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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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO VIE ACQUISITION AND VIE CONTRACTS

VIE ACQUISITION AND VIE CONTRACTS

The Board is pleased to announce that on September 26, 2017 (after trading hours), Jiahua Yihe (a wholly-owned subsidiary of the Company), Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming entered into the VIE Acquisition Agreement, pursuant to which Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming have conditionally agreed to enter into the VIE Contracts (the proposed principal terms of which are set out in the section headed “VIE Contracts” in this announcement) with, among others, Jiahua Yihe on or before the date of the Circular and to cause Jiahua Yihe to perpetually and factually enjoy all the Economic Benefits from Completion, for a cash consideration of RMB30,000,000 (equivalent to approximately HK\$35,523,000).

Pursuant to the VIE Acquisition Agreement, (i) the terms of the proposed VIE Contracts shall be subject to the amendments as required by the Stock Exchange and shall, upon Completion, be able to allow Jiahua Yihe to control and consolidate Jiahua Kangming and to obtain the 30% economic benefits of BNC Women’s and Children’s Hospital and BNC Harmony Clinic attributable to Jiahua Kangming, and (ii) the VIE Contracts shall be entered into by the relevant parties on or before the date of the Circular and shall be conditional upon the approval having been obtained from the Independent Shareholders at the EGM in respect of the VIE Acquisition Agreement and the VIE Contracts, the transactions contemplated thereunder and the Annual Caps.

LISTING RULES IMPLICATIONS

Discloseable transaction

As the highest applicable percentage ratio in respect of the transactions contemplated under the VIE Acquisition Agreement and the VIE Contracts exceeds 5% but is less than 25%, the entering into of the VIE Acquisition Agreement and the VIE Contracts constitutes a discloseable transaction of the Company under the Listing Rules.

Connected transactions and continuing connected transactions

Ms. Zhao is the spouse of Mr. Zhou, the controlling shareholder of the Company. Ms. ZHOU Jie is Mr. Zhou's sister. Jiahua Kangming is held as to 99% by Ms. Zhao and as to 1% by Ms. ZHOU Jie. Therefore, each of Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming is a connected person of the Company by virtue of her/it being an associate of Mr. Zhou pursuant to the Listing Rules.

Accordingly, the transactions contemplated under the VIE Acquisition Agreement and the VIE Contracts constitute connected transactions and continuing connected transactions respectively of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the VIE Acquisition Agreement and the VIE Contracts exceeds 5%, the entering into of the VIE Acquisition Agreement and the VIE Contracts, the transactions contemplated thereunder and the Annual Caps are subject to the annual reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Independent Board Committee

The Board has established the Independent Board Committee comprising all the independent non-executive Directors to review, consider and recommend the VIE Acquisition Agreement and the VIE Contracts, the transactions contemplated thereunder and the Annual Caps and to advise the Independent Shareholders in respect thereof, and the Company has appointed an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information regarding the details of the VIE Acquisition and the VIE Contracts, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, and (iv) a notice of the EGM and other information as required under the Listing Rules will be despatched to the Shareholders on or before October 19, 2017.

As completion of the VIE Acquisition Agreement and the VIE Contracts and the transactions contemplated thereunder is subject to the fulfilment and/or waiver of certain conditions set forth therein, the Completion may or may not proceed. Investors should exercise caution when dealing in the Shares. If in doubt, investors are recommended to consult their professional adviser(s).

VIE ACQUISITION AGREEMENT

Date

September 26, 2017 (after trading hours)

Parties

- (1) Jiahua Yihe as one party
- (2) Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming as the other parties

Ms. Zhao is the spouse of Mr. Zhou, the controlling shareholder of the Company. Ms. ZHOU Jie is Mr. Zhou's sister. Jiahua Kangming is held as to 99% by Ms. Zhao and as to 1% by Ms. ZHOU Jie. Therefore, each of Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming is a connected person of the Company by virtue of her/it being an associate of Mr. Zhou pursuant to the Listing Rules.

