	4,563	—	—	—	—	4,563
Depreciation and amortization	(2,685)	—	—	—	—	(2,685)
Losses on disposal of property, plant and equipment, net	(50)	—	—	—	—	(50)

	Pediatrics	Obstetrics and Gynecology	Hospital consulting services	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2015						
Revenue	247,111	4,416	1,751	4,918	—	258,196
Cost of revenue	112,000	3,014	277	2,395	—	117,686
Segment results	96,642	(1,625)	1,474	2,523	—	99,014
Unallocated income					554	554
Unallocated cost					(7,584)	(7,584)
Profit before income tax	96,642	(1,625)	1,474	2,523	(7,030)	91,984
Income tax expense					(24,789)	(24,789)
Profit after income tax						67,195
As at 31 December 2015						
Assets						
Segment assets	223,305	70,888	1,751	—	—	295,944
Goodwill	86,779	10,903	—	—	—	97,682
Unallocated assets					138,437	138,437
Total assets	310,084	81,791	1,751	—	138,437	532,063
Total liabilities	75,880	45,656	278	—	442,643	564,457
Other segment information						
Addition to non-current assets	3,123	124	—	—	—	3,247
Depreciation and amortization	(3,985)	(713)	—	—	—	(4,698)
Losses on disposal of property, plant and equipment, net	(113)	—	—	—	—	(113)

	Pediatrics	Obstetrics and Gynecology	Hospital consulting services	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Nine months ended 30 September 2016						
Revenue	253,806	61,948	20,348	3,924	—	340,026
Cost of revenue	128,620	35,436	9,682	2,676	—	176,414
Segment results	84,094	10,359	8,706	1,247	—	104,406
Unallocated income					556	556
Unallocated cost					(37,984)	(37,984)
Profit before income tax	84,094	10,359	8,706	1,247	(37,428)	66,978
Income tax expense					(23,840)	(23,840)
Profit after income tax						43,138
As at 30 September 2016						
Assets						
Segment assets	219,577	72,401	22,913	—	—	314,891
Goodwill	86,779	10,903	—	—	—	97,682
Unallocated assets					187,957	187,957
Total assets	306,356	83,304	22,913	—	187,957	600,530
Total liabilities	72,580	52,028	—	—	407,682	532,290
Other segment information						
Addition to non-current assets	5,871	1,573	4	—	—	7,448
Depreciation and amortization	(8,899)	(7,113)	—	—	—	(16,012)
Losses on disposal of property, plant and equipment, net	(13)	—	—	—	—	(13)

	Pediatrics	Obstetrics and Gynecology	Hospital consulting services	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
Nine months ended 30 September 2015						
Revenue	170,949	—	—	3,587	—	174,536
Cost of revenue	76,662	—	—	1,741	—	78,403
Segment results	67,512	—	—	1,845	—	69,357
Unallocated income					353	353
Unallocated cost					(1,130)	(1,130)
Profit before income tax	67,512	—	—	1,845	(777)	68,580
Income tax expense					(17,826)	(17,826)
Profit after income tax						50,754
Other segment information						
Addition to non-current assets	829	—	—	—	—	829
Depreciation and amortization	(770)	—	—	—	—	(770)
Losses on disposal of property, plant and equipment, net	(30)	—	—	—	—	(30)

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings and 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 2013						
Cost	23,558	20,346	6,486	6,155	—	56,545
Accumulated depreciation	(15,479)	(17,347)	(4,201)	(5,331)	—	(42,358)
Net book amount	8,079	2,999	2,285	824	—	14,187
Year ended 31 December 2013						
Opening net book amount	8,079	2,999	2,285	824	—	14,187
Additions	—	3,281	—	1,308	—	4,589
Disposals	—	—	—	(44)	—	(44)
Depreciation charges	(898)	(460)	(256)	(192)	—	(1,806)
Closing net book amount	7,181	5,820	2,029	1,896	—	16,926
At 31 December 2013						
Cost	23,558	23,627	6,486	7,419	—	61,090
Accumulated depreciation	(16,377)	(17,807)	(4,457)	(5,523)	—	(44,164)
Net book amount	7,181	5,820	2,029	1,896	—	16,926
Year ended 31 December 2014						
Opening net book amount	7,181	5,820	2,029	1,896	—	16,926
Additions	—	3,931	—	551	—	4,482
Disposals	—	(37)	—	(13)	—	(50)
Depreciation charges	(898)	(812)	(256)	(333)	—	(2,299)
Closing net book amount	6,283	8,902	1,773	2,101	—	19,059
At 31 December 2014						
Cost	23,558	27,521	6,486	7,957	—	65,522
Accumulated depreciation	(17,275)	(18,619)	(4,713)	(5,856)	—	(46,463)
Net book amount	6,283	8,902	1,773	2,101	—	19,059
Year ended 31 December 2015						
Opening net book amount	6,283	8,902	1,773	2,101	—	19,059
Business combination (Note 35)	68,156	22,852	—	4,926	196	96,130
Additions	3	2,213	298	600	—	3,114
Disposals	—	(79)	—	(35)	—	(114)
Transfer upon completion	196	—	—	—	(196)	—
Depreciation charges	(1,435)	(1,587)	(270)	(538)	—	(3,830)
Closing net book amount	73,203	32,301	1,801	7,054	—	114,359
At 31 December 2015						
Cost	91,913	52,507	6,784	13,448	—	164,652
Accumulated depreciation	(18,710)	(20,206)	(4,983)	(6,394)	—	(50,293)
Net book amount	73,203	32,301	1,801	7,054	—	114,359
Nine months ended 30 September 2016						
Opening net book amount	73,203	32,301	1,801	7,054	—	114,359
Additions	561	5,955	—	773	—	7,289
Disposals	—	—	—	(15)	—	(15)
Depreciation charges	(5,827)	(3,646)	(203)	(1,988)	—	(11,664)
Closing net book amount	67,937	34,610	1,598	5,824	—	109,969
At 30 September 2016						
Cost	92,474	58,462	6,784	14,206	—	171,926
Accumulated depreciation	(24,537)	(23,852)	(5,186)	(8,382)	—	(61,957)
Net book amount	67,937	34,610	1,598	5,824	—	109,969

(a) **Premises provided by BCH**

The Group has established BNC Children's Hospital based on a public-private-partnership arrangement with Beijing Children's Hospital ("BCH"), a public hospital in Beijing, the PRC. Pursuant to the cooperation agreement in 2002, BCH has agreed to provide certain premises on its allocated land for the business operation of BNC Children's Hospital without extra payments to each other. The term of the cooperation with BCH lasts until 12 December 2022. Accordingly, the Group further carried out a massive construction and decoration project for BNC Children's Hospital. As at 31 December 2013, 2014 and 2015 and 30 September 2016, relevant buildings and leasehold improvements which were located at BCH's allocated land with an aggregate carrying amount of approximately RMB7,181,000, RMB6,283,000, RMB5,385,000 and RMB4,712,000, respectively. Directors of the Company are of the opinion that the Group is entitled to lawful and valid occupancy or use of these premises.

The premises of BNC Children's Hospital are owned by BCH. BNC Children's Hospital used and will continue to use such premises pursuant to the cooperation agreement with BCH. As part of the cooperation arrangement between BCH and the Group, both parties contributed different resources to BNC Children's Hospital in addition to their capital contributions. BCH agreed to provide the premises for BNC Children's Hospital's use for business operations and the Group agreed to introduce advanced hospital management skills and provide the core management team to operate BNC Children's Hospital, without extra payments to each other. The cooperation agreement was approved by Beijing Municipal Commission of Health and Family Planning ("Beijing MOH") when BNC Children's Hospital was established. BCH is of the view that it has complied with all regulatory procedural requirements with respect to the cooperation agreement.

However, the PRC legal adviser of the Company is of the view that, pursuant to certain regulations, BCH, as a public healthcare entity, is required to fulfill certain procedural requirements, together with certain other documents to the relevant competent governmental authority for approval. As of the report date, such procedural requirements had not been fulfilled.

As advised by the PRC legal adviser, if the competent governmental authority requires BCH to fulfill these procedural requirements, BNC Children's Hospital, as the actual user of the premises, might be required to pay for its use of the premises if the competent governmental authority determines. However, the PRC legal adviser considers, with approval of relevant documents from the competent governmental authority, the risk of BNC children's hospital of having to pay for its use of the premises would be remote.

The directors of the Company have assessed the situation and considered the following factors: (i) BCH being responsible under PRC laws, rules and regulations for undertaking such procedural requirements, (ii) BNC Children's Hospital not being subject to any administrative penalties due to BCH's failure to undertake such procedural requirements, (iii) the management of the Company finding no shortfall considering the different types of resources contributed by the parties as part of the cooperation arrangement, (iv) Beijing MOH approved the cooperation arrangement in 2002 and reaffirmed the legality and validity of BNC Children's Hospital's operations in August 2016, and (v) BNC Children's Hospital had used the premises for approximately 14 years, and not having been notified of any request by any governmental authorities to fulfill such procedural requirements or any penalty resulting therefrom, and (vi) the Company had not receiving or having been aware of any notice from Beijing MOH requesting BCH or the Company to undertake the procedural requirements.

The directors of the Company are of the view that BNC Children's Hospital's risk of having to pay for its use of the premises is remote.

In addition, the controlling shareholder of the Company, has entered into a deed of indemnity in the Company's favor to the effect that, in case the relevant competent governmental authority requires BCH to fulfill the relevant procedural requirements in the future and as a result BNC Children's Hospital is required to pay consideration for using of BCH's premises, the controlling shareholder will indemnify the Company against any paid consideration ("Indemnity Statement").

Based on the view of the PRC legal adviser, the assessment of the Company and the Indemnity Statement, the management of the Company is of the view that there is no need to make any provision in relation to the usage of the premises.

(b) **Depreciation charges**

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

	Year ended 31 December			For the nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (Unaudited)	**RMB'000**
Cost of revenue	874	1,229	2,655	1,245	8,565
Administration expenses	752	879	976	843	2,902
Selling expenses	180	191	199	147	197
Total	1,806	2,299	3,830	2,235	11,664

No property, plant and equipment was pledged as collateral under borrowing agreements at 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016.

During the years of 2013, 2014 and 2015 and the nine months ended 30 September 2016, the Group has no capitalized borrowing costs on qualifying assets.

7 INTANGIBLE ASSETS

	Goodwill	Computer software	Medical licenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013				
Cost	—	443	—	443
Accumulated amortization	—	(112)	—	(112)
Net book amount	—	331	—	331
Year ended 31 December 2013				
Opening net book amount	—	331	—	331
Additions	—	1,493	—	1,493
Amortization	—	(245)	—	(245)
Closing net book amount	—	1,579	—	1,579
At 31 December 2013				
Cost	—	1,936	—	1,936
Accumulated amortization	—	(357)	—	(357)
Net book amount	—	1,579	—	1,579
Year ended 31 December 2014				
Opening net book amount	—	1,579	—	1,579
Additions	—	81	—	81
Amortization	—	(386)	—	(386)
Closing net book amount	—	1,274	—	1,274
At 31 December 2014				
Cost	—	2,017	—	2,017
Accumulated amortization	—	(743)	—	(743)
Net book amount	—	1,274	—	1,274
Year ended 31 December 2015				
Opening net book amount	—	1,274	—	1,274
Business Combinations (Note 35)	97,682	362	156,784	254,828
Additions	—	133	—	133
Amortization	—	(432)	(436)	(868)
Closing net book amount	97,682	1,337	156,348	255,367
At 31 December 2015				
Cost	97,682	2,512	156,784	256,978
Accumulated amortization	—	(1,175)	(436)	(1,611)
Net book amount	97,682	1,337	156,348	255,367

	Goodwill	Computer software	Medical licenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Nine months ended 30 September 2016				
Opening net book amount	97,682	1,337	156,348	255,367
Additions	—	159	—	159
Amortization	—	(428)	(3,920)	(4,348)
Closing net book amount	97,682	1,068	152,428	251,178
At 30 September 2016				
Cost	97,682	2,671	156,784	257,137
Accumulated amortization	—	(1,603)	(4,356)	(5,959)
Net book amount	97,682	1,068	152,428	251,178

(a) **Impairment Tests for Goodwill**

Goodwill of RMB 97,682,000 is resulted from the acquisition of BNC Women's and Children's Hospital (Note 35) on 30 November 2015. BNC Women's and Children's Hospital is principally engaged in the provision of medical services to women and children in the PRC.

Management reviews business performance of each operating segment. Goodwill is monitored by the management at the operating segment level.

The goodwill was primarily allocated to the pediatric segment and to a lesser extent the obstetrics and gynecology segment. The pediatric segment includes the pediatric business of BNC Children's Hospital, BNC Harmony Clinic and BNC Women's and Children's Hospital which the Company's management has expected to benefit from the synergies of the combination. The following is a summary of goodwill allocation for each operating segment:

	Beginning of year/period	Addition	Impairment	End of year/period
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2015				
Pediatric segment	—	86,779	—	86,779
Obstetrics and Gynecology segment	—	10,903	—	10,903
	—	97,682	—	97,682
Nine months ended 30 September 2016				
Pediatric segment	86,779	—	—	86,779
Obstetrics and Gynecology segment	10,903	—	—	10,903
	97,682	—	—	97,682

The recoverable amount of an operating segment is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering an eight-year period. Cash flows beyond the eight-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the operating segment operates.

The recoverable amounts of the operating segments (including goodwill and medical license) based on the estimated value-in-use calculations were higher than their carrying amounts at 31 December 2015 and 30 September 2016. Accordingly, no provision for impairment loss for goodwill or medical license is considered necessary.

For pediatric segment and obstetrics and gynecology segment with significant amount of goodwill, the key assumptions, long-term growth rate and discount rate used in the value-in-use calculations as at 31 December 2015 and 30 September 2016 are as follows.

	Pediatric segment	
	31 December 2015	**30 September 2016**
Revenue (% compound growth rate)	10.10%	10.10%
Costs and operating expenses (% of revenue)	59.13%	59.13%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	18.74%	19.16%
Recoverable amount of operating segment (RMB'000)	1,183,614	1,204,099

	Obstetrics and Gynecology segment	
	31 December 2015	**30 September 2016**
Revenue (% compound growth rate)	17.45%	17.45%
Costs and operating expenses (% of revenue)	74.06%	74.06%
Long-term growth rate	3.00%	3.00%
Pre-tax discount rate	22.21%	22.55%
Recoverable amount of operating segment (RMB'000)	148,728	170,496

Revenue compound growth rate is over the eight-year forecast period. It is based on past performance and management's expectations of market development. If the compound growth rate of revenue had been 3% lower, there was still sufficient headroom with no impairment required for the year ended 31 December 2015 and period ended 30 September 2016, respectively.

The percentage of costs and operating expenses of revenue is the average percentages over the eight-year forecast period. It is based on current margin levels, with adjustments made to reflect the expected future price rises in labor, rental and relevant equipment, in which management does not expect to be able to pass on to customers through price increases. If the costs and operating expenses had been 3% higher, there was still sufficient headroom with no impairment required for the year ended 31 December 2015 and period ended 30 September 2016, respectively.

The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. If the pre-tax discount rate had been 1% higher, there was still sufficient headroom with no impairment required for the year ended 31 December 2015 and period ended 30 September 2016, respectively.

No impairment was charged during the year ended 31 December 2015 and the nine months ended 30 September 2016, respectively.

(b) **Amortization**

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

	Year ended 31 December			For the nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Cost of revenue	116	192	656	146	4,075
Administration expenses	112	161	180	133	246
Selling expenses	17	33	32	24	27
Total	245	386	868	303	4,348

8 SUBSIDIARIES

(a) **Material Non-controlling Interests**

The total non-controlling interest as at 31 December 2013, 2014 and 2015 and 30 September 2016 is RMB 38,212,000, RMB 34,374,000, RMB 11,107,000 and RMB 40,955,000 respectively. They are attributed to BNC Children's Hospital, BNC Women's and Children's Hospital and BNC Harmony Clinic.

Summarized Financial Information on Subsidiaries with Material Non-controlling Interests

Set out below is the summarized financial information for BNC Children's Hospital and BNC Women's and Children's Hospital that have non-controlling interests that are material to the Group.