Subject of the VIE Acquisition

Subject to the terms and conditions of the VIE Acquisition Agreement, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming have conditionally agreed to enter into the VIE Contracts (the proposed principal terms of which are set out in the section headed "VIE Contracts" in this announcement) with, among others, Jiahua Yihe on or before the date of the Circular and to cause Jiahua Yihe to perpetually and factually enjoy all the Economic Benefits from Completion, for a cash consideration of RMB30,000,000 (equivalent to approximately HK\$35,523,000).

Pursuant to the VIE Acquisition Agreement, (i) the terms of the proposed VIE Contracts shall be subject to the amendments as required by the Stock Exchange and shall, upon Completion, be able to allow Jiahua Yihe to control and consolidate Jiahua Kangming and to obtain the 30% economic benefits of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming, and (ii) the VIE Contracts shall be entered into by the relevant parties on or before the date of the Circular and shall be conditional upon the approval having been obtained from the Independent Shareholders at the EGM in respect of the VIE Acquisition Agreement and the VIE Contracts, the transactions contemplated thereunder and the Annual Caps.

Consideration

The consideration, being RMB30,000,000 (equivalent to approximately HK\$35,523,000), shall be paid in cash on the Completion Date. The Group will satisfy the consideration through internal resources.

Basis of consideration

The consideration was arrived after arm's length negotiations between Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming after taking into account, among others, the following factors:

- (i) the after-tax net profit of RMB22,913,697.69 of BNC Women's and Children's Hospital and BNC Harmony Clinic for the year ended December 31, 2016; and
- (ii) the price-to-earnings ratios of certain comparable companies listed in Hong Kong which are principally engaged in similar medical services businesses in the PRC.

Conditions precedent

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

- (i) the approval having been obtained from the Independent Shareholders at the EGM in respect of the VIE Acquisition Agreement and the VIE Contracts, the transactions contemplated thereunder and the Annual Caps in accordance with the Listing Rules and the Articles of Association;
- (ii) each of the VIE Contracts having been duly executed by the parties thereto;

- (iii) no laws, judgments, decrees or bans from any governmental authorities prior to Completion (A) restricting or prohibiting the entering into of the VIE Acquisition Agreement or the VIE Contracts or the Completion or (B) having adverse impact in any material aspect on Ms. Zhao's and Ms. ZHOU Jie's right and power under the VIE Acquisition Agreement and/or the VIE Contracts;
- (iv) no laws, judgments, decrees or bans from any governmental authorities prior to Completion (A) restricting or prohibiting the entering into of the VIE Acquisition Agreement or the VIE Contracts or the Completion or (B) having adverse impact in any material aspect on the Jiahua Yihe's right and power under the VIE Acquisition Agreement and/or the VIE Contracts;
- (v) the representations and warranties given by Ms. Zhao and Ms. ZHOU Jie in the VIE Acquisition Agreement remaining true, accurate and not misleading from the date of the VIE Acquisition Agreement to the Completion Date; and
- (vi) no material adverse change having occurred to any of Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic from the date of the VIE Acquisition Agreement to the Completion Date.

As at the date of this announcement, none of the above conditions have been fulfilled or waived. None of Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming shall have the right to waive the conditions (i) to (iv) above. Jiahua Yihe may at its discretion waive any of the other conditions above provided that such waiver is in the interest of the Company and its Shareholders as a whole.

Completion

Jiahua Yihe, Ms. Zhao and Ms. ZHOU Jie agreed that, if the conditions precedent are fulfilled (or, if applicable, waived) on or before the Long-Stop Date, the Completion shall take place on the third Business Day (or a different day as may be agreed by the parties) after the fulfilment (or, if applicable, the waiver) of all the conditions precedent.

Termination

Prior to Completion, the VIE Acquisition Agreement may be terminated upon occurrence of any of the following events:

- by written mutual consent of all the parties thereto; and
- by written notice from Jiahua Yihe to other parties where the conditions precedent have not been fulfilled, satisfied or waived (where applicable) by the Long-Stop Date.

VIE CONTRACTS

Background and reasons for use of the VIE Contracts

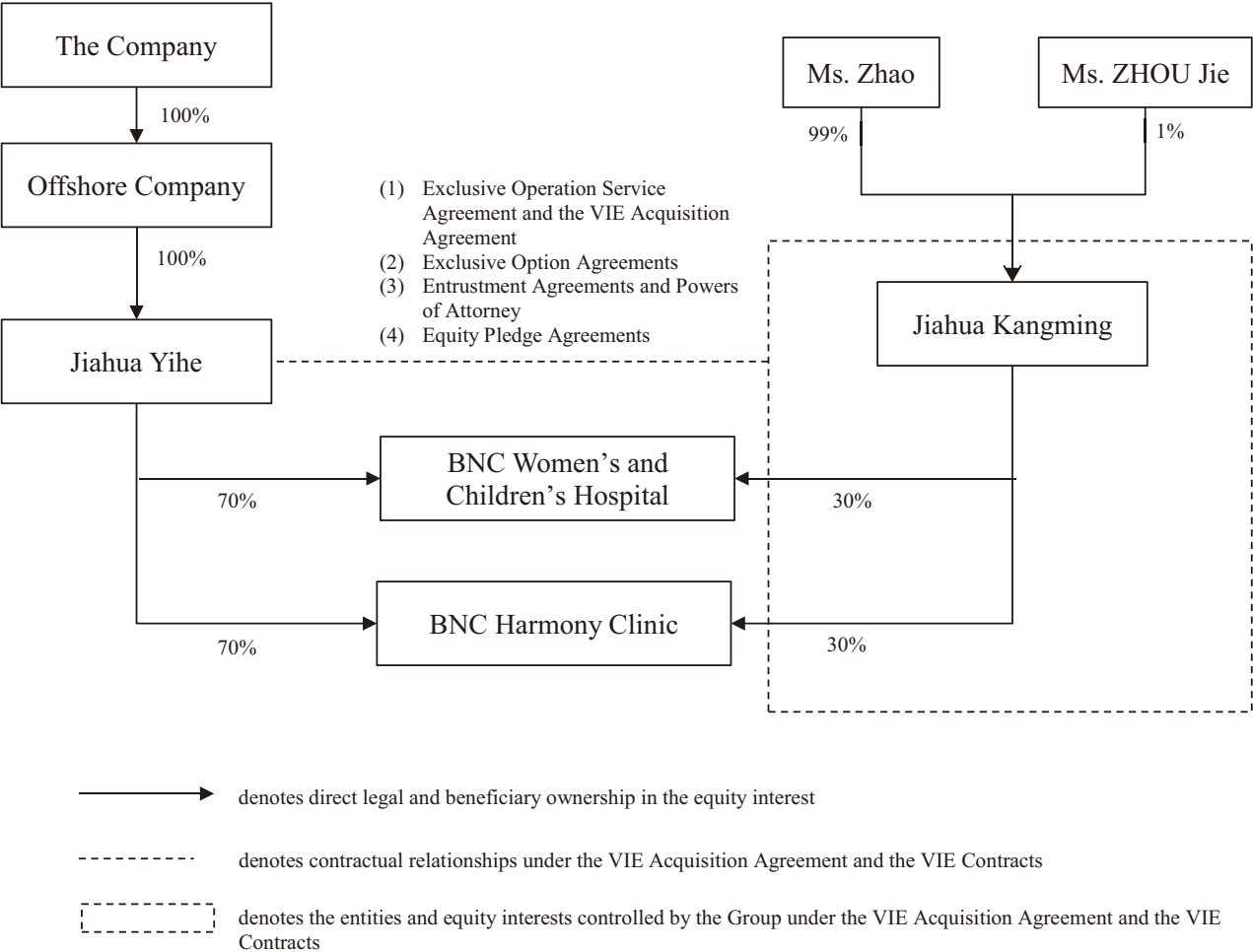
The Company is primarily engaged in providing pediatric and obstetric and gynecologic specialty services at its three medical institutions in Beijing. According to the applicable Foreign Investment Catalogue, medical institutions fall within the “restricted” investment category, and therefore may not be held 100% by foreign investments and foreign investments are restricted to the form of sino-foreign equity joint venture or cooperative joint venture. Furthermore, as advised by our PRC Legal Adviser, Beijing MOFCOM, as the competent authority for foreign investment administration in Beijing, is of the view that the Company, as a foreign entity, shall not hold more than 70% of the equity interest in any medical institution in Beijing (the “**Foreign Ownership Restriction**”). As such, the Company, through Jiahua Yihe, currently holds 70% and 70% equity interest in BNC Women’s and Children’s Hospital and BNC Harmony Clinic, respectively. Jiahua Kangming holds the remaining 30% equity interest in both BNC Women’s and Children’s Hospital and BNC Harmony Clinic.