(i) *BNC Children's Hospital*

SUMMARIZED BALANCE SHEETS

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Assets	136,684	130,208	87,199	117,044
Liabilities	(46,806)	(51,737)	(74,939)	(47,162)
Total current net assets	89,878	78,471	12,260	69,882
Non-current				
Assets	19,298	19,741	19,475	18,759
Total non-current net assets	19,298	19,741	19,475	18,759
Net assets	109,176	98,212	31,735	88,641

SUMMARIZED INCOME STATEMENTS

	Year ended 31 December			Nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	231,040	238,724	235,534	168,134	190,843
Profit before income tax	111,160	105,203	100,189	71,236	83,614
Income tax expense	(27,891)	(26,316)	(25,070)	(17,824)	(20,924)
Post-tax profit	83,269	78,887	75,119	53,412	62,690
Total comprehensive income	83,269	78,887	75,119	53,412	62,690
Total comprehensive income allocated to non-controlling interests	29,144	27,610	26,292	18,694	21,942
Dividends paid to the non-controlling interests	28,032	31,448	28,565	28,565	23,018

SUMMARIZED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities					
Cash generated from operations	115,342	120,240	101,170	71,243	84,139
Interest received	1,053	2,620	274	220	203
Income tax paid	(29,294)	(33,651)	(24,196)	(20,342)	(23,203)
Net cash generated from operating activities	87,101	89,209	77,248	51,121	61,139
Net cash used in investing activities	(4,234)	(3,179)	(4,864)	(4,624)	(2,318)
Net cash used in financing activities	(80,091)	(89,851)	(118,817)	(100,655)	(28,561)
Net increase/(decrease) in cash and cash equivalents	2,776	(3,821)	(46,433)	(54,158)	30,260
Cash and cash equivalents at the beginning of the year/period	116,486	119,262	115,441	115,441	69,008
Cash and cash equivalents at the end of the year/period	119,262	115,441	69,008	61,283	99,268

(ii) *BNC Women's and Children's Hospital*

SUMMARIZED BALANCE SHEETS

	As at 31 December 2015	As at 30 September 2016
	RMB'000	RMB'000
Current		
Assets	37,547	54,583
Liabilities	(236,138)	(251,038)
Total current net liabilities	(198,591)	(196,455)
Non-current		
Assets	288,304	276,992
Liabilities	(59,589)	(43,500)
Total non-current net assets	228,715	233,492
Net assets	30,124	37,037

SUMMARIZED INCOME STATEMENTS

	Period from 1 December to 31 December 2015	Nine months ended 30 September 2016
	RMB'000	RMB'000
Revenue	11,119	125,102
Profit before income tax	(1,117)	9,218
Income tax expense	279	(2,305)
Post-tax profit	(838)	6,913
Total comprehensive income	(838)	6,913
Total comprehensive income allocated to the non-controlling interests	—	2,276
Dividends paid to the non-controlling interests	—	—

SUMMARIZED STATEMENTS OF CASH FLOWS

	Period from 1 December to 31 December	Nine months ended 30 September
	2015	2016
	RMB'000	RMB'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(15,432)	22,641
Interest paid	—	(1,270)
Interest received	23	76
Net cash (used in)/generated from operating activities	(15,409)	21,447
Net cash (used in)/generated from investing activities	(225)	6,700
Net cash generated from/ (used in) financing activities	19,000	(9,210)
Net increase in cash and cash equivalents	3,366	18,937
Cash and cash equivalents at the beginning of period	6,704	10,070
Cash and cash equivalents at the end of period	10,070	29,007

The information above is the amount before intra-group eliminations.

9 INVENTORIES

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Pharmaceuticals	2,564	1,706	2,822	3,363
Medical consumables	2,219	1,614	1,803	2,918
	4,783	3,320	4,625	6,281

The cost of inventories was recognized as expense and included in 'cost of revenue' amounting to RMB 20,774,000, RMB 24,623,000, RMB 23,744,000 and RMB 31,513,000 for the years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016 respectively (Note 27).

10 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Assets as per consolidated balance sheets				
At amortized cost				
Trade receivables (Note 11)	6,971	6,567	12,193	7,987
Other receivables excluding prepayments (Note 12)	2,464	1,807	4,025	5,655
Amounts due from related parties (Note 13)	3,217	2,513	21,078	22,913
Cash and cash equivalents (Note 14)	128,959	120,639	81,231	151,871
	141,611	131,526	118,527	188,426
Liabilities as per consolidated balance sheets				
At amortized cost				
Borrowings (Note 19)	—	—	30,000	24,990
Trade payables (Note 21)	8,027	7,608	13,336	14,277
Other payables excluding non-financial liabilities (Note 22)	18,107	24,627	77,177	76,400
Amounts due to related parties (Note 13)	3,927	8,400	29,055	2,281
	30,061	40,635	149,568	117,948
At fair value through profit and loss				
Convertible preferred shares (Note 20)	—	—	—	217,964
Other non-current liabilities (Note 20)	—	—	339,361	102,913
	—	—	339,361	320,877

11 TRADE RECEIVABLES

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	6,977	6,578	12,276	8,052
Less: allowance for impairment of trade receivables	(6)	(11)	(83)	(65)
Trade receivables — net	6,971	6,567	12,193	7,987

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

As at 31 December 2013, 2014 and 2015 and 30 September 2016, the aging analysis of the trade receivables based on demand note date was as follows:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 3 months	6,447	5,848	11,467	6,828
4 - 6 months	242	535	552	694
7 months - 1 year	213	135	161	226
Over 1 year	75	60	96	304
	6,977	6,578	12,276	8,052

As at 31 December 2013, 2014 and 2015 and 30 September 2016, certain trade receivable balances past due but not impaired were RMB 858,000, RMB 982,000, RMB 1,397,000 and RMB 1,335,000, respectively. The balances mainly related to amounts to be claimed from insurance companies. 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 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 3 months	328	278	589	111
4 - 6 months	242	509	551	694
7 months - 1 year	213	135	161	226
Over 1 year	75	60	96	304
	858	982	1,397	1,335

As at 31 December 2013, 2014 and 2015 and 30 September 2016, trade receivables of RMB 18,000, RMB 114,000, RMB 553,000 and RMB 180,000 were impaired, respectively. These mainly related to amounts due from individual patients. The provision was RMB 6,000, RMB 11,000, RMB 83,000 and RMB 65,000 as at 31 December 2013, 2014 and 2015 and 30 September 2016, respectively. The aging of these trade receivables is as follows:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 3 months	18	88	552	180
Over 3 months	—	26	1	—
	18	114	553	180

Movements on the Group's provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January	—	6	11	83
Provision for receivables impairment	6	5	72	8
Reversal of provision	—	—	—	(26)
As at year/period ended	6	11	83	65

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the income statement (Note 27). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk as at 31 December 2013, 2014 and 2015 and 30 September 2016, is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	242	248	2,960	11,815
Other receivables	2,061	1,399	1,218	1,832
Deposits	289	292	1,000	1,257
Others	114	116	1,807	2,566
	2,706	2,055	6,985	17,470

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

13 BALANCES WITH RELATED PARTIES

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties				
- Trade				
Beijing Jiahua Likang Health Investment Co., Ltd..	—	—	1,751	22,913
Beijing Children's Hospital	1,053	791	963	—
	1,053	791	2,714	22,913
- Non-Trade				
Beijing Jiahua Likang Health Investment Co., Ltd..	39	—	17,923	—
Tianjin Heping New Century Women's and Children's Hospital Co., Ltd.	90	515	400	—
Suzhou New Century International Children's Hospital Co., Ltd.	—	—	23	—
Chengdu New Century Women's and Children's Hospital Co., Ltd.	—	2	18	—
BNC Women's and Children's Hospital	882	1,205	—	—
Beijing Jiahua Kangyong Investment Management Co., Ltd.	1,153	—	—	—
	2,164	1,722	18,364	—
	3,217	2,513	21,078	22,913
Amounts due to related parties				
- Trade				
Beijing Children's Hospital	1,466	1,539	1,076	1,042
Beijing Muhe Jiaye Property Management Co., Ltd..	—	—	128	138
	1,466	1,539	1,204	1,180
- Non-Trade				
Beijing Children's Hospital	1,900	2,033	23,059	1,099
Beijing Jiahua Kangyong Investment and Management Co., Ltd..	—	4,146	4,783	—
Tianjin Heping New Century Women's and Children's Hospital Co., Ltd.	—	—	9	—
BNC Women's and Children's Hospital	74	179	—	—
Beijing Jiahua Likang Health Investment Co., Ltd..	—	16	—	—
Mr. Jason ZHOU	487	487	—	—
Mr. Xu Han	—	—	—	1
Ms. Xin Hong	—	—	—	1
	2,461	6,861	27,851	1,101
	3,927	8,400	29,055	2,281

The amounts due from/to related parties are unsecured, interest-free, and repayable on demand and denominated in RMB. Their carrying values as at 31 December 2013, 2014 and 2015 and 30 September 2016 approximate their fair values.

14 CASH AND CASH EQUIVALENTS

Group	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks	98,131	120,016	80,810	151,248
Cash on hand	828	623	421	623
Short term bank deposit (a)	30,000	—	—	—
	128,959	120,639	81,231	151,871

(a) Short term bank deposit

As at 31 December 2013, balance of RMB 30,000,000 of the Group was deposited in Bank of Jiangsu. The deposit can be withdrawn on demand.

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	128,959	120,639	81,231	142,616
USD	—	—	—	8,417
HKD	—	—	—	838
	128,959	120,639	81,231	151,871

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.

Company	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks	—	—	—	9,256
	—	—	—	9,256

15 SHARE CAPITAL — THE GROUP AND THE COMPANY

The Group and the Company	Note	Number of ordinary shares	Nominal value of ordinary share	Number of preferred shares	Nominal value of preferred share
			USD		USD
Authorized:					
Upon incorporation	(a)	50,000	50,000	—	—
At 31 December 2015		50,000	50,000	—	—
Share sub-division on February 2016	(b)	499,950,000	—	—	—
Re-designation on issuance of preferred shares	(c)	(23,936,268)	(2,394)	23,936,268	2,394
Conversion from preferred shares into ordinary shares	(f)	16,394,266	1,639	(16,394,266)	(1,639)
At 30 September 2016		492,457,998	49,245	7,542,002	755

The Group and the Company	Note	Number of ordinary shares	Nominal value of ordinary share	Equivalent nominal value of ordinary shares
			USD	RMB'000
Issued and paid:				
Upon incorporation	(a)	1	1	—
As at 31 December 2015		1	1	—
Share sub-division on 18 February 2016	(b)	9,999	—	—
Issue of ordinary shares of USD0.0001 on 18 February 2016	(d)	83,605,734	8,361	55
Re-designation on issuance of preferred shares	(d)	—	—	(2)
Conversion from preferred shares into ordinary shares	(f)	16,394,266	1,639	11
Shares issued to restricted shares award scheme	(g)	2,757,744	276	2
As at 30 September 2016	(e)	102,767,744	10,277	66

(a) On 31 July 2015, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with authorized share capital comprised of 50,000 shares at par value of USD1 per share. Upon its incorporation, one share of par value of USD1 of the Company was transferred to JoeCare, which is wholly owned by Mr. Jason ZHOU.

(b) On 18 February 2016, the board of directors of the Company approved a share sub-division of the Company's share capital at a ratio of 1 to 10,000 (the "Share Sub-division"). Immediately after such sub-division, the Company re-classified and re-designated authorized share capital into 500,000,000 ordinary shares with par value of USD 0.0001 each.

(c) On 25 August 2015, the Company entered into the Group A Preferred Shares Purchase Agreements with CDH Investment II (the "Group A Preferred Shareholders") to issue 16,394,266 Group A Preferred Shares (par value USD 0.0001 per share) at total consideration of USD1,639 (with initial conversion price with USD0.0001 per share). The issue date of Group A Preferred Shares was 18 February 2016.

On 31 August 2015, the Company entered into the Group B Preferred Share Purchase Agreements with CDB GJ, Boyu AH and CDH Investment II (the "Group B Preferred Shareholders") to issue a total number of 7,542,002 Group B Preferred Shares to Group B Preferred Shareholders at a total consideration of RMB215,834,956 (with initial conversion price with RMB28.62 per share). The issue date of Group B Preferred Shares was 18 February 2016.

(d) On 18 February 2016, the Company issued 59,355,734 ordinary shares to JoeCare, 2,757,487 ordinary shares to Century Star Investment Co., Ltd. and 21,492,513 ordinary shares to Victor Gains at par value of USD 0.0001 per share, totaling USD 8,361 (equivalent to approximately RMB 55,000) were credited to share capital. At the same day, JoeCare transferred 3,560,993 ordinary shares it held to Group B Preferred Shareholders. For these 3,560,993 shares transferred, the Company granted all rights of Group B Preferred Shares to Group B Preferred Shareholders, resulting these transferred shares is accounted for as if Group B Preferred Shares and reduce the share capital totaling USD 356 (equivalent to approximately RMB2,000).

(e) On 18 February 2016, Smooth Yu transferred 6,548,602 ordinary shares to Boyu AH. For these shares transferred, the Company granted liquidation preference rights to Boyu AH which allow Boyu AH to enjoy certain preference distribution rights in the event of any liquidation, dissolution or winding up of the Company. Other than these preference rights, these shares are entitled to the same dividend rights with other ordinary shares.

(f) On 29 August 2016, the Group A Preferred Shares (16,394,266 shares) held by CDH Investment II were converted into ordinary shares of the Company with a 1 to 1 conversion ratio. Subsequent to the conversion, the Company derecognized the convertible preferred shares from the current liability and recognize share capital and share premium.

(g) On 29 August 2016, the RSA Scheme was approved by the shareholders of the Company. In accordance with the shareholders' approval, 2,757,744 ordinary shares (the "RSA Shares", representing 2.5% of the issued share capital of the Company as enlarged by the RSA Shares) were allotted and issued at par value each to Talent Wise Investments Limited, a business company incorporated in the British Virgin Islands with limited liability, and the RSA Shares were held on trust by the two shareholders of Talent Wise Investments Limited as trustee for the RSA Scheme. The two shareholders are the senior management of the Company.

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

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

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

As the Company has the power to determine the financial and operating policies of Talent Wise Investments Limited through its control over the Administration Committee, the directors of the Company consider that it is appropriate to consolidate the Talent Wise Investments Limited.

As at the report date, no shares held for restricted share award had been granted or agreed to be granted by the Company pursuant to the RSA Scheme.

(h) Pursuant to the shareholders' resolution passed on 22 December 2016, conditional on the share premium account of the Company being credited as a result of the proposed global offering described in the Prospectus, the Company will capitalize an amount of USD24,969 standing to the credit of its share premium account in paying up in full at par 249,690,254 shares, which will be allotted and issued to the shareholders of the Company as at the date of Prospectus in accordance with their respective shareholding ("Capitalization Issue").

(i) Pursuant to the shareholders' resolutions passed on 22 December 2016, with effect from and conditional upon the Listing, (i) all the Group B Preferred Shares will be automatically converted into the same number of ordinary shares of the Company; (ii) the authorized share capital of the Company will be changed to USD100,000 divided into 1,000,000,000 shares of USD0.0001 each of one single class, with effect from and conditional upon the Listing Date.

16 SHARE PREMIUM AND RESERVES

Group	Share premium	Reserves: Other reserves	Reserves: Merger reserves	Reserves: Surplus reserves(a)	Reserves: Subtotal
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	—	21,000	—	6,500	27,500
At 31 December 2013	—	21,000	—	6,500	27,500
At 1 January 2014	—	21,000	—	6,500	27,500
Capital withdrawn by the controlling shareholder (b)	—	(5,000)	—	—	(5,000)
At 31 December 2014	—	16,000	—	6,500	22,500
At 1 January 2015	—	16,000	—	6,500	22,500
Capital contribution by the controlling shareholder (c)	—	200,000	—	—	200,000
Ordinary shares agreed to be issued for Listing Business (d)	—	1,192,374	—	—	1,192,374
Merger reserves during the Reorganization (e)	—	(16,000)	(1,407,090)	—	(1,423,090)
Deemed distribution to the controlling shareholder (f)	—	(24,740)	—	—	(24,740)
At 31 December 2015	—	1,367,634	(1,407,090)	6,500	(32,956)
At 1 January 2016	—	1,367,634	(1,407,090)	6,500	(32,956)
Issuance of ordinary shares (d)	1,192,374	(1,192,374)	—	—	(1,192,374)
Deemed distribution to the controlling shareholder (f)	—	(301,907)	—	—	(301,907)
Liability settlement by equity instrument (g)	—	8,555	—	—	8,555
Transaction with the non-controlling interests (g)	—	(1,027)	—	—	(1,027)
Conversion from preferred shares into ordinary shares (15(f))	345,908	—	—	—	—
Shares held for restricted shares award scheme (15(g))	(2)	—	—	—	—
At 30 September 2016	1,538,280	(119,119)	(1,407,090)	6,500	(1,519,709)
(Unaudited)					
At 1 January 2015	—	16,000	—	6,500	22,500
Capital contribution by the controlling shareholder (c)	—	200,000	—	—	200,000
At 30 September 2015	—	216,000	—	6,500	222,500

(a) **Surplus Reserve**

In accordance with the PRC regulations and the articles of association of the companies now comprising the Group, before distributing the net profit of each year, companies registered in the PRC are required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reverse is appropriated from BNC Children's Hospital. Before 1 January 2013, the balance of the statutory surplus reserve reach 50% of the share capital, no future appropriation was accrued in 2013, 2014 and 2015 and the nine months ended 30 September 2016.

(b) **Capital Withdrawn by the Controlling Shareholder**

In September 2014, BNC Harmony Clinic applied a paid-in capital reduction of RMB 5,000,000 and the sole owner Jiahua Kangyong withdrew the same amount from BNC Harmony Clinic.