In light of the Foreign Ownership Restriction, in order to control Jiahua Kangming to prevent leakages of equity and values to the minority shareholder of BNC Women’s and Children’s Hospital and BNC Harmony Clinic, and to obtain the 30% economic benefits of these two medical institutions attributable to Jiahua Kangming, Ms. Zhao, Ms. ZHOU Jie and Jiahua Yihe entered into the VIE Acquisition Agreement, pursuant to which Jiahua Yihe will enter into the VIE Contracts with Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women’s and Children’s Hospital and BNC Harmony Clinic. Upon Completion, the VIE Contracts will allow Jiahua Yihe to control and consolidate Jiahua Kangming and to obtain the 30% economic benefits of BNC Women’s and Children’s Hospital and BNC Harmony Clinic attributable to Jiahua Kangming.

The VIE Contracts are narrowly tailored because they are only used to address the Foreign Ownership Restriction as set forth in the above paragraph headed “Background and reasons for use of the VIE Contracts”. The VIE Contracts are also narrowly tailored to achieve the business purposes of the Company and minimize the potential for conflict with relevant PRC laws and regulations.

Details of the VIE Contracts

The following diagram illustrates the flow of economic benefits from BNC Women’s and Children’s Hospital and BNC Harmony Clinic to Jiahua Yihe under the VIE Contracts:



The proposed principal terms of the VIE Contracts (which are subject to amendments as required by the Stock Exchange) are summarized as follows:

Exclusive Operation Service Agreement

Parties

Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming will enter into an exclusive operation service agreement (the “**Exclusive Operation Service Agreement**”).

Subject matter

Pursuant to the Exclusive Operation Service Agreement, Jiahua Yihe agrees to provide to Jiahua Kangming and its affiliated medical institutions, including BNC Women's and Children's Hospital and BNC Harmony Clinic, on an exclusive basis, shareholder's rights and investment management related services and medical institution operation services based on their actual business demand. Accordingly, Jiahua Yihe agrees to provide services to Jiahua Kangming and its affiliated medical institutions, in respect of, including but not limited to, (i) business, financing and investment, (ii) medical technology related consultation, medical resources sharing and medical professionals training, (iii) human resources management, (iv) market research, (v) strategies for marketing and business expansion, (vi) supplier and inventory management, (vii) operation and marketing strategy formulation and monitoring, (viii) medical service quality control, (ix) internal management and (x) other services relating to management and operation of medical institutions and shareholder's rights. Jiahua Yihe has proprietary rights to all the intellectual properties developed or created by Jiahua Yihe from the performance of these services. During the term of the Exclusive Operation Service Agreement, Jiahua Yihe may use the intellectual property rights owned by Jiahua Kangming free of charge and without any conditions. Jiahua Kangming may also use the intellectual property work created by Jiahua Yihe from the services performed by Jiahua Yihe in accordance with the Exclusive Operation Service Agreement.

Pursuant to the Exclusive Operation Service Agreement, Jiahua Kangming shall pay to Jiahua Yihe an annual service fee in an amount equivalent to 30% of the annual distributable profits of BNC Women's and Children's Hospital and BNC Harmony Clinic after deducting any loss in prior year and the statutory surplus reserve (if applicable), subject to the adjustment in accordance with the terms therein.