(c) **Capital Contribution by the Controlling Shareholder**

As described in Note 1(b), on 15 June 2015, Jiahua Yihe was established by Ms. Zhao with a registered capital of RMB 150,000. On 11 November 2015, Jiahua Yihe increased its registered capital from RMB 150,000 to RMB200,000,000, the consideration was paid in September 2015. The capital investment paid by Ms. Zhao and Ms. Zhou Jie was accounted for as capital contribution by the controlling shareholder.

(d) **Ordinary Shares Agreed to be Issued for Listing Business**

Pursuant to Likang Agreements in 2012 and Group A Preferred Shares Purchase Agreements in 2015, the Company would issue 62,113,221 and 21,492,513 ordinary shares to Mr. Jason ZHOU and Ms. Liang, respectively and 16,394,266 preferred shares to CDH Investment II when the Group acquired the entire interests in BNC Children's Hospital, BNC Harmony Clinic and BNC Women's and Children's Hospital in November 2015. The total value of ordinary and preferred shares agreed to be issued amounted to RMB1,192,374,000 and RMB 339,361,000 (Note 20) respectively. Among which RMB 108,645,000 is to acquire the BNC Women's and Children's Hospital (Note 35).

(e) **Merger Reserves During the Reorganization**

Merger reserves during the Reorganization represented the difference between value of the ordinary and preferred shares to be issued for the acquisition of BNC Children's Hospital and BNC Harmony Clinic and the combined capital reserves.

(f) **Deemed Distribution to the Controlling Shareholder**

On 30 November 2015, Jiahua Yihe acquired the 65% equity interests in BNC Children's Hospital and 100% equity interests in BNC Harmony Clinic, respectively, at a cash consideration of RMB 24,740,000. The acquisition was regarded as business combination under common control of Mr. Jason ZHOU. The consideration was accounted for as deemed distribution to the controlling shareholder.

On 18 February 2016, JoeCare transferred its 3,560,993 ordinary shares of the Company to Group B Preferred Shareholders for a consideration totaling RMB 101,907,000. For these shares transferred, the Company granted the same rights of Group B Preferred Shares to these shares held by Group B Preferred Shareholders (Note 20). Accordingly, these transferred shares are redesignated as liability at fair value through profit and loss amounting to RMB 101,907,000. And the transaction was accounted for as deemed distribution to the controlling shareholder.

As described in Note 1(b) as part of the Reorganization, on 24 May 2016, New Century Healthcare HK acquired 99.0% and 1.0% of equity interest in Jiahua Yihe from Ms. Zhao and Ms. Zhou Jie, respectively. The consideration paid was accounted for as deemed distribution to the controlling shareholder, amounting to RMB 200,000,000.

(g) **Liability Settlement by Equity Instrument and Transaction with the Non-controlling Interests**

As described in Note 1(b), on 22 January 2016 and 30 January 2016, Jiahua Yihe transferred it's 30% equity interest in each of BNC Harmony Clinic and BNC Women's and Children's Hospital to Jiahua Kangming of a cash consideration of RMB 6,900,000. As a consequence of the transaction, part of the liabilities to the preferred shareholders were in effect settled by equity instruments transferred to Jiahua Kangming. The difference of RMB 15,277,000 between the fair value of liabilities settled and the fair value of the relevant portion of equity instruments and the related portion of the cash consideration was recognized as other losses-net (Note 30). On the other hand, the shares transferred to Jiahua Kangming was accounted for as transaction with the non-controlling interests, the difference between the consideration paid for the transaction, the carrying amount of the non-controlling interests was recognized in other reserves.

17 SHARE PREMIUM, RESERVES AND ACCUMULATED LOSSES MOVEMENT OF THE COMPANY

	Note	Share premium	Reserves	Accumulated losses
		RMB'000	RMB'000	RMB'000
Comprehensive income				
- Loss for the period		—	—	(4,207)
Transactions with owners				
- Ordinary shares agreed to be issued for Listing Business	16(d)	—	1,192,374	—
At 31 December 2015		—	1,192,374	(4,207)
At 1 January 2016		—	1,192,374	(4,207)
Comprehensive income				
- Loss for the period		—	—	(19,113)
- Issuance of ordinary shares	16(d)	1,192,374	(1,192,374)	—
- Conversion from preferred shares into ordinary shares	15(f)	345,908	—	—
		1,538,282	(1,192,374)	(19,113)
Transactions with owners				
- Deemed distribution to the controlling shareholder	16(f)	—	(101,907)	—
At 30 September 2016		1,538,282	(101,907)	(23,320)

18 DIVIDENDS

	Year ended 31 December			Nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Dividends declared to the controlling shareholder	52,059	58,403	92,036	72,090	—

Dividends disclosed represented dividends declared by the companies now comprising the Group out of their retained earnings to the then shareholders of the respective companies, after eliminating intra-group dividends and excluding dividends paid to non-controlling interests, during the Relevant Periods.

19 BORROWINGS

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Bank borrowings	—	—	19,980	4,950
Current				
Bank borrowings	—	—	10,020	20,040
Total borrowings	—	—	30,000	24,990

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Maturity of borrowings				
Within 1 year	—	—	10,020	20,040
Between 1 and 2 years	—	—	19,980	4,950
Total borrowings	—	—	30,000	24,990

The balance of the Group as at 31 December 2015 represents bank borrowing of BNC Women's and Children's Hospital amounting to RMB 30,000,000 with interest bearing at fixed rate of 5.70% annually. The loan borrowed on 23 December 2015 will be matured in December 2017 and was guaranteed by its related parties, Jiahua Likang and BNC Children's Hospital. The loan is repayable starting from 13 July 2016 on a monthly basis by reference to relevant repayment schedule set out in the loan agreement.

The fair value of borrowings approximated their carrying amounts as at 31 December 2015 and 30 September 2016, as either discounting impact is immaterial or the borrowings carried interests which were benchmarked against rates announced by the People's Bank of China from time to time.

20 OTHER NON-CURRENT LIABILITIES AND CONVERTIBLE PREFERRED SHARES

In accordance with Group A Preferred Shares Purchase Agreements, the Company is obliged to issue convertible preferred shares to CDH Investment II when the Group acquired the entire interests in BNC Women's and Children's Hospital on 30 November 2015. The fair value of preferred shares issued of RMB 339,361,000 to CDH Investment II was recorded as non-current liability. Relevant preferred shares were issued on 18 February 2016.

In accordance with Group B Preferred Shares Purchase Agreements signed in August 2015, the Company agreed to issue 7,542,002 preferred shares to Group B Preferred Shareholders, and JoeCare transferred 3,560,993 ordinary shares to Group B Preferred Shareholders and the Company also granted the same preferred share rights prescribed in the Group B Preferred Shares Purchase Agreements. The Company recognized these preferred shares as convertible preferred shares and these ordinary shares with preferred shares rights as non-current liabilities. Relevant shares were issued on 18 February 2016.

The fair value changes between the contract signed off date and the shares issuance date were recognized as derivative as fair value change through profit and loss. There is no significant fair value changes in 2015 based on the independent valuation report.

The movement of other non-current liabilities and derivative instruments is set out as below:

	Note	Group A Preferred Shares to be issued	Derivative liability	Redesignation of ordinary shares into liability	Total other non-current liabilities
As at 31 December 2013 and 2014		—	—	—	—
Preferred shares to be issued	16(d)	339,361	—	—	339,361
As at 31 December 2015		339,361	—	—	339,361
Change in fair value		9,837	5,551	—	15,388
Liability settlement with equity instrument	16(g)	(14,755)	(8,882)	—	(23,637)
Derecognize the derivative liability upon issuance of Group B Preferred Shares		—	3,331	(1,131)	2,200
Issuance of preferred shares		(334,443)	—	—	(334,443)
Ordinary shares classified as liability	16(f)	—	—	101,907	101,907
Change in fair value		—	—	2,137	2,137
As at 30 September 2016		—	—	102,913	102,913
Changes in fair value charged to consolidated statements of comprehensive income for the nine months ended 30 September 2016		9,837	5,551	2,137	17,525

The movement of the convertible preferred shares is set out as below:

	Current liability — Group A Preferred Shares		Non-current liability -Group B Preferred Shares		Total	
	Number of preferred shares	RMB'000	Number of preferred shares	RMB'000	Number of preferred shares	RMB'000
At 31 December 2013, 2014 and 2015	—	—	—	—	—	—
At 18 February 2016						
Issuance of preferred shares	16,394,266	334,443	7,542,002	213,439	23,936,268	547,882
Changes in fair value	—	11,476	—	4,525	—	16,001
Group A Preferred Shares converted to ordinary shares	(16,394,266)	(345,919)	—	—	(16,394,266)	(345,919)
At 30 September 2016	—	—	7,542,002	217,964	7,542,002	217,964
Change in fair value of convertible preferred shares charged to consolidated statement of comprehensive income for the nine months ended 30 September 2016	—	11,476	—	4,525	—	16,001

The key terms of the shares purchase agreement and the Memorandum of Association of the Company are summarized as follows:

(a) **Conversion Feature**

Each holder of Group A Preferred Shares and Group B Preferred Shares shall have the right, at such holder's sole discretion, to convert all or any portion of the Group A Preferred Shares and the Group B Preferred Shares into ordinary shares of the Company at any time after 18 February 2016 which is the original issue date.

The initial conversion price of Group A Preferred Shares and Group B Preferred Shares is group A and group B original issue price (i.e., a 1-to-1 initial conversion ratio), which will be subject to adjustments to reflect stock dividends, stock splits and other events.

Automatic conversion:

Each Group A Preferred Share and Group B Preferred Share shall automatically be converted into ordinary shares of the Company, at the then applicable conversion price upon the closing of a firm commitment underwritten public offering of the ordinary shares in Hong Kong, with the post-money valuation of the Company on a fully diluted basis in excess of (i) the amount of US dollars equal to RMB 3,020,000,000 if such initial public offering is completed before 12 December 2016 or (ii) the amount of US dollars equal to the product obtained from the following formula: RMB3,020,000,000 x $(130\%)^N$, of which N shall be a fraction the numerator of which is the number of calendar days between the closing date of the Group B Preferred Shares Purchase Agreements and the date of the initial public offering and the denominator of which is 365, if such initial public offering is completed after 31 December 2016, and the total securities issued by the Company in such offering not less than

20% of all outstanding share capital of the Company on a fully diluted basis after the offering, or in a similar public offering of the ordinary shares of the Company in another jurisdiction which results in the ordinary shares trading publicly on a recognized international securities exchange; provided that such offering satisfies the foregoing valuation and offering share percentage is subject to the prior written approval of the holders of more than one half (1/2) of the Group A Preferred Shares and holders of more than one eighty-five percent (85%) of the Group B Preferred Shares (a "Qualified IPO").

On 29 August 2016, all the shareholders of the Company unanimously resolved that, the proposed listing of the Company as approved by the shareholders shall be deemed as a Qualified IPO, and each of the Group B Preferred Shares shall be automatically converted into ordinary shares of the Company on a 1-to-1 basis immediately prior to the closing of the Qualified IPO.

(b) **Redemption Feature**

Any holder of the preferred shares may, at any time, subject to applicable laws and regulations, require the Company to redeem any and all outstanding Group A Preferred Shares or Group B Preferred Shares (as applicable) following any group A or group B redemption triggering events (as applicable).

Group A preferred shareholder:

Group A Preferred Shareholder may require the Company to redeem any and all outstanding Group A Preferred Shares if, among others: (i) the Qualified IPO does not take place by 28 June 2017; (ii) there is a material default or breach by any member of the Group and/ or existing shareholder under the Group A Preferred Shares Purchase Agreements or the transaction documents under the Group B Preferred Shares Purchase Agreements, which default or breach would result in the failure to complete a Qualified IPO; or (iii) the Company fails to consummate a Qualified IPO due to reasons from any controlling shareholder, existing shareholder and/or senior management of members of the Group. The redemption price would be calculated based on 12% compound annual return on the investment amount in the case of (i); and 20% compound annual return on the investment amount in the case of (ii) and (iii).

Group B preferred shareholders:

Each Group B Preferred Shareholders may require the Company to redeem any and all outstanding Group B Preferred Shares at any time, if: (i) the Company fails, to consummate a Qualified IPO by 1 June 2020; (ii) there is a material breach by any member of the Group and/or existing shareholders under the transaction documents under the Group B Preferred Shares Purchase Agreements, which default or breach would result in the failure to complete a Qualified IPO; or (iii) the Company fails to consummate a Qualified IPO due to reasons from any controlling shareholder of the Company, existing shareholders and/or senior management of members of the Group. The redemption price would be calculated based on 12% compound annual return on the investment amount in the case of (i); and 20% compound annual return on the investment amount in the case of (ii) and (iii).

(c) **Voting Rights**

Each holder of the preferred shares shall have a right to that number of votes equal to the number of ordinary shares issuable as if the preferred shares have been converted into ordinary shares.

(d) **Dividends Rights**

The holders of the preferred shares shall be entitled to receive dividends in preference the higher of the below: (i) any dividends on the ordinary shares, (ii) dividends paid to holders of the preferred shares according to the number of ordinary shares issuable upon conversion of their preferred shares on the record date for the dividend, whenever funds are legally available and when and as declared by the Board. The dividends shall be cumulative. In the event that the Company fails to consummate the Qualified IPO before 31 December 2017, upon the request of the holders of the preferred shares, the Company shall, after paying any applicable taxes and setting aside legally reasonable provisions and funds necessary for the operation of business for the next year, distribute the legally available profits of the Company.

No dividends or other distributions shall be made or declared, whether in cash, in property, or in any other shares of the Company if the total amount of dividends declared by the Board is below the amount of dividends on ordinary shares paid to the holders of the preferred shares. No dividends or other distributions shall be made or declared, whether in cash, in property, or in any other shares of the Company, with respect to any other class or series of shares of the Company, unless and until dividends in like amount have been paid in full on the preferred shares (on an as-converted basis).

(e) **Liquidation Preferences**

In the event of any merger, acquisition, sales of material assets, liquidation, dissolution or winding up of the Company, either voluntary or involuntary, distributions to the shareholders of the Company shall be made in the following manner (after satisfaction of all creditors' claims and claims that may be preferred by law):

(i) The holders of the preferred shares shall be entitled to receive for each preferred share, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to, RMB9.1 per share for Group A Preferred Shares, and RMB28.6 per share for Group B Preferred Shares, as adjusted for share splits, share dividends, combinations, capital reorganizations and similar events, plus all declared but unpaid dividends. If upon the occurrence of a liquidation, dissolution or winding up of the Company the assets and funds thus distributed among the holders of the preferred shares shall be insufficient to permit the payment to such holders of full preference amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the preferred shares in proportion to the preference amount each such holder is otherwise entitled to receive.

(ii) After setting aside or paying in full the preference amount due pursuant to the article above, the remaining assets of the Company available for distribution to all shareholders, if any, shall be distributed to the holders of the preferred shares and ordinary shares on a pro rata basis, based on the number of ordinary shares then held by each holder on an as-converted basis.

(f) **Fair Value Measurement**

The Group monitors other non-current liabilities and convertible preferred shares on a fair value basis which is in accordance with its risk management strategy and does not bifurcate any feature from its debt host instrument and designates the entire hybrid contract as a financial liability at fair value through profit or loss with the changes in the fair value recorded in profit or loss.

The directors had used the discounted cash flow method to determine their underlying equity fair value of the Group and adopted equity allocation method to determine the fair value of other non-current liabilities and convertible preferred shares. Key assumptions are set out as below:

	As of 31 December 2015	As of 18 February 2016	As of 29 August 2016	As of 30 September 2016
Discount rate	15%	15%	15%	14%
Risk-free interest rate	0.8%	0.6%	0.6%	0.5%
Volatility	58%	59%	46%	44%

Discount rate of other non-current liabilities and Group A Preferred Shares and Group B Preferred Shares was estimated by weighted average costs of capital as of each valuation date. The directors estimated the risk-free interest rate on the yield of US Treasury Strips with a maturity life equal to period from the respective valuation dates to expected liquidation date. Volatility was estimated at the dates of valuation based on average historical volatilities of the comparable companies in the same industry. Probability weight for liability component under each of the redemption feature and liquidation preferences was based on the directors' best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of other non-current liabilities and preferred shares on each valuation date.

The estimated fair value of other non-current liabilities and convertible preferred shares as at 30 September 2016 would have been RMB 13,324,000 higher/RMB 11,103,000 lower should the discount rate used in discounted cash flow analysis lower/higher by 50 basis points from management's estimates.