In addition, pursuant to the Exclusive Operation Service Agreement, without the prior written approval from Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming shall not enter into any transactions (except for those transactions entered into in the ordinary course of business or as contemplated under the VIE Acquisition Agreement) that may materially affect their assets, obligations, equity interest, rights or operation, including but not limited to (i) the disposal, transfer or acquisition of any material assets (fair value of which exceeds RMB1.0 million), (ii) the disposal or transfer of the shares in their affiliated medical institutions, and (iii) the entering into of any contracts or arrangements which may conflict with the VIE Contracts or adversely affect the interests of Jiahua Yihe under the VIE Contracts.

Term of the Exclusive Operation Service Agreement and termination

The Exclusive Operation Service Agreement shall become effective from the Effective Date and shall remain valid for three years from the Effective Date and shall, subject to compliance with the Listing Rules, be automatically renewed for three years each time when its term ends, unless being terminated in accordance with the terms therein.

Pursuant to the Exclusive Operation Service Agreement, each of Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming further undertakes to use her/its best endeavors to assist Jiahua Yihe in complying with the Listing Rules (including but not limited to agreeing to any amendments to the Exclusive Operation Service Agreement as required by Jiahua Yihe) and maintaining the validity of the Exclusive Operation Service Agreement in accordance with the terms therein.

According to the Exclusive Operation Service Agreement, unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Jiahua Yihe) is entitled to unilaterally terminate it. Furthermore, pursuant to the Exclusive Operation Service Agreement, it may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) all of Ms. Zhao's and Ms. ZHOU Jie's equity interests in Jiahua Kangming and all of Jiahua Kangming's equity interests in BNC Women's and Children's Hospital and BNC Harmony Clinic are transferred to Jiahua Yihe or its designated person pursuant to applicable PRC laws and regulations, (iii) all of the assets of Jiahua Kangming and all of the assets of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming are transferred to Jiahua Yihe or its designated person pursuant to applicable PRC laws and regulations, or (iv) Jiahua Yihe unilaterally terminates the agreement.

Annual caps

The maximum annual amount payable by Jiahua Kangming to Jiahua Yihe for the financial years ended December 31, 2017, 2018 and 2019 under the Exclusive Operation Service Agreement shall not exceed the caps (the “**Annual Caps**”) set out below:

	For the financial year ended December 31,		
	2017	2018	2019
	(in RMB millions)		
Total service fee	0.9 ^(Note)	9	12

Note: This represents the cap for the service fee for approximately 1.5 months given the Exclusive Operation Service Agreement will only become effective from the Effective Date.

Since Jiahua Yihe has not entered into any operation service agreement with Jiahua Kangming or any other parties previously, no historical value is available for reference.

In light of the fact that the VIE Contracts and the transactions contemplated thereunder are to enable the Company (through Jiahua Yihe) to receive all the 30% economic benefits of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming and the transactions under the Exclusive Operation Service Agreement only technically constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules, our Directors consider that, given that the Company is placed in a special situation in relation to the connected transactions rules under the VIE Contracts, the Annual Caps shall be determined to give sufficient flexibility for the Company (through Jiahua Yihe) to receive all the 30% economic benefits of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming.

Accordingly, the above Annual Caps are determined after taking into account, among others, the following factors: (i) the operations and financial budget of Jiahua Kangming, (ii) the net profit/loss of BNC Women's and Children's Hospital and BNC Harmony Clinic for the year ended December 31, 2015 and 2016, (iii) the growth rate of BNC Women's and Children's Hospital and BNC Harmony Clinic based on their historical figures and the growth of the industry, and (iv) a sufficient buffer.

The above Annual Caps are to give sufficient flexibility for the Company (through Jiahua Yihe) to receive all the 30% economic benefits of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming for the above reasons and are not an indicator of the future financial performance of BNC Women's and Children's Hospital and BNC Harmony Clinic.