21 TRADE PAYABLES

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

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 3 months	6,774	6,778	9,843	9,529
4-6 months	877	515	2,949	3,628
7-12 months	278	82	333	797
Over 1 year	98	233	211	323
	8,027	7,608	13,336	14,277

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

22 ACCRUALS, OTHER PAYABLES AND PROVISIONS

Group	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued employee benefits	5,973	10,434	25,611	27,813
Accrued operating expenses	—	—	1,947	2,528
Payables in relation to listing expenses	—	—	4,207	16,153
Advance from customers	13,683	18,837	56,482	47,059
Duty and tax payable other than corporate income tax	514	845	1,121	1,529
Other payables to suppliers of plant and equipment	2,004	3,238	8,703	5,321
Others	2,420	2,552	5,838	5,339
	24,594	35,906	103,909	105,742

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

Company	As at 31 December	As at 30 September
	2015	2016
	RMB'000	RMB'000
Payables in relation to the listing expenses	4,207	9,052

23 DEFERRED REVENUE

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred revenue for membership cards	1,935	2,769	6,177	24,231
Deferred revenue for promotion services	—	1,890	730	730
Total current deferred revenue	1,935	4,659	6,907	24,961

24 DEFERRED INCOME TAX

The analysis of deferred income tax is as follows:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
- Deferred income tax assets to be recovered after more than 12 months	—	—	31,544	22,806
- Deferred income tax assets to be recovered within 12 months	1,495	3	4,681	10,055
	1,495	3	36,225	32,861
Deferred income tax liabilities:				
- Deferred income tax liabilities to be recovered after more than 12 months	—	—	38,196	37,137
- Deferred income tax liabilities to be recovered within 12 months	—	—	1,413	1,413
	—	—	39,609	38,550
Deferred income tax assets/ (liabilities) - net	1,495	3	(3,384)	(5,689)

Deferred income tax assets	Accruals	Provision for receivables	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	—	—	—	—
Credited to the income statement	1,494	1	—	1,495
Balance at 31 December 2013	1,494	1	—	1,495
Balance at 1 January 2014	1,494	1	—	1,495
(Charged)/credited to the income statement	(1,494)	2	—	(1,492)
Balance at 31 December 2014	—	3	—	3
Balance at 1 January 2015	—	3	—	3
Credited to the income statement	—	13	161	174
Business Combination (Note 35)	—	5	36,043	36,048
Balance at 31 December 2015	—	21	36,204	36,225
Balance at 1 January 2016	—	21	36,204	36,225
Charged to the income statement	—	(4)	(3,360)	(3,364)
Balance at 30 September 2016	—	17	32,844	32,861

The Group recognized the deferred income tax assets of RMB 36,043,000 in respect of accumulated loss amounting to RMB 144,172,000 from the business combination of BNC Women's and Children's Hospital on 30 November 2015. The Group also recognized deferred income tax assets of RMB 161,000 in respect of tax losses amounting to RMB 644,000 in December 2015 of BNC Women's and Children's Hospital. At 30 September 2016, no additional deferred income tax assets was recognized because BNC Women's and Children's Hospital was profit making in 2016.

The expiry date of tax losses is as follow:

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
As at 31 December 2017	—	—	63,849	50,409
As at 31 December 2018	146	146	38,758	38,648
As at 31 December 2019	—	4,751	21,885	21,885
As at 31 December 2020	—	—	28,091	27,798
	146	4,897	152,583	138,740

The group did not recognize deferred income tax assets of RMB 37,000, RMB 1,224,000, RMB 1,942,000 and RMB 1,841,000 in 2013, 2014 and 2015 and 30 September 2016 respectively in respect of tax losses amounting to RMB 146,000, RMB 4,897,000 RMB 7,768,000 and RMB 7,364,000 which can be carried forward against future taxable income.

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

Deferred tax liabilities	**Intangible Assets**
	RMB'000
Balance at 1 January 2015	—
Credited to the income statement	(118)
Business Combination (Note 35)	39,727
Balance at 31 December 2015	39,609
Balance at 1 January 2016	39,609
Credited to the income statement	(1,059)
Balance at 30 September 2016	38,550

The tax rate for the recognition of deferred tax assets and deferred tax liabilities is 25% for the Relevant Periods.

25 INVESTMENT IN SUBSIDIARIES — COMPANY

	As at 31 December 2015	As at 30 September 2016
	RMB'000	RMB'000
Investment in subsidiaries	1,531,735	1,733,437

Investment in subsidiaries as at 31 December 2015 represents the ordinary and preferred shares to be issued to acquire the Listing Business. The Company acquired Jiahua Yihe with a cash consideration of RMB 200,000,000 on 24 May 2016 and then completed the Reorganization. At the same time, the Company further contributed RMB 1,702,000 to its subsidiaries which was waived for settlement by the Company.

26 REVENUE

The Group's revenue for the years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2015 and 2016 mainly represents the amount received and receivable from provision of treatments and medical service, supply of pharmaceutical to customers and provision of hospital consulting services, net of discount and sales related taxes, are as follows:

	Year ended 31 December			For the nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Medical services					
- Provision of healthcare services	200,652	208,392	216,560	148,523	274,569
- Pharmaceutical sales	34,057	35,989	34,967	22,426	41,185
Hospital consulting services	—	—	1,751	—	20,348
Others	4,061	4,632	4,918	3,587	3,924
	238,770	249,013	258,196	174,536	340,026

All revenue are generated in the PRC. The Group has a diversified patient portfolio, especially in pediatrics, obstetrics and gynecology services, aside from the hospitals located in mainland China, no single patient or client contributed 1% or more of the Group's revenue during the Relevant Periods.

27 EXPENSES BY NATURE

	Year ended 31 December			For the nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employee benefits expenses (Note 28)	48,071	63,487	80,293	52,481	122,109
Cost of inventories and consumables	20,774	24,623	23,744	14,514	31,513
Consultation fees	10,989	13,429	15,360	12,203	10,859
Outsourced examination and inspection fees	10,498	6,460	3,601	1,974	4,250
Utilities, maintenance fee and office expenses	23,191	26,484	17,998	12,581	24,641
Rental expenses	3,977	4,415	5,253	2,944	12,461
Canteen expenses	2,302	1,516	2,151	1,617	2,991
Bank charges	1,250	1,317	1,446	972	1,888
Depreciation and amortization	2,051	2,685	4,698	2,538	16,012
Expenses in relation to the Listing	—	—	5,982	—	16,845
Auditors' remuneration	28	70	105	105	125
Other expenses	6,005	6,612	5,979	4,350	10,466
	129,136	151,098	166,610	106,279	254,160

28 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			For the nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	37,238	52,557	63,153	41,288	98,490
Contribution to a pension plan	4,250	4,458	6,481	4,300	9,863
Welfare and other expenses	6,583	6,472	10,659	6,893	13,756
	48,071	63,487	80,293	52,481	122,109

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

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

	Year ended 31 December			For the nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of revenue	34,348	48,221	60,679	39,899	98,492
Administrative expenses	7,834	8,877	11,501	7,201	12,401
Selling expenses	5,889	6,389	8,113	5,381	11,216
	48,071	63,487	80,293	52,481	122,109

(a) **Five highest paid individuals**

The five individuals whose remunerations were the highest in the Group for each of the years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2015 and 2016 are set out below:

	Year ended 31 December			For the nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Basic salaries, bonus, housing allowance, other allowance and benefits in kind	1,431	2,395	3,036	2,483	2,473
Contribution to pension plans	65	71	132	97	70
	1,496	2,466	3,168	2,580	2,543

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

	Number of individuals				
	Year ended 31 December			nine months ended 30 September	
	2013	2014	2015	2015	2016
				(Unaudited)	
Emolument bands					
Nil to HKD 1,000,000	5	5	5	5	5

29 OTHER INCOME

	Year ended 31 December			For the nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Tax refunds	68	69	169	105	—
Others	2	117	69	11	335
	70	186	238	116	335

30 OTHER LOSSES — NET

		Year ended 31 December			For the nine months ended 30 September	
	Note	2013	2014	2015	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Losses on disposal of property, plant and equipment		43	50	113	30	13
Fair value changes of convertible preferred shares and other non-current liabilities		—	—	—	—	33,526
Gains on liability settlement by equity instrument	16(g)	—	—	—	—	(15,277)
		43	50	113	30	18,262

31 FINANCE INCOME/(EXPENSES) - NET

	Year ended 31 December			For the nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance Income					
Interest income from bank deposit	1,087	2,647	316	237	299
Finance Expenses					
Interest expense on bank borrowings	—	—	(43)	—	(1,260)
Financial Income/(Expenses) - Net	1,087	2,647	273	237	(961)

32 INCOME TAX EXPENSE

Subsidiaries established and operating in Mainland China are subject to PRC corporate income tax at the rate of 25% for the Relevant Periods.

	Year ended 31 December			For the nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income taxation:					
- PRC corporate income tax	29,533	24,891	25,081	17,826	21,535
Deferred income tax (Note 24)	(1,495)	1,492	(292)	—	2,305
	28,038	26,383	24,789	17,826	23,840

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

	Year ended 31 December			For the nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	110,748	100,698	91,984	68,580	66,978
Calculated at a taxation rate of 25%	27,687	25,175	22,996	17,145	16,745
Expenses not tax deductible	10	21	1,075	15	7,169
Tax effect of tax losses not recognized	37	1,187	718	666	—
Utilization of previously unrecognized tax losses	—	—	—	—	(74)
Others	304	—	—	—	—
Income tax expense	28,038	26,383	24,789	17,826	23,840

(a) **Cayman Islands Income Tax**

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) **Hong Kong Profits Tax**

Hong Kong profits tax rate is 16.5% for the years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the Relevant Periods.

The Reorganization had been accomplished in May 2016. As at 30 September 2016, deferred income tax liabilities of RMB 3,812,000 have not been recognized for the withholding tax that would be payable on the unremitted earnings of PRC subsidiaries. Management expects to be reinvested such amount in these subsidiaries in the foreseeable future. Unremitted earnings of these subsidiaries as at 30 September 2016 amounted to RMB 38,117,000.

33 EARNINGS PER SHARE ("EPS")

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods.

	Year ended 31 December			For the nine months ended 30 September	
	2013	2014	2015	2015	2016
				(Unaudited)	
Profit attributable to owners of the Company (RMB'000)	53,566	46,705	40,903	32,060	17,944
Weighted average number of ordinary shares in issue (in thousands)	83,616	83,616	83,616	83,616	77,228
Basic earnings per share (a) (in RMB)	0.64	0.56	0.49	0.38	0.23

(a) The earnings per share presented above is calculated by using the weighted average number of ordinary shares during the Relevant Periods. In determining the weighted average number of ordinary shares, the one share issued upon incorporation, the 9,999 sub-divided shares on 18 February 2016 and the 83,605,734 ordinary shares issued on 18 February 2016 are treated as if have been in issue since 1 January 2013.

The calculation of basic EPS in 2016 has not considered the 6,548,602 ordinary shares with liquidation preference from 18 February 2016 (Note 15(e)) as these shares are not considered as ordinary shares that are subordinated to all other class of equity instrument. The profit attributable to those shares is also excluded from the calculation from 18 February 2016. These shares are not included in the calculation of diluted EPS as they do not have dilutive effect.

Both the calculation of basic EPS and diluted EPS in 2016 have not considered the 2,757,744 shares which was issued to RSA Scheme (Note 15(g)) as no shares had been granted or agreed to be granted by the Company pursuant to the RSA Scheme.

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible preferred shares and 3,560,993 ordinary shares redesignated as non-current liability (Note 20). The convertible preferred shares are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the impact of fair value change of convertible preferred shares and other non-current liability (Note 30). There is no dilutive effect of the shares to earnings per share. So diluted EPS is equivalent to basic EPS.

(c) The earning per share as presented above has not taken into account of the proposed Capitalization Issue of 249,690,254 shares, which has not become effective as of the date of this report.

34 CASH GENERATED FROM OPERATIONS

	Year ended 31 December			For the nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	110,748	100,698	91,984	68,580	66,978
Adjustments for:					
— Depreciation of property, plant and equipment (Note 6)	1,806	2,299	3,830	2,235	11,664
— Amortization (Note 7)	245	386	868	303	4,348
— Other losses (Note 30)	43	50	113	30	18,262
— Finance (income)/expenses — net (Note 31)	(1,087)	(2,647)	(273)	(237)	961
— Provision for /Reversal of impairment of trade receivables	6	5	72	—	(18)
Changes in working capital (excluding the effects of acquisition on consolidation):					
— Inventories	(1,163)	1,463	298	(309)	(1,656)
— Trade and other receivables	(845)	1,050	(3,605)	937	(4,715)
— Balances with related parties	1,967	(123)	(2,148)	(1,949)	(23,758)
— Trade and other payables	15,458	9,659	10,598	(2,701)	6,166
— Deferred revenue	(11,053)	2,724	1,214	464	18,054
Cash generated from operations	116,125	115,564	102,951	67,353	96,286

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

	Year ended 31 December			For the nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net book amount (Note 6)	44	50	114	31	15
Loss on disposal of property, plant and equipment	(43)	(50)	(113)	(30)	(13)
Proceeds from disposal of property, plant and equipment	1	—	1	1	2

Non-cash transactions

The principal non-cash transaction is the issuance of shares as consideration for the acquisition discussed in Note 35.

35 BUSINESS COMBINATIONS

On 30 November 2015, the Group acquired 100% of the share capital of BNC Women's and Children's Hospital for RMB 20,000,000 and equity instrument amounting to RMB 108,645,000 of the Company to obtain the 100% interests of BNC Women's and Children's Hospital.

As a result of the acquisition, the Group is expected to increase its presence in these markets. It also expects to reduce costs through economies of scale. The goodwill of RMB 97,682,000 arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of the Group and BNC Women's and Children's Hospital. None of the goodwill recognized is expected to be deductible for income tax purposes.

The following table summarizes the consideration paid for BNC Women's and Children's Hospital, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

Consideration:

At 30 November 2015	**RMB'000**
— Cash	20,000
— Share issued	108,645
Total consideration	128,645
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	6,704
Property, plant and equipment (Note 6)	96,130
Intangible assets — Computer software (Note 7)	362
Intangible assets — Medical licenses (Note 7)	156,784
Deferred income tax assets (Note 24)	36,048
Inventories	1,603
Trade receivables	3,131
Other receivables, deposits and prepayments	3,750
Amounts due from related parties	1,202
Trade payables	(4,103)
Accruals, other payables and provisions	(61,426)
Amounts due to related parties	(168,461)
Deferred revenue	(1,034)
Deferred income tax liabilities (Note 24)	(39,727)
Total identifiable net assets	30,963
Goodwill (Note 7)	97,682

Medical license, amounting to RMB 156,784,000, represented the medical license acquired in the acquisition of the BNC Women's and Children's Hospital in November 2015. The medical license acquired in a business combination was recognized at fair value which had been valued by an independent valuer at the acquisition date. The medical license has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licenses over their estimated useful life of 30 years.

The revenue included in the consolidated statement of comprehensive income since 30 November 2015 contributed by BNC Women's and Children's Hospital was RMB 11,119,000. BNC Women's and Children's Hospital also suffered a loss of RMB 485,000 in the same period.

Please refer to Section III for additional financial information of BNC Women's and Children's Hospital as at 31 December 2013 and 2014 and 30 November 2015.

36 COMMITMENTS

(a) Capital Commitments

The following is the details of capital expenditure contracted for but not provided in the Financial Information.

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for				
- Property, plant and equipment	—	436	1,148	1,291
Total	—	436	1,148	1,291

(b) Operating Lease Commitments

The Group leases certain office buildings and hospitals under non-cancellable operating lease agreements. The Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	2,669	1,011	12,629	12,466
Later than 1 year and no later than 5 years	4,283	2,455	39,982	27,501
Total	6,952	3,466	52,611	39,967

37 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 Group are also considered as related parties.

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

Name	*Relationship with the Group*
Mr. Jason ZHOU	The controlling shareholder of the Company
Beijing Jiahua Kangyong Investment and Management Co., Ltd. (北京嘉華康永投資管理有限公司)	Controlled by the same ultimate controlling shareholder
Beijing Jiahua Yide Medical Investment Management Co., Ltd. (北京嘉華怡德醫療投資管理有限公司)	Jointly controlled by the controlling shareholder of the Company till 18 May 2016
Beijing Yide Hospital Co., Ltd. (北京怡德醫院有限公司)	Jointly controlled by the controlling shareholder of the Company till 18 May 2016
Beijing Jiahua Likang Health Investment Co., Ltd. (北京嘉華麗康醫療投資管理有限公司)	The controlling shareholder of the Company has significant influence
BNC Women's and Children's Hospital	The controlling shareholder of the Company has significant influence till 30 November 2015
Tianjin Heping New Century Women's and Children's Hospital Co., Ltd. (天津和平新世紀婦兒醫院有限公司)	The controlling shareholder of the Company has significant influence
Chengdu New Century Women's and Children's Hospital Co., Ltd. (成都新世紀婦女兒童醫院有限公司)	The controlling shareholder of the Company has significant influence
Suzhou New Century International Children's Hospital Co., Ltd. (蘇州新世紀兒童醫院)	The controlling shareholder of the Company has significant influence
Beijing Children's Hospital (首都醫科大學附屬北京兒童醫院)	Significant influence on the subsidiary of the Company
Beijing MuHeJiaYe Property Management Co., Ltd.(北京睦合嘉業物業管理有限公司)	Controlled by Ms. Zhao, the spouse of the controlling shareholder of the Company
Beijing Jiahe Commercial & Management Co., Ltd. (北京嘉禾興業商業資產管理有限公司)	Controlled by Ms. Zhao, the spouse of the controlling shareholder of the Company
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)	Controlled by Ms. Zhao, the spouse of the controlling shareholder of the Company

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

(a) **Significant Transactions with Related Parties**

	Year ended 31 December			For the nine months ended 30 September	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Medical services provided to					
— Beijing Children's Hospital	1,153	872	172	173	—
Hospital consulting services provided to					
—Beijing Jiahua Likang Health Investment Co., Ltd. (i)	—	—	1,751	—	20,348
Examination and laboratory test services received from					
— Beijing Children's Hospital	1,205	1,210	1,042	888	938
Purchase of goods from					
— Beijing Children's Hospital	300	285	470	323	339
Cleaning services received from					
—Beijing Jiahe Commercial & Management Co., Ltd.	—	—	792	792	—
— Beijing MuHeJiaYe Property Management Co., Ltd.	—	—	1,547	426	4,466
Total	2,658	2,367	5,774	2,602	26,091

(i) Jiahua Yihe has commenced providing hospital consulting services to Jiahua Likang for its seven for-profit private hospitals. Pursuant to a management consulting services agreement, the agreement became effective on December 1, 2015 and is valid until November 30, 2018. Under the arrangement, the hospital consulting services that Jiahua Yihe provides relate to brand licensing and authorizing use of management know-how, best practices for medical services and operations and the relevant know-how, professional development training systems and clinical experience exchange platform, procurement and supplier services support and information technology systems and support. Under the agreement, Jiahua Likang agrees to pay Jiahua Yihe a monthly base fee of RMB100,000 for each of its hospitals that receives Jiahua Yihe's specified services in the agreement. In addition, Jiahua Yihe provides other additional business operational and financial consultancy services upon request by Jiahua Likang from time to time at specified hourly rates.

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

Balances with related parties as at 31 December 2013, 2014 and 2015 and 30 September 2016 were disclosed in Note 13.

(c) **Guarantees to Related Party's Comprehensive Credit Lines**

Jiahua Likang has entered a comprehensive credit lines contract with Bank of Jiangsu, and in accordance with the contract, Jiahua Likang has been granted a loan of RMB 230,000,000, which was guaranteed by BNC Women's and Children's Hospital. The period of guarantee was from 9 June 2015 to 8 June 2016.

(d) **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 nine months ended 30 September**	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Salaries and bonus	1,074	1,517	1,647	1,181	3,151
Contribution to pension plans	73	79	92	65	144
Welfare and other expenses	87	95	111	78	178
Total	1,234	1,691	1,850	1,324	3,473

(e) **Free Trademark License Agreement**

On May 10, 2016, Jiahua Yihe, entered into a trademark licensing and transfer agreement with Jiahua Likang pursuant to which Jiahua Likang agreed to transfer two trademarks to Jiahua Yihe and also irrevocably grant, on a royalty-free basis, a non-exclusive, non-assignable and non-transferable license to Jiahua Yihe and its affiliates to use such trademarks free of charge. The application for the trademark transfer was filed with the relevant competent authority in the PRC on 16 May 2016, which is expected to complete within one year.

(f) **Provision of Premises by a related party**

The Group has established BNC Children's Hospital based on a public-private-partnership arrangement with BCH, a public hospital in Beijing, the PRC. Pursuant to the cooperation agreement in 2002, BCH has agreed to provide premises on its allocated land for the business operation of BNC Children's Hospital without extra payments to each other. The term of the cooperation with BCH lasts until 12 December 2022.

38 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 2013, 2014 and 2015 and the nine months ended 30 September 2015 and 2016 is set out below:

For the year ended 31 December 2013	**Salary**	**Housing allowance**	**Welfare and other expenses**	**Contribution to a pension plan**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Name of executive directors					
Mr. Jason ZHOU	336	—	—	—	336
Mr. Xu Han	240	21	22	37	320
Ms. Xin Hong	240	21	22	37	320
	816	42	44	74	976

For the year ended 31 December 2014	**Salary**	**Housing allowance**	**Welfare and other expenses**	**Contribution to a pension plan**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Name of executive directors					
Mr. Jason ZHOU	339	—	—	—	339
Mr. Xu Han	243	24	24	40	331
Ms. Xin Hong	243	24	24	40	331
	825	48	48	80	1,001

For the year ended 31 December 2015	**Salary**	**Housing allowance**	**Welfare and other expenses**	**Contribution to a pension plan**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Name of executive directors					
Mr. Jason ZHOU	340	—	—	—	340
Mr. Xu Han	244	26	27	44	341
Ms. Xin Hong	244	26	27	44	341
	828	52	54	88	1,022

For the period ended 30 September 2016	**Salary**	**Housing allowance**	**Welfare and other expenses**	**Contribution to a pension plan**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Name of executive directors					
Mr. Jason ZHOU	455	—	—	—	455
Mr. Xu Han	363	22	22	35	442
Ms. Xin Hong	363	22	22	35	442
	1,181	44	44	70	1,339

For the period ended 30 September 2015	Salary	Housing allowance	Welfare and other expenses	Contribution to a pension plan	Total
(Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of executive directors					
Mr. Jason ZHOU	255	—	—	—	255
Mr. Xu Han	183	19	20	32	254
Ms. Xin Hong	183	19	20	32	254
	621	38	40	64	763

On 18 February 2016, the Company appointed Jason ZHOU, Mr. Xu Han and Ms. Xin Hong as the directors, Ms. Liang Yanging, Dr. He Xin and Mr. Wang Siye as the non-executive directors.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016.

39 CONTINGENCIES

The Group has been named defendants in a number of lawsuits arising in the ordinary course of business. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. As of the reporting date, no significant lawsuit provision has been made as based on directors' assessment, the pending lawsuits have little impact on the Group's finance results or the outflow of resources is not probable.

40 SUBSEQUENT EVENTS

Pursuant to a shareholder resolution of the Company on 12 December 2016 and a shareholder resolution of Jiahua Yihe on 16 December 2016, dividends of approximately RMB27,542,000 relating to the profit of BNC Children's Hospital from December 2015 to 24 May 2016 before the completion of the Reorganization, has been agreed and declared to be paid to the then shareholders of Jiahua Yihe immediately before the completion of the Reorganization. The dividends will be settled in January 2017 before the Listing.

III ADDITIONAL FINANCIAL INFORMATION OF BNC WOMEN'S AND CHILDREN'S HOSPITAL

The following is the financial information of BNC Women's and Children's Hospital for each of the years ended 31 December 2013 and 2014 and the period from 1 January to 30 November 2015 before BNC Women's and Children's Hospital became a subsidiary of the Company.

BALANCE SHEETS OF BNC WOMEN'S AND CHILDREN'S HOSPITAL

		As at 31 December		As at 30 November
	Note	2013	2014	2015
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	4	96,600	101,869	94,006
Intangible assets	5	920	623	362
Deferred income tax assets	6	—	—	36,048
Total non-current assets		97,520	102,492	130,416
Current assets				
Inventories	7	1,489	1,531	1,603
Trade receivables	8	2,962	2,878	3,131
Other receivables, deposits and prepayments	9	2,578	2,787	3,750
Amounts due from related parties	10	90	673	1,202
Cash and cash equivalents	11	7,290	6,236	6,704
Total current asset		14,409	14,105	16,390
Total assets		111,929	116,597	146,806
EQUITY				
Equity attributable to owners of the Company				
Paid-in capital	12	20,000	20,000	20,000
Accumulated losses		(102,506)	(119,659)	(108,218)
Total deficit		(82,506)	(99,659)	(88,218)

	Note	As at 31 December 2013	As at 31 December 2014	As at 30 November 2015
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	13	—	6,620	—
Total non-current liabilities		—	6,620	—
Current liabilities				
Borrowings	13	—	20,040	—
Trade payables	14	3,223	4,284	4,103
Accruals, other payables and provisions	15	38,343	49,932	61,426
Deferred revenue	16	630	1,338	1,034
Amounts due to related parties	10	152,239	134,042	168,461
Total current liabilities		194,435	209,636	235,024
Total liabilities		194,435	216,256	235,024
Total equity and liabilities		111,929	116,597	146,806

STATEMENTS OF COMPREHENSIVE INCOME OF BNC WOMEN'S AND CHILDREN'S HOSPITAL

	Note	Year ended 31 December 2013	Year ended 31 December 2014	Period from 1 January to 30 November 2015
		RMB'000	RMB'000	RMB'000
Revenue	17	48,250	97,971	86,816
Cost of revenue	18	(49,869)	(70,259)	(70,858)
Gross profit		(1,619)	27,712	15,958
Selling expenses	18	(6,718)	(9,022)	(7,720)
Administrative expenses	18	(30,352)	(34,374)	(31,746)
Other income - net	20	17	70	16
Operating loss		(38,672)	(15,614)	(23,492)
Finance income	21	15	26	58
Finance expenses	21	—	(1,565)	(1,173)
Loss before income tax		(38,657)	(17,153)	(24,607)
Income tax expense	22	—	—	36,048
(Loss)/profit for the year/period		(38,657)	(17,153)	11,441
(Loss)/profit attributable to:				
Owners of the company		(38,657)	(17,153)	11,441
Total comprehensive (loss)/profit for the year/period		(38,657)	(17,153)	11,441

STATEMENT OF CHANGES IN EQUITY OF BNC WOMEN'S AND CHILDREN'S HOSPITAL

	Paid-in capital	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013	20,000	(63,849)	(43,849)
Loss for the year	—	(38,657)	(38,657)
Balance at 31 December 2013	20,000	(102,506)	(82,506)
Loss for the year	—	(17,153)	(17,153)
Balance at 31 December 2014	20,000	(119,659)	(99,659)
Profit for the period	—	11,441	11,441
Balance at 30 November 2015	20,000	(108,218)	(88,218)

STATEMENTS OF CASH FLOWS OF BNC WOMEN'S AND CHILDREN'S HOSPITAL

	Note	Year ended 31 December		Period from 1 January to 30 November
		2013	2014	2015
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash (used in)/generated from operations	23	(16,133)	10,184	2,054
Interest paid		—	(1,505)	(1,233)
Interest received		15	26	58
Net cash (used in)/generated from operating activities		(16,118)	8,705	879
Cash flows from investing activities				
Purchases of property, plant and equipment		(13,257)	(17,419)	(7,358)
Purchases of intangible assets		(79)	—	(18)
Net cash used in investing activities		(13,336)	(17,419)	(7,376)
Cash flows from financing activities				
Proceeds from borrowings		—	30,000	—
Repayments of borrowings		—	(3,340)	(26,660)
Receipt of borrowings from related parties		30,000	11,000	111,740
Repayment of borrowings from related parties		—	(30,000)	(78,115)
Net cash generated from financing activities		30,000	7,660	6,965
Net increase/(decrease) in cash and cash equivalents		546	(1,054)	468
Cash and cash equivalents at beginning of year/period		6,744	7,290	6,236
Cash and cash equivalents at end of the year/period		7,290	6,236	6,704

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION ON BNC WOMEN'S AND CHILDREN'S HOSPITAL

1 GENERAL INFORMATION

BNC Women's and Children's Hospital was incorporated in PRC. The address of BNC Women's and Children's Hospital is No. 51 WangJingBei Road, ChaoYang district, Beijing, the PRC.

BNC Women's and Children's Hospital is principally engaged in provision of medical services in pediatrics, obstetrics and gynecology for women and children. From 1 January 2013 to 30 November 2015, BNC Women's and Children's Hospital was a wholly owned subsidiary of Jiahua Likang. On 30 November 2015, Jiahua Likang transferred its entire 100% interest in BNC Women's and Children's Hospital to Jiahua Yihe, the subsidiary of the Company and on 30 January 2016, Jiahua Yihe disposed 30% interest in BNC Women's and Children's Hospital to Jiahua Kangming.

2 BASIS OF PREPARATION

The Financial Information of BNC Women's and Children's Hospital for the years ended 31 December 2013, 2014 and for the period from 1 January to 30 November 2015 has been prepared in accordance with HKFRS issued by the HKICPA. The Financial Information has been prepared under the historical cost convention in accordance with the accounting policies of the Group presented on the basis set out in Note 2 of Section II. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

As at 30 November 2015, BNC Women's and Children's Hospital's current liabilities exceeded its current assets by approximately RMB 218,634,000 in the balance sheet. Management has considered its ability to generate net cash inflows from its future operating activities and the necessary financial support from Jiahua Yihe, which was a related party and then has become the parent company starting from 1 December 2015. On the above basis, BNC Women's and Children's Hospital believes that it has the ability to meet its liabilities as they fall due during the next 12 months after 30 November 2015. Therefore, these financial statements have been prepared on a going concern basis.

3 SEGMENT INFORMATION

	Pediatrics	Obstetrics and Gynecology	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2013					
Revenue	30,696	17,336	218	—	48,250
Cost of revenue	24,497	24,212	1,160	—	49,869
Segment results	(16,804)	(20,585)	(943)	—	(38,332)
Unallocated income				33	33
Unallocated cost				(358)	(358)
Loss before income tax	(16,804)	(20,585)	(943)	(325)	(38,657)
Income tax expense				—	—
Loss after income tax					(38,657)
At 31 December 2013					
Total assets	51,222	53,328	—	7,379	111,929
Total Liabilities	16,691	25,292	—	152,452	194,435
Other segment information					
Addition to non-current assets	1,294	1,616	—	—	2,910
Depreciation and amortization	(4,816)	(5,012)	—	—	(9,828)
Year ended 31 December 2014					
Revenue	49,475	48,219	277	—	97,971
Cost of revenue	32,396	36,012	1,851	—	70,259
Segment results	(5,319)	(8,143)	(1,574)	—	(15,036)
Unallocated income				96	96
Unallocated cost				(2,213)	(2,213)
Loss before income tax	(5,319)	(8,143)	(1,574)	(2,117)	(17,153)
Income tax expense				—	—
Loss after income tax					(17,153)

	Pediatrics	Obstetrics and Gynecology	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014					
Total assets	50,311	59,378	—	6,908	116,597
Total Liabilities	20,988	34,137	—	161,131	216,256
Other segment information					
Addition to non-current assets	6,073	9,275	—	—	15,348
Depreciation and amortization	(4,666)	(5,710)	—	—	(10,376)
Period from 1 January to 30 November 2015					
Revenue	48,191	38,384	241	—	86,816
Cost of revenue	32,701	36,171	1,986	—	70,858
Segment results	(5,820)	(14,298)	(1,745)	—	(21,863)
Unallocated income				74	74
Unallocated cost				(2,818)	(2,818)
Loss before income tax	(5,820)	(14,298)	(1,745)	(2,744)	(24,607)
Income tax expense				36,048	36,048
Loss after income tax					11,441
At 30 November 2015					
Total assets	48,095	54,757	—	43,954	146,806
Total Liabilities	20,849	45,354	—	168,821	235,024
Other segment information					
Addition to non-current assets	931	1,366	—	—	2,297
Depreciation and amortization	(4,807)	(5,613)	—	—	(10,420)
Losses on disposal of property, plant and equipment, net	(1)	—	—	—	(1)

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Medical equipment	Office equipment and furniture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013					
Cost	84,119	21,147	7,632	1,461	114,359
Accumulated depreciation	(6,232)	(3,237)	(1,581)	—	(11,050)
Net book amount	77,887	17,910	6,051	1,461	103,309
Year ended 31 December 2013					
Opening net book amount	77,887	17,910	6,051	1,461	103,309
Additions	494	1,956	381	—	2,831
Transfer upon completion	995	370	96	(1,461)	—
Depreciation charges	(6,003)	(1,908)	(1,629)	—	(9,540)
Closing net book amount	73,373	18,328	4,899	—	96,600
At 31 December 2013					
Cost	85,608	23,473	8,109	—	117,190
Accumulated depreciation	(12,235)	(5,145)	(3,210)	—	(20,590)
Net book amount	73,373	18,328	4,899	—	96,600
Year ended 31 December 2014					
Opening net book amount	73,373	18,328	4,899	—	96,600
Additions	8,298	6,492	558	—	15,348
Depreciation charges	(6,343)	(2,330)	(1,406)	—	(10,079)
Closing net book amount	75,328	22,490	4,051	—	101,869
At 31 December 2014					
Cost	93,906	29,965	8,667	—	132,538
Accumulated depreciation	(18,578)	(7,475)	(4,616)	—	(30,669)
Net book amount	75,328	22,490	4,051	—	101,869
Period ended 30 November 2015					
Opening net book amount	75,328	22,490	4,051	—	101,869
Additions	1,418	401	264	196	2,279
Disposals	—	—	(1)	—	(1)
Depreciation charges	(6,313)	(2,456)	(1,372)	—	(10,141)
Closing net book amount	70,433	20,435	2,942	196	94,006
At 30 November 2015					
Cost	95,324	30,366	8,930	196	134,816
Accumulated depreciation	(24,891)	(9,931)	(5,988)	—	(40,810)
Net book amount	70,433	20,435	2,942	196	94,006

There is no property, plant and equipment pledged as collateral under borrowing agreements at 31 December 2013, 2014 and 30 November 2015.

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

	Year ended 31 December		Period from 1 January to 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Cost of sales	6,701	7,118	7,192
Administration expenses	2,680	2,741	2,726
Selling expenses	159	220	223
	9,540	10,079	10,141

During the year ended 2013, 2014 and period from 1 January to 30 November 2015, the company has no capitalized borrowing costs on qualifying assets.