In view of the above factors, the Directors are of the view that the Annual Caps are fair and reasonable, on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

Exclusive Option Agreements

Parties

Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic will enter into exclusive option agreements (the “**Exclusive Option Agreements**”).

Subject matter

Pursuant to the Exclusive Option Agreements, (i) each of Ms. Zhao and Ms. ZHOU Jie irrevocably and unconditionally grants an exclusive option to Jiahua Yihe which entitles Jiahua Yihe to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interest in Jiahua Kangming itself or through its designated person(s), (ii) Jiahua Kangming irrevocably and unconditionally grants an exclusive option to Jiahua Yihe which entitles Jiahua Yihe to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of Jiahua Kangming itself or through its designated person(s), (iii) Jiahua Kangming irrevocably and unconditionally grants an exclusive option to Jiahua Yihe which entitles Jiahua Yihe to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interests in BNC Women's and Children's Hospital and BNC Harmony Clinic from Jiahua Kangming itself or through its designated person(s), and (iv) BNC Women's and Children's Hospital and BNC Harmony Clinic irrevocably and unconditionally grant an exclusive option to Jiahua Yihe which entitles Jiahua Yihe to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming from BNC Women's and Children's Hospital and BNC Harmony Clinic itself or through its designated person(s). Jiahua Yihe may appoint designated person(s) in its sole discretion when exercising its option. The transfer price of the relevant equity interests and assets shall be the minimum purchase price permitted under PRC law, and each of Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic will undertake that she/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer of equity interests or assets to Jiahua Yihe.

Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming undertake to endeavor to develop the business of Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic and not to take any action which may affect their asset value, goodwill and effectiveness of business licenses. Furthermore, in the absence of prior written consent of Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming shall not transfer or otherwise dispose of any option under the Exclusive Option Agreements, or create any encumbrances thereon and BNC Women's and Children's Hospital and BNC Harmony Clinic shall not assist in transferring or otherwise disposing of any option under the Exclusive Option Agreements, or creating any encumbrances thereon.

In addition, Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic undertake that, upon Jiahua Yihe issuing the notice to exercise the option in accordance with the Exclusive Option Agreements, they will implement necessary actions to effect the transfer and relinquish any pre-emptive right, if any. Each of the parties to the Exclusive Option Agreements confirms and agrees that (i) in the event of a dissolution or liquidation of Jiahua Kangming, BNC Women's and Children's Hospital or BNC Harmony Clinic (as

applicable) under the PRC laws, all the residual assets which are attributable to Ms. Zhao, Ms. ZHOU Jie or Jiahua Kangming (as applicable) shall be transferred to Jiahua Yihe or its designated person(s) at the minimum purchase price permitted under PRC law, and each of Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic undertakes that she/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer to Jiahua Yihe or its designated person(s), (ii) in the event of bankruptcy, reorganization or merger of Jiahua Kangming, death or incapacity of Ms. Zhao or Ms. ZHOU Jie or any other event which causes changes to Ms. Zhao's and Ms. ZHOU Jie's shareholding in Jiahua Kangming or Jiahua Kangming's shareholding in BNC Women's and Children's Hospital and BNC Harmony Clinic, the successor of Ms. Zhao's and Ms. ZHOU Jie's equity interest in Jiahua Kangming and the successor of Jiahua Kangming's equity interests in BNC Women's and Children's Hospital and BNC Harmony Clinic shall be bound by the VIE Contracts, and (iii) any disposal of shareholding in Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic shall be governed by the VIE Contracts unless Jiahua Yihe consents otherwise in writing.

Term of the Exclusive Option Agreements and termination

Each of the Exclusive Option Agreements shall become effective from the Effective Date. Each of the Exclusive Option Agreements has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Jiahua Yihe) is entitled to unilaterally terminate it.

Each of the Exclusive Option Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) all of Ms. Zhao's and Ms. ZHOU Jie's equity interests in Jiahua Kangming and all of Jiahua Kangming's equity