5 INTANGIBLE ASSETS

The intangible assets mainly comprised of computer software at 31 December 2013, 2014 and 30 November 2015.

	Year ended 31 December		Period from 1 January to 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
COST			
At the beginning of year/period	1,412	1,491	1,491
Additions	79	—	18
At the end of year/period	1,491	1,491	1,509
Accumulated amortization			
At the beginning of year/period	(283)	(571)	(868)
Amortization	(288)	(297)	(279)
At the end of year/period	(571)	(868)	(1,147)
Net book amount			
At the end of year/period	920	623	362

Amortization of intangible assets has been charged to cost of sales.

6 DEFERRED INCOME TAX ASSETS

	As at 31 December		As at 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Deferred income tax assets:			
- Deferred income tax assets to be recovered after more than 12 months	—	—	31,783
- Deferred income tax assets to be recovered within 12 months	—	—	4,265
Deferred income tax assets — net	—	—	36,048

Movement in deferred income tax assets during the year without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred tax assets	Accruals	Provision for receivables	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 December 2015	—	—	—	—
Charged to the income statement	—	5	36,043	36,048
At 30 November 2015	—	5	36,043	36,048

Management did not recognize deferred income tax assets of approximately RMB25,615,000 and RMB29,899,000 as at 31 December 2013 and 2014 in respect of accumulated losses amounting to approximately RMB102,461,000 and RMB119,595,000 as at 31 December 2013 and 2014 respectively since management estimated the company cannot carry forward against future taxable income at the related year end.

In 2015, management assessed the company could carry forward the future taxable income based on the rapid growth of the industry and the strategy to sell the company to the listing group. So management recognized deferred income tax assets of RMB36,043,000 at the end of 30 November 2015, the acquisition date respectively, in respect of losses amounting to RMB144,172,000 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 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
As at 31 December 2017	63,849	63,849	63,849
As at 31 December 2018	38,612	38,612	38,612
As at 31 December 2019	—	17,134	17,134
As at 31 December 2020	—	—	24,577
At the end of the year/period	102,461	119,595	144,172

7 INVENTORIES

	As at 31 December		As at 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Pharmaceuticals	813	829	912
Medical consumables	676	702	691
	1,489	1,531	1,603

The cost of inventories recognize as expenses and included in 'cost of revenue' amounted to RMB6,213,000, RMB10,430,000 and RMB8,881,000 for the year ended 31 December 2013, 2014 and the period from 1 January to 30 November 2015.

8 TRADE RECEIVABLES

	As at 31 December		As at 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Trade receivables	2,962	2,878	3,152
Less: provision for impairment of trade receivables	—	—	(21)
	2,962	2,878	3,131

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

The aging analysis of the trade receivables is as follows:

	As at 31 December		As at 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Up to 3 months	2,875	2,749	3,070
4 - 6 months	82	102	15
Over 6 months	5	27	67
	2,962	2,878	3,152

As at 31 December 2013, 2014 and the period from 1 January to 30 November 2015, trade receivables past due but not impaired were RMB 489,000, RMB 243,000 and RMB 702,000, respectively. These mainly related to amounts to be claimed from insurance company. 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 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Up to 3 months	402	113	620
4 - 6 months	82	102	15
Over 6 months	5	28	67
	489	243	702

Movements on the allowance for impairment of trade receivables are as follows:

	As at 31 December		As at 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
At 1 January	—	—	—
Provision for receivables impairment	—	—	21
At the end of the year/period	—	—	21

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the income statement (Note 18). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above. The company does not hold any collateral as security.

9 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December		As at 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Prepayments	1,535	1,633	1,702
Other receivables	272	243	1,015
Deposits	508	539	533
Others	263	372	500
	2,578	2,787	3,750

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

10 BALANCES WITH RELATED PARTIES

	As at 31 December		As at 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Amounts due from related parties			
BNC Children's Hospital	—	407	785
BNC Harmony Clinic	90	266	417
	90	673	1,202
Amounts due to related parties			
Jiahua Yihe	—	—	153,885
Jiahua Likang	151,337	132,337	12,077
BNC Children's Hospital	882	1,610	2,202
BNC Harmony Clinic	16	86	159
Tianjin Heping New Century Women's and Children's Hospital Co., Ltd.	4	9	10
Beijing Muhe Jiaye Property Management Co., Ltd.	—	—	128
	152,239	134,042	168,461

The amount due from/to related parties is interest-free, repayable on demand and is denominated in RMB. Its carrying value due as at 31 December 2013, 2014 and 30 November 2015 approximates its fair value.

11 CASH AND CASH EQUIVALENTS

	As at 31 December		As at 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Cash at bank	6,686	5,123	5,912
Cash on hand	604	1,113	792
	7,290	6,236	6,704

The carrying amounts of cash and cash equivalents are dominated in RMB in the relevant periods.

12 PAID-IN CAPITAL

	Total
	RMB'000
As at 1 January 2013, 31 December 2013 and 2014, and 30 November 2015	20,000

13 BORROWINGS

	As at 31 December		As at 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Non-current			
Bank borrowings	—	6,620	—
Current			
Bank borrowings	—	20,040	—
Total borrowings	—	26,660	—

	As at 31 December		As at 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Maturity of borrowings			
Within 1 year	—	20,040	—
Between 1 and 2 years	—	6,620	—
	—	26,660	—

Bank borrowings mature until April 2016 with an average annual interest rate of 7.38%. BNC Women's and Children's Hospital repaid the borrowing in advance on 24 November 2015 and re-borrowed RMB 30,000,000 on 23 December 2015 (Note II (19)).

The carrying amounts of bank borrowings approximate their fair values and the borrowing is denominated in RMB as at 30 November 2015.

14 TRADE PAYABLES

The aging analysis of the trade payables is as follows:

	As at 31 December		As at 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Up to 3 months	2,323	2,877	2,610
4 - 6 months	625	785	937
7 - 12 months	149	457	324
Over 1 year	126	165	232
	3,223	4,284	4,103

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 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Accrued employee benefits	6,118	12,079	13,248
Accrued operating expenses	609	2,290	2,062
Advance from customers	15,314	21,564	36,567
Duty and tax payable other than corporate income tax	212	368	361
Other payables to suppliers of plant and equipment	15,282	13,096	7,905
Others	808	535	1,283
	38,343	49,932	61,426

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

16 DEFERRED REVENUE

	As at 31 December		As at 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Current			
Deferred revenue for membership card	630	1,338	1,034
	630	1,338	1,034

17 REVENUE

	Year ended 31 December		Period from 1 January to 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Medical services			
- Provision of medical services	40,866	86,780	76,122
- Pharmaceutical sales	7,166	10,914	10,453
Others	218	277	241
	48,250	97,971	86,816

18 EXPENSES BY NATURE

	Year ended 31 December		Period from 1 January to 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Employee benefits expenses (Note 19)	37,187	48,927	50,459
Cost of inventories and consumables	6,213	10,430	8,881
Consultation fees	680	2,886	3,295
Outsourced examination and inspection fees	574	1,062	820
Utilities, maintenance fee and office expenses	14,941	17,529	17,192
Rental expenses	10,815	10,932	10,548
Depreciation and amortization	9,828	10,376	10,420
Others	6,701	11,513	8,709
	86,939	113,655	110,324

19 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		Period from 1 January to 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	28,645	37,980	38,406
Contribution to a pension plan	3,469	4,833	4,871
Welfare and other expenses	5,073	6,114	7,182
	37,187	48,927	50,459

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

	Year ended 31 December		Period from 1 January to 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Cost of revenue	27,390	37,308	38,349
Administrative expenses	5,716	5,546	6,476
Selling expenses	4,081	6,073	5,634
	37,187	48,927	50,459

20 OTHER INCOME - NET

	Year ended 31 December		Period from 1 January to 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Tax refunds	—	63	—
Others	17	7	16
	17	70	16

21 FINANCE INCOME/(EXPENSES) - NET

	Year ended 31 December		Period from 1 January to 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Finance Income:			
Interest income from bank deposits	15	26	58
Finance Expenses			
Interest expense on bank borrowings	—	(1,565)	(1,173)
Finance income/(expenses) - net	15	(1,539)	(1,115)

22 INCOME TAX EXPENSE

	Year ended 31 December		Period from 1 January to 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Current income taxation:			
- PRC corporate income tax	—	—	—
Deferred income tax (Note 6)	—	—	(36,048)
	—	—	(36,048)

The reconciliation between the actual tax charge and the amount which is calculated based on the statutory income tax rate of 25% in the PRC is as follows:

	Year ended 31 December		Period from 1 January to 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Profit before tax	(38,657)	(17,153)	(24,607)
Calculated at a taxation rate of 25%	(9,664)	(4,288)	(6,152)
Expenses not tax deductible	11	5	3
Tax effect of tax losses not recognized	9,653	4,283	—
Recognition of deferred tax assets for tax losses not recognized in previous year	—	—	(29,899)
Tax charge	—	—	(36,048)

23 CASH (USED IN)/GENERATED FROM OPERATIONS

	Year ended 31 December		Period from 1 January to 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Profit before income tax	(38,657)	(17,153)	(24,607)
Adjustments for:			
— Depreciation of property, plant and equipment (Note 4)	9,540	10,079	10,141
— Amortization (Note 5)	288	297	279
— Loss on disposal of property, plant and equipment	—	—	1
— Finance (income)/expenses — net (Note 21)	(15)	1,539	1,115
— Provision for impairment of trade receivables	—	—	21
Changes in working capital:			
— Inventories	(763)	(42)	(72)
— Trade receivables	(1,489)	84	(274)
— Other receivables	(1,175)	(324)	(1,075)
— Deposits and prepayments	(67)	220	265
— Trade payables	1,629	1,061	(181)
— Accruals and other payables	17,241	13,715	16,745
— Deferred revenue	(2,665)	708	(304)
Cash generated from operations	(16,133)	10,184	2,054

24 COMMITMENTS

(a) Capital commitments

	As at 31 December		As at 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Contracted but not provided for			
- Property, plant and equipment	1,033	147	96
	1,033	147	96

(b) **Operating lease commitments**

The future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:

	As at 31 December		As at 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
No later than 1 year	9,482	4,765	11,347
Later than 1 year and no later than 5 years	4,741	—	41,664
	14,223	4,765	53,011

25 RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties are listed below which were carried out in the ordinary course of business and were determined based on mutually agreed terms:

	Year ended 31 December		Period from 1 January to 30 November
	2013	2014	2015
	RMB'000	RMB'000	RMB'000
Cleaning services received from			
— Beijing Jiahe Commercial & Management Co., Ltd.	—	—	1,054
— Beijing MuHeJiaYe Property Management Co., Ltd.	—	—	1,339
	—	—	2,393

(b) Significant balance with related parties as at 31 December 2013, 2014 and 30 November 2015 were disclosed in Note 10.

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2016 and up to the date of this report. Except for the dividends declared on 16 December 2016 by Jiahua Yihe as described in Note 40 of Section II above, no other dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2016.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on September 30, 2016 and based on the consolidated net tangible assets attributable to the owners of the Company as at September 30, 2016 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

This unaudited pro forma adjusted consolidated net tangible assets 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 Group had the Global Offering been completed as at September 30, 2016 or at any future date.

	Audited consolidated net tangible liabilities attributable to the owners of the Company as at September 30, 2016[(1)]	**Estimated net proceeds from the Global Offering[(2)]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets per share**	
	RMB'000	**RMB'000**	**RMB'000**	**RMB[(3)]**	**HK$[(5)]**
Based on the Offer Price of HK$6.36 per share	(177,811)	627,436	449,625	0.96	1.07
Based on the Offer Price of HK$8.36 per share	(177,811)	833,575	655,764	1.40	1.56

Notes:

(1) The audited consolidated net tangible assets attributable to the owners of the Company as at September 30, 2016 is extracted from the Accountant's Report set forth in Appendix I to the prospectus, which is based on the audited consolidated net assets attributable to the owners of the Company as at September 30, 2016 of RMB27,285,000 with an adjustment for the intangible assets attributable to the owners of the Company as at September 30, 2016 of RMB205,096,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$6.36 and HK$8.36 per share, being the lower end and higher end of the stated offer price range, respectively, after deduction of the underwriting fees and other related expenses payable by the Group, as adjusted by the amount of about RMB22,827,000 which was incurred in the year 2015 and the nine months ended September 30, 2016 , and do not take into account of any shares that may be issued pursuant to the Over-Allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per share are determined after the adjustments as described in note 2 above and on the basis that 468,897,005 shares are in issue, assuming the Global Offering and Capitalization Issue had been completed on September 30, 2016 but take no account of the conversion of Group B Preferred Shares of 7,542,002 shares and the ordinary shares of 3,560,993 shares classified as non-current liability to ordinary shares or any shares which may fall to be issued upon the exercise of the Over-Allotment Option.

(4) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to September 30, 2016, including the conversion of the preferred shares and the dividend of RMB27,542,000 declared by Jiahua Yihe on December 16, 2016.

Upon completion of the Listing and the Global Offering, the entire Group B Preferred Shares and the ordinary shares classified as non-current liability (which have the same holders' rights as Group B Preferred Shares) will be automatically converted to ordinary shares on a one-for-one basis. On December 16, 2016, Jiahua Yihe declared dividend of RMB27,542,000 related to the profit for the period from December 2015 to May 24, 2016 to the then shareholders of Jiahua Yihe before the completion of the Reorganization. If the Group B Preferred Shares and the ordinary shares classified as non-current liability were converted to ordinary shares on September 30, 2016 and the 2,757,744 restricted shares pursuant to the restricted shares award scheme, which was adopted by the Company in August 2016, were assumed to be in issue on September 30, 2016 and the dividend of RMB27,542,000 declared and paid by Jiahua Yihe on September 30, 2016, the unaudited pro forma adjusted consolidated net tangible assets of our Company will increase by RMB293,335,000, being the carrying amounts of the preferred shares as at September 30, 2016 less the dividend declared. Accordingly, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company would be RMB742,960,000 (based on the Offer Price of HK$6.36 per share) and RMB949,099,000 (based on the Offer Price of HK$8.36 per share) respectively. On the basis that 480,000,000 shares are in issue assuming the Global Offering and Capitalization Issue had been completed on September 30, 2016, the unaudited pro forma adjusted consolidated net tangible assets per share would be RMB1.55 (equivalent to HK$1.73) (based on the Offer Price of HK$6.36 per share) and RMB1.98 (equivalent to HK$2.21) (based on the Offer Price of HK$8.36 per share) respectively.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.89477. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

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") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at September 30, 2016, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated December 30, 2016, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information is described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at September 30, 2016 as if the proposed initial public offering had taken place at September 30, 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended September 30, 2016, on which an accountant's 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").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirement 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 behavior.

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 prospectus 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 proposed initial public offering at September 30, 2016 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 provides 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.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

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, December 30, 2016

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands Companies law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 31, 2015 under the Cayman Islands Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on December 22, 2016. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of one single class of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Islands Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(iii) ***Alteration of capital***

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

(iv) ***Transfer of shares***

Subject to the Cayman Islands Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) ***Power of the Company to purchase its own shares***

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) ***Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) ***Calls on shares and forfeiture of shares***

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) **Directors**

(i) ***Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any

Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after dispatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) ***Power to allot and issue shares and warrants***

Subject to the provisions of the Cayman Islands Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Islands Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) ***Power to dispose of the assets of the Company or any of its subsidiaries***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Islands Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) ***Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Islands Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) ***Remuneration***

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) ***Compensation or payments for loss of office***

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) ***Loans and provision of security for loans to Directors***

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) ***Disclosure of interest in contracts with the Company or any of its subsidiaries***

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) Proceedings of the Board

The Board may meet anywhere in the world for the dispatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) Meetings of member

(i) ***Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Islands Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) ***Voting rights and right to demand a poll***

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) ***Annual general meetings***

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

(iv) ***Notices of meetings and business to be conducted***

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Islands Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) ***Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) ***Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) **Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Islands Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Islands Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarized financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(h) **Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(i) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed pari passu among such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Islands Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) **Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Islands Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANIES LAW

The Company was incorporated in the Cayman Islands as an exempted company on July 31, 2015 subject to the Cayman Islands Companies Law. Certain provisions of Cayman Islands Companies Law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) **Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) **Share capital**

Under Cayman Islands Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Islands Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) **Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Islands Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Islands Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Islands Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) **Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) **Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) **Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from June 7, 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) **Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) **Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) **Register of Directors and officers**

Pursuant to the Cayman Islands Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) **Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) **Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on July 31, 2015.

Our Company was registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on August 8, 2016 and our principal place of business in Hong Kong is at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mr. JIA Xiaofeng and Ms. WONG Sau Ping have been appointed as the authorized representatives in Hong Kong for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises a memorandum of association and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of Cayman Islands Companies Law is set out in Appendix III to this prospectus.

2. Changes in Share Capital of our Company

As of the date of our incorporation, the authorized share capital of our Company is US$50,000 divided into 50,000 Shares of nominal value of US$1 each. The following sets out the changes in our Company's issued share capital since the date of its incorporation:

(a) On July 31, 2015, our Company issued and allotted one share to the initial subscriber at US$1 per Share and such one share was transferred to JoeCare on the same day.

(b) On February 18, 2016, our Company conducted a 1 to 10,000 share sub-division to amend its authorized share capital to US$50,000.0 divided into 500,000,000 shares of a par value of US$0.0001 each. Our Company also conducted a series of share class re-designations, following which our Company's authorized share capital comprised three classes of shares including (i) 476,063,732 Shares of a par value of US$0.0001 each; (ii) 16,394,266 Group A Shares of a par value of US$0.0001 each; and (iii) 7,542,002 Group B Shares of a par value of US$0.0001 each.

(c) On February 18, 2016, our Company allotted and issued at par value each (i) 83,605,734 Shares, including 59,355,734 Shares to JoeCare, 2,757,487 Shares to Century Star, and 21,492,513 Shares to Victor Gains; and (ii) 16,394,266 Group A Shares, including 8,197,133 to CDH Fuji and 8,197,133 to CDH Fuyi.

(d) On February 18, 2016, our Company allotted and issued 7,542,002 new Group B Shares at a price of RMB28.6 per share, including (i) 4,124,532 Group B Shares to CDB GJ for a consideration of RMB118,034,742.6; (ii) 2,121,188 Group B Shares to Boyu AH for a consideration of RMB60,703,581.9; (iii) 648,141 Group B Shares to CDH Fuji for a consideration of RMB18,548,316.7; and (iv) 648,141 Group B Shares to CDH Fuyi for a consideration of RMB18,548,316.7.

(e) On August 29, 2016, all the 8,197,133 Group A Shares held by CDH Fuji and the 8,197,133 Group A Shares held by CDH Fuyi were converted into the same numbers of Shares held by them, respectively.

(f) On September 6, 2016, our Company allotted and issued 2,757,744 Shares at par value each to the RSA Scheme Nominee.

(g) Pursuant to the Shareholders' resolutions passed on December 22, 2016, with effect from and conditional upon the Listing, (i) all the Group B Shares will be automatically converted into the same number of Shares of our Company; (ii) the authorized share capital of our Company will be changed to US$100,000 divided into 1,000,000,000 Shares of US$0.0001 each of one single class; and (iii) the current Memorandum and Articles of Association of the Company will be replaced in its entirety with the Memorandum of Associate and the Articles of Association.

Save as disclosed above, there has been no alteration in our registered capital since our incorporation.

3. **Changes in share capital of subsidiaries**

The subsidiaries of our Company are listed in the Accountant's Report set out in Appendix I to this prospectus.

Except as disclosed in the section headed "History, Reorganization and Development" in this prospectus, there are no changes in the share capital of each of our Company's subsidiaries within the two years immediately preceding the date of this prospectus.

4. **Resolutions of the Shareholders passed on December 22, 2016**

On December 22, 2016, resolutions of our Company were passed by the then Shareholders pursuant to which, among other things:

(a) with effect from and conditional upon the Listing:

   (i) all the Group B Shares will be automatically converted into the same number of Shares of our Company; and

   (ii) the authorized share capital of our Company will be changed to US$100,000 divided into 1,000,000,000 Shares of US$0.0001 each of one single class; and

(iii) the current Memorandum and Articles of Association of the Company will be replaced in its entirety with the Memorandum of Associate and the Articles of Association;

(b) our Company approved and adopted the Articles with effect from and conditional upon the Listing; and

(c) conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in "Structure of the Global Offering — Conditions of the Global Offering" and pursuant to the terms set out therein:

(i) the Capitalization Issue and the Global Offering were approved and the Directors were authorized to allot and issue the Shares pursuant to the Capitalization Issue and the Global Offering;

(ii) the Listing was approved and the Directors were authorized to implement the Listing;

(iii) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate was granted to the Directors to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of the Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme of similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares or (iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:

(A) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering; and

(B) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (6) below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of the next annual general meeting of our Company, (II) the end of the period within which our Company is required by the Articles or any applicable laws to hold its next annual general meeting or (III) the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Relevant Period**"); and

(iv) a general unconditional mandate was granted to the Directors to exercise all the powers of our Company to repurchase the Shares on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules, with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering, such mandate to remain in effect during the Relevant Period.

5. Repurchases by our Company of its own Securities

This section sets out information required by the Hong Kong Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their own securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' Approval*

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) *Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of our Company and the Listing Rules and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange.

(iii) *Trading Restrictions*

The total number of shares which a listed company may repurchase on the Hong Kong Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring our Company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Hong Kong Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Hong Kong Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require.

(iv) *Status of Repurchased Shares*

All repurchased securities (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) *Suspension of Repurchase*

A listed company may not make any repurchase of securities after inside information has come to its knowledge until such time as the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules) and (2) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Hong Kong Stock Exchange other than in exceptional circumstances. In addition, the Hong Kong Stock Exchange may prohibit a repurchase of securities on the Hong Kong Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting Requirements*

Certain information relating to repurchases of securities on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) *Connected Persons*

A listed company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a core "connected person", that is, a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to our Company.

(b) ***Reasons for Repurchases***

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) ***Funding of Repurchases***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(d) ***General***

The exercise in full of the repurchase mandate, on the basis of 480,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, could accordingly result in up to approximately 48,000,000 Shares being repurchased by our Company during the period prior to:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the end of the period within which our Company is required by the Articles or any applicable law to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in Hong Kong.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Hong Kong Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in our ordinary course of business) within the two years preceding the date of this prospectus, which are or may be material:

(a) 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 — Property Management and Cleaning Services Agreements" in this prospectus;

(b) the Group A Share Purchase Agreement dated August 25, 2015 entered into among our Company, New Century Healthcare HK, Jiahua Yihe, BNC Children's Hospital, BNC Women's and Children's Hospital, BNC Harmony Clinic, JoeCare, Century Star, Victor Gains, Smooth Yu, Mr. Zhou, Ms. Liang, CDH Fuji and CDH Fuyi, pursuant to which CDH Fuji and CDH Fuyi subscribed for Group A Shares;

(c) the Group B Share Purchase Agreement dated August 31, 2015 entered into among our Company, New Century Healthcare HK, Jiahua Yihe, BNC Children's Hospital, BNC Women's and Children's Hospital, BNC Harmony Clinic, JoeCare, Century Star, Victor Gains, Smooth Yu, Mr. Zhou, Ms. Liang and the Pre-IPO Investors, pursuant to which the Pre-IPO Investors subscribed for Group B Shares, details of which are set out in "History, Reorganization and Development — The Pre-IPO Investments" in this prospectus;

(d) the Pre-IPO Shareholders Agreement dated August 31, 2015 entered into among our Company, New Century Healthcare HK, Jiahua Yihe, BNC Children's Hospital, BNC Women's and Children's Hospital, BNC Harmony Clinic, JoeCare, Century Star, Victor

Gains, Smooth Yu, Mr. Zhou, Ms. Liang and the pre-IPO Investors regarding certain special rights granted in favor of the pre-IPO Investors, details of which are set out in "History, Reorganization and Development — The Pre-IPO Investments — Special Rights" in this prospectus;

(e) 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 this prospectus;

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

(g) the Deed of Non-Competition dated December 22, 2016 granted by the Controlling Shareholders, Jiahua Likang and Jiahua Kangming to give certain non-competition undertakings in favor of our Company, details of which are set out in "Relationship with Our Controlling Shareholders — Non-Compete Undertaking" in this prospectus;

(h) the deed of indemnity dated December 22, 2016 entered into by our Controlling Shareholders in favor of our 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 this prospectus;

(i) 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, pursuant to which China Life Reinsurance Company Limited agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot) that may be purchased for US$30.0 million in the aggregate (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price;

(j) 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, pursuant to which CNCB (Cayman) NCH LP agreed to subscribe for 23,900,000 Offer Shares at the Offer Price;

(k) 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, pursuant to which Janchor Partners Pan-Asian Master Fund agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot) that may be purchased for US$20.0 million in the aggregate (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at the Offer Price; and

(l) the Hong Kong Underwriting Agreement.

2. Key Intellectual Property Rights of Our Group

(a) *Trademarks*

As of the Latest Practicable Date, we had been licensed by Jiahua Likang to use the following trademarks in the PRC, which we consider to be material to our business:

No.	Trademark	Registration No.	Validity Period	Class	Place of Application	Registered Owner
1.	北京新世纪儿童医院	7636467	2011.04.14-2021.04.13	44	China	Jiahua Likang
2.	北京新世纪儿童医院	7636468	2011.04.14-2021.04.13	44	China	Jiahua Likang

As of the Latest Practicable Date, we had applied for registration of the following trademarks:

In the PRC

No.	Trademark	Applicant	Application No.	Application Date	Class
1.		the Company	19392027	2016.03.23	35
2.		the Company	19392026	2016.03.23	45
3.		the Company	19392025	2016.03.23	37
4.		the Company	19392024	2016.03.23	10
5.		the Company	19392023	2016.03.23	36

No.	Trademark	Applicant	Application No.	Application Date	Class
6.		the Company	19392022	2016.03.23	38
7.		the Company	19392021	2016.03.23	42
8.		the Company	19392020	2016.03.23	41
9.		the Company	19392019	2016.03.23	9
10.		the Company	19392018	2016.03.23	16
11.	New Century International Healthcare System 新世纪医疗网络	the Company	19392017	2016.03.23	45
12.	New Century International Healthcare System 新世纪医疗网络	the Company	19392016	2016.03.23	37
13.	New Century International Healthcare System 新世纪医疗网络	the Company	19392015	2016.03.23	36
14.	New Century International Healthcare System 新世纪医疗网络	the Company	19392014	2016.03.23	9
15.	Doctor Panda Club 熊猫医生俱乐部	the Company	19392013	2016.03.23	44
16.	Doctor Panda Club 熊猫医生俱乐部	the Company	19392012	2016.03.23	41
17.	www.ncich.com.cn 超级宝贝	the Company	19392011	2016.03.23	16
18.		the Company	19392009	2016.03.23	44
19.	New Century International Healthcare System 新世纪医疗网络	the Company	19392010	2016.03.23	44

In Hong Kong

No.	Trademark	Applicant	Application No.	Application Date	Class
1.	A B C	the Company	303823335	2016.08.24	10, 37, 42, 44, 45
2.	A B C	the Company	303823344	2016.08.24	10, 37, 42, 44, 45

(b) ***Domain Names***

As of the Latest Practicable Date, we had registered the following key domain names:

No.	Domain name	Registrant	Date of Registration	Expiry Date
1.	ncich.com.cn	BNC Children's Hospital	2005.11.25	2022.11.25
2.	ncich.com	Jiahua Yihe	2013.03.16	2017.03.16

Save as disclosed above, there are no other trademarks, domain names, copyrights or other intellectual property rights which are or may be material to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Interests Disclosable under the SFO and Substantial Shareholders

(a) ***Directors' interests and short positions in the share capital and debentures of our Company and its associated corporations***

Immediately following completion of the Capitalization Issue and the Global Offering (but without taking account of any Shares which may be allotted and issued upon the exercise of the Over-Allotment Option), the interests or short positions of our Directors and the chief executive of our

Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange, in each case once the Shares are listed on the Hong Kong Stock Exchange, will be as follows:

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

Name of Director or Chief Executive	Nature of interest	Number of Shares [(1)]	Approximate percentage of interest in our Company
Mr. Zhou[(2)]	Interests in a controlled corporation	215,816,894	45.0%
Ms. Liang[(3)]	Interests in a controlled corporation	57,740,181	12.0%

(1) All interests stated are long positions.

(2) 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 in all the Shares held by Ms. Liang in aggregate by virtue of the SFO.

(3) 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.

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

Name of Director or Chief Executive	Name of associated corporation of our Company	Capacity/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	29.7%

Name of Director or Chief Executive	Name of associated corporation of our Company	Capacity/nature of interest	Number of shares in the corporation	Approximate percentage of interest in the corporation
Mr. Zhou	BNC Harmony Clinic	Interest of controlled corporation; Interest of spouse (2)	N/A	29.7%

(1) BNC Women's and Children's Hospital is held as to 70% by Jiahua Yihe, a wholly-owned subsidiary of our Company, and as to 30% by Jiahua Kangming. Jiahua Kangming is a PRC company held as to 99% by Ms. Zhao and as to 1% by Ms. ZHOU Jie (Mr. Zhou's sister) and is expected to be beneficially held by Jiahua Kangyong as to 46.4%, Zhonghe Qingrun as to 16.0%, Ms. GAN Feng as to 6.7%, CDH Fuji as to 8.3%, CDH Fuyi as to 8.3%, CDB GJ as to 5.5% and Boyu AH as to 8.8% prior to the Listing, and is a connected person of our Company. Mr. Zhou is deemed to be interested in Ms. Zhao's interest in Jiahua Kangming by virtue of SFO.

(2) BNC Harmony Clinic is held as to 70% by Jiahua Yihe, a wholly-owned subsidiary of our Company, and as to 30% by Jiahua Kangming. Jiahua Kangming is a PRC company held as to 99% by Ms. Zhao and as to 1% by Ms. ZHOU Jie (Mr. Zhou's sister), and is expected to be beneficially held by Jiahua Kangyong as to 46.4%, Zhonghe Qingrun as to 16.0%, Ms. GAN Feng as to 6.7%, CDH Fuji as to 8.3%, CDH Fuyi as to 8.3%, CDB GJ as to 5.5% and Boyu AH as to 8.8% prior to the Listing, and is a connected person of our Company. Mr. Zhou is deemed to be interested in Ms. Zhao's interest in Jiahua Kangming by virtue of SFO.

(b) ***Substantial Shareholders***

For information on the persons who will, immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-Allotment Option is not exercised), have or be deemed or taken to have an interest and/or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, see "Substantial Shareholders."

(c) ***Interests of the substantial shareholders of any member of our Group (other than our Company)***

So far as the Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering, the following persons (not being Directors or chief executive of our Company) will, directly or indirectly, be 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 our Company):

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

2. Particulars of Directors' Service Contracts

(a) *Executive Directors*

Each of our executive Directors has entered into a service contract with our Company for a term of three years until terminated by not less than three months' notice in writing served by either party on the other.

(b) *Non-executive Directors*

Each of our non-executive Directors has been appointed for an initial term of three years until terminated by either party giving not less than three months' written notice to the other.

(c) *Independent non-executive Directors*

Each of our independent non-executive Directors has been appointed for an initial term of three years until terminated by either party giving not less than three months' written notice to the other.

Except as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by our employer within one year without the payment of compensation (other than statutory compensation).

(d) *Directors remuneration*

For details of the Directors' remuneration, see "Directors and Senior Management — Directors' and Senior Management's Remuneration".

3. Agency Fees or Commissions Received

The Joint Global Coordinators will receive an underwriting commission and the Company may pay a discretionary incentive fee in connection with the Underwriting Agreements, as detailed in "Underwriting — Commissions and Expenses". Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed in the paragraph entitled "7. Qualification of Experts" in the section entitled "F. Other Information" in this Appendix had received any commissions, discounts, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years preceding the date of this prospectus.

4. Related Party Transactions

During the two years preceding the date of this prospectus, we have engaged in the significant related party transactions as described in note 37 of the Accountant's Report set out in Appendix I to this prospectus.

5. **Indemnity Given by the Controlling Shareholders**

Our Controlling Shareholders, pursuant to a deed of indemnity referred to in the section headed "B. Further Information about Our Business — 1. Summary of Material Contracts" in this Appendix IV, have agreed to give an indemnity in favor of our Company (for itself and as trustee for its subsidiaries) to the effect that, in case the relevant competent governmental authority requires BCH to fulfill the relevant procedural requirements in the future and as a result we are required to pay consideration for our use of BNC Children's Hospital's premises, they will indemnify us for any paid consideration. The aforesaid deed of indemnity is conditional on the conditions set out in the paragraph headed "Conditions of the Global Offering" in the section headed "Structure of the Global Offering" being fulfilled.

D. DISCLAIMERS

Save as disclosed in this prospectus:

(a) none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange, in each case once our Shares are listed on the Hong Kong Stock Exchange;

(b) so far as is known to any of our Directors or chief executives, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

(c) none of our Directors nor any of the parties listed in "— F. Other Information — 7. Qualification of Experts" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;

(d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in "— F. Other Information — 7. Qualification of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(e) in connection with the Underwriting Agreements, none of the parties listed in "— F. Other Information — 7. Qualification of Experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

E. RSA SCHEME

The following is a summary of the principal terms of the RSA Scheme approved and adopted by the Shareholders on August 29, 2016 (the "**Adoption Date**"), pursuant to which 2,757,744 Shares (the "**Trust Shares**") were allotted and issued to the RSA Scheme Nominee at par value to hold on trust for the RSA Scheme (the "**Trust**"). The terms of the RSA Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the RSA Scheme does not involve the grant of options by the Company to subscribe for new Shares.

1. Purposes

The purposes of the RSA Scheme are:

(i) to provide any individual, being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any other member of the Group, who is selected by the Administration Committee (as defined below) in accordance with the terms of and entitled to receive a grant under the RSA Scheme (the "**Selected Participant**"), with an opportunity to acquire a proprietary interest in the Company;

(ii) to encourage and retain such individuals to work with the Group and provide additional incentive for them to achieve performance goals; and

(iii) to attract suitable personnel for further development of the Group.

2. Duration

Without prejudicing the subsisting rights of any Selected Participant, subject to early termination as may be determined by the Board, the RSA Scheme shall be valid and effective for a period of ten years from the Adoption Date.

3. **Trust Shares**

The trustee to be appointed by the Company for administration of the RSA Scheme or any additional or replacement trustee (the "**Trustee**") shall, during the trust period beginning from the Adoption Date and ending on the date the Board terminates the RSA Scheme, hold the Trust Shares, Shares granted pursuant to paragraph 5 and 9 and the vesting of which shall be subject to paragraph 7 (the "**Restricted Shares**"), Shares pursuant to a Grant which are not accepted by the Selected Participants within seven days after the Grant (the "**Unaccepted Shares**"), the Additional Shares (as defined in paragraph 8), Shares which do not vest in the Selected Participants and have been or will be forfeited (the "**Unvested Shares**"), and other cash and non-cash income derived therefrom upon trust exclusively for all or such one or more of the Selected Participants and exercise the power of appointment conferred on the Trustee subject to the terms and conditions set out in the RSA Scheme and in the trust deed and such further terms and conditions as a sub-committee of the Board, including the Chief Executive Officer, chairman of the Remuneration Committee and other senior management of the Company, delegated with the power and authority by the Board to administer the RSA Scheme (the "**Administration Committee**") may stipulate at the time of selecting any person as a Selected Participant.

The Restricted Shares shall not vest if the Selected Participants fail to (i) remain as Participants (other than by reason of death or retirement) or (ii) return the reply slip as defined in paragraph 7(c)(ii) to the Company prior to each Vesting Date, or if other circumstances specified by the Board occurred.

4. **Administration**

The RSA Scheme shall be subject to the administration of the Administration Committee and the Trustee. The Administration Committee, whose decision shall be final, conclusive and binding on all parties, have the sole and absolute right to (i) interpret and construe the provisions of the RSA Scheme, (ii) determine the persons who will be granted the Restricted Shares, the terms and conditions on which the Restricted Shares are granted and under what condition the Restricted Shares granted pursuant to the RSA Scheme will vest, (iii) make such appropriate and equitable adjustments to the terms of the Restricted Shares granted under the RSA Scheme and other decisions or determinations as it deems necessary or appropriate.

5. **Grant of Restricted Shares**

Subject to the RSA Scheme, the Administration Committee may select any Participant to be a Selected Participant and grant to such Selected Participant any Restricted Shares subject to the administration clause as summarized in the preceding paragraph. No grant of Restricted Shares under the RSA Scheme, individually or collectively (the "**Grant**") shall be made to any Selected Participant:

(i) where the Company has information that must be disclosed under Rule 13.09 of the Listing Rules or where the Company reasonably believes there is inside information which must be disclosed under Part XIVA of the SFO, until such price sensitive/ inside information has been published on the websites of the Hong Kong Stock Exchange and the Company;

(ii) during the period of 60 days immediately preceding the publication date of the annual results and the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant financial period up to the publication date of the results of such period; or

(iii) in any other circumstances which are prohibited by any laws, regulations or regulatory authorities.

6. **Criteria for Determining Selected Participants, Number of Restricted Shares and Grant Consideration**

(i) In determining the Selected Participants, the number of Restricted Shares to be granted, the consideration to be paid by the Selected Participants (the "**Grant Consideration**") and the other terms and conditions of the Grants, the Administration Committee shall take into consideration matters including, but without limitation to, the present contribution and expected contribution of the relevant Selected Participant, the Group's general financial condition, overall business objectives and future development plan, the initial issue price of the Shares held by the Trustee, the net asset value per Share as at the end of the financial year immediately before the date of the Grant Letter (as defined in paragraph 6(iii)), the closing price of the Shares on the date of the Grant Letter and the average closing price of the Shares for the five Business Days prior to the date of the Grant Letter and any other relevant matters.

(ii) Where the proposed Selected Participant is a chief executive, a director of the Group or a member of the Administration Committee (or any of their respective associates), such grant must first be approved by the remuneration committee of the Company, excluding any member of the remuneration committee who is the proposed Selected Participant.

(iii) The Administration Committee shall notify the Trustee and the Selected Participant on the Grant Date in writing (the "**Grant Letter**") upon making its Grant decision. Upon receipt of the Grant Letter, the Selected Participant is required to confirm his/her acceptance of the Grant by returning to the Company a notice of acceptance within seven days after the Grant Date (the "**Acceptance Period**"); otherwise the Grant shall automatically lapse and the Shares shall become Unaccepted Shares. The Administration Committee shall notify the Trustee of any unaccepted Grant as soon as practicable after the expiration of the Acceptance Period.

(iv) In the event that the Trust Shares are not sufficient to cover the Restricted Shares to be granted , the Administration Committee shall, at its sole discretion at any time and/or from time to time, cause to be paid to the Trustee any monetary amount (the "**Monetary Amount**") for the purchase of any Restricted Shares to be granted from the Company's resources.

(v) Within 14 Business Days of receiving the Monetary Amount or such longer period as the Trustee and the Administration Committee may agree on, the Trustee shall apply the same toward the purchase of the Shares on the Hong Kong Stock Exchange. The Trustee shall hold any Shares so purchased in accordance with the RSA Scheme and the provisions of the trust deed.

7. **Vesting of Restricted Shares**

(a) ***Vesting conditions***

(i) Save and except as otherwise provided in this paragraph 7(a), the vesting of the Restricted Shares is subject to the Selected Participant remaining at all times after the Grant Date and on the Vesting Date a Participant of the Company or any Subsidiary and receipt of the full amount of the Grant Consideration in respect of such Restricted Shares by the Trustee;

(ii) A Selected Participant shall not be deemed a Participant if the Selected Participant has:

A. been terminated by the Company or any Subsidiary for causes including dishonesty or serious misconduct, willful disobedience or non-compliance with the terms of employment, agency or consultancy contract with the Company or any Subsidiary, incompetence or negligence, or doing anything that adversely affects his/her ability to perform his/her duties or brings the Company or the Group into disrepute;

B. been summarily dismissed by the Company or any Subsidiary in so far as such Selected Participant is an employee of the Company or any Subsidiary;

C. become bankrupt or failed to pay his/her debts or has made any arrangement or composition with his/her creditors generally;

D. been convicted for any criminal offence involving his/her integrity or honesty; or

E. been charged, convicted or held liable for any offence under applicable laws or regulations;

(iii) In the event that a Selected Participant ceases to be a Participant by reason of (i) the termination of his/her employment, (ii) the Subsidiary he or she is employed by or contracted with ceasing to be a Subsidiary or (iii) the winding up of the Company, such person will have ceased to be a Selected Participant for the purposes of the RSA Scheme and the condition set out in paragraph 7(a)(i) above shall fail to have been satisfied. The Grant shall automatically lapse and all the Restricted Shares shall not vest on the Vesting Date and the Selected Participant shall have no claims against the Company or the Trustee. The unvested Shares that have lapsed shall become Unvested Shares;

(iv) A Selected Participant shall be regarded as remaining as a Selected Participant notwithstanding that he or she ceases to hold a position of employment or office with or be an agent or consultant of the Company or a Subsidiary, if at the same time he or she takes up a different position of employment and/or office with, or continues to be an agent or consultant of another Subsidiary as the case may be;

(v) Notwithstanding anything contained in paragraph 7(a), in the event of a Selected Participant ceasing to be a Participant by reason of retirement or death, such Selected Participant shall still be entitled to receive those Restricted Shares which are referable to the date of cessation. Any unvested Shares which have been lapsed shall become Unvested Shares;

(vi) Notwithstanding any other provisions of the RSA Scheme, the Administration Committee shall be at liberty to waive the vesting conditions referred to in this paragraph 7.

(b) ***Vesting upon change in control***

(i) If an offer by way of takeover, merger, scheme of arrangement, share repurchase or otherwise is made to all the holders of Shares resulting in a change in control of the Company, and all conditions to which such proposed transactions are satisfied prior to the vesting of Shares in the Selected Participant, then such Shares shall immediately so vest notwithstanding anything to the contrary in paragraph 7(c);

(ii) Upon occurrence of the event described in the preceding paragraph, the Trustee shall proceed to transfer the vested Shares to the relevant Selected Participant, if no events described in the above 7(a)(ii) and 7(a)(iii) has occurred prior to vesting pursuant to this paragraph 7(b).

(c) ***Vesting of restricted shares***

(i) Subject to the vesting provisions set out in paragraph 7(a) and 7(b) above, any Restricted Share granted to a Selected Participant shall vest in such Selected Participant in accordance with the vesting conditions as set out in the Grant Letter (for this purpose, the date or each such date on which the Restricted Shares are to vest is referred to as a "**Vesting Date**"). The Administrative Committee shall have absolute discretion in determining whether the vesting conditions of any Selected Participant has been fulfilled.

(ii) If satisfied that the vesting conditions have been met, the Administration Committee shall send a vesting notice (the "**Vesting Notice**") to the Selected Participant 30 days prior to each Vesting Date or such other day on or before the Vesting Date. Upon receipt of the Vesting Notice, the Selected Participant is required to return to the Company the reply slip (the "**Reply Slip**") attached to the Vesting Notice together with evidence showing full payment of the Grant Consideration, which, if not received by the Company prior to the Vesting Date or such other date as stated on the Vesting Notice, would result in the Restricted Shares which would have otherwise vested in such Selected Participant being automatically forfeited and becoming Unvested Shares.

(iii) The Administration Committee shall issue to the Trustee a confirmation letter that the vesting conditions have been fulfilled upon vesting. The Administration Committee shall also forward to the Trustee the Reply Slip it has received from the Selected Participant to effect the transfer of the relevant vested Restricted Shares to the Selected Participant.

8. **Cash and Non-Cash Income**

All cash, non-cash income or sale proceeds of non-cash and non-scrip distributions declared in respect of a Share (whether held as Trust Share, Grant Share, Unaccepted Share, Additional Share or Unvested Share) and the Grant Consideration received by the Trustee shall form part of the trust fund of the Trust.

The Trustee shall apply the trust fund (i) initially to defray the fees, costs and expenses of the Trust, including without limitation all of the Trustee's fees incurred and any excluded expenses pursuant to the RSA Scheme; and (ii) its remainder (if any), if instructed by the Administration Committee, to purchase such number of board lots of Shares as the Administration Committee instructs (the "**Additional Shares**").

The Additional Shares shall form part of the Trust Shares and shall be subject to the RSA Scheme.

9. **Restrictions and Limitations**

(i) Any Grant made under the RSA Scheme shall be personal to the Selected Participant and shall not be assignable;

(ii) A Selected Participant shall not have any contingent interest in the Restricted Shares until such Restricted Shares have been vested as Shares;

(iii) A Selected Participant shall have no rights in any cash and non-cash income or any cash remaining in the trust fund of the Trust in respect of a Share;

(iv) The Trustee shall not exercise any voting rights in respect of any Shares held under the Trust;

(v) No instructions may be given by a Selected Participant to the Trustee in respect of the Restricted Shares prior to vesting of the same;

(vi) The Trustee may not subscribe for any new Shares pertaining to either (a) an open offer of new securities; or (b) bonus warrants issued in respect of any Shares held by the Trustee. In the event of a rights issue, the Trustee shall sell any nil-paid rights allotted to it. In the event of the issue of a bonus warrant, the Trustee shall sell the bonus warrants granted to it. The net proceeds from the sale of such rights shall be held as cash income of the trust fund of the Trust;

(vii) The Trustee shall, after taking into consideration any recommendations of the Administration Committee, decide whether to elect to receive scrip dividend or cash.

10. **Unaccepted and Unvested Shares**

Where Shares referable to a Selected Participant become Unaccepted Shares or Unvested Shares, the Trustee shall (i) hold such Unaccepted or Unvested Shares and all income derived therefrom for the benefit of all or one or more of the Participants, as the Company in its absolute discretion shall at any time grant or (ii) if instructed by the Company, sell such Unaccepted or Unvested Shares on the Hong Kong Stock Exchange and remit the proceeds of sale of the same, net of all appropriate expenses in connection with such sales, to the Company; or (iii) in such other manner as the Trustee may decide after consultation with the Board. All Unaccepted Shares or Unvested Shares, when granted, shall be subject to the same vesting conditions as they apply to any Restricted Shares.

11. **Scheme Limits**

No Additional Shares shall be purchased pursuant to the RSA Scheme if, as a result of such purchase, the number of Shares administered under the RSA Scheme shall exceed 10% of the issued share capital of the Company at the Adoption Date or such other limit as determined by the Administration Committee at its sole discretion.

The maximum number of Restricted Shares which may be granted to a Selected Participant at any one time or in aggregate may not exceed 1% of the issued share capital of the Company at the Adoption Date.

12. **Amendment and Termination**

The RSA Scheme may be amended in any respect by a resolution of the Board with the prior consent of the Trustee and without adverse effect on any subsisting rights of any Selected Participant. Written notice of any amendment to the RSA Scheme shall be given to all Selected Participants.

The RSA Scheme can be terminated or extended by a resolution of the Board. No further Restricted Shares shall be granted upon termination. The Company shall notify the Trustee of such termination, upon which the Trustee shall vest in the Selected Participants all Restricted Shares referable to the date of termination which have not been vested, and (i) sell all Unaccepted Shares, Unvested Shares, Additional Shares and non-cash income remaining in the Trust, if any, and remit the proceeds of sale of the same together with any residual cash accrued in the Trust, net of all appropriate expenses in connection with such sale, to the Company, or (ii) act in such other manner as the Trustee may decide in accordance with the instructions of the Board.

13. **General**

As of the Latest Practicable Date, no Restricted Shares had been granted or agreed to be granted by the Company pursuant to the RSA Scheme.

Details of the RSA Scheme, including particulars and movements of the Restricted Shares granted during each financial year of the Company, and our employee costs arising from the grant of the Restricted Shares, will be disclosed in our annual report.

F. OTHER INFORMATION

1. **Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group.

2. **Litigation**

As of the Latest Practicable Date, save as disclosed in "Business — Legal Proceedings and Compliance" in this prospectus, no member of our Group was involved in any litigation, arbitration or claim of material importance and, so far as our Directors are aware, no litigation, arbitration or claim of material importance was pending or threatened against us.

3. Joint Sponsors

The Joint Sponsors will be paid by our Company a total fee of US$0.9 million to act as sponsors to our Company in connection with the Listing.

The Joint Sponsors have declared their independence pursuant to Rule 3A.07 of the Listing Rules.

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-Allotment Option).

4. Preliminary Expenses

Save as disclosed in "Financial Information — Listing Expenses", we have not incurred any material preliminary expenses.

5. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

6. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

7. Qualification of Experts

The qualifications of the experts who have given opinions or advice which are contained in this prospectus are as follows:

Name	Qualification
Merrill Lynch Far East Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities under the SFO

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 5 (advising on future contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Commerce & Finance Law Offices	Legal advisor to our Company as to PRC law
Walkers	Legal advisor to our Company as to Cayman Islands law
Frost & Sullivan	Industry consultant

8. **Consents of Experts**

Each of the experts as referred to in the paragraph headed "Qualification of Experts" in this appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of its reports, letters, and/or opinions (as the case may be) and the references to its names included in the form and context in which it respectively appears.

9. **Promoters**

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed above, within the two years preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to any promoters in connection with the Global Offering or the related transactions described in this prospectus.

10. **Miscellaneous**

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries.

(b) Our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.

(c) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of the Group since September 30, 2016 (being the date to which the latest audited combined financial statements of the Group were prepared); and

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

(d) Subject to the provisions of the Companies Law, the register of members of our Company will be maintained in the Cayman Islands by Walkers Corporate Limited and a branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

(e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the WHITE, YELLOW and GREEN application forms, the written consents referred to in "F. Other Information — 8. Consents of Experts" in Appendix IV to this prospectus, and certified copies of the material contracts referred to in "B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sullivan & Cromwell (Hong Kong) LLP at 28th Floor, Nine Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(i) our Memorandum and Articles of Association;

(ii) the Accountant's Report from PricewaterhouseCoopers, the texts of which are set out in Appendix I to this prospectus;

(iii) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(iv) the audited consolidated financial statements of our Group for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2016;

(v) the legal opinions issued by Commerce & Finance Law Offices, our PRC legal adviser in respect of certain aspects of the Group;

(vi) the letters of advice issued by Walkers, our Cayman Islands legal advisers, summarizing the constitution of our Company and certain aspects of Cayman Islands Companies Law referred to in Appendix III — "Summary of Articles of Association and Cayman Islands Companies Law" to this prospectus;

(vii) the Cayman Islands Companies Law;

(viii) copies of material contracts referred to in Appendix IV — "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" to this prospectus;

(ix) the written consents referred to in Appendix IV — "Statutory and General Information — F. Other Information — 8. Consents of Experts" to this prospectus;

(x) service contracts entered into between our Company and each of the Directors (as applicable); and

(xi) the Frost & Sullivan Report.

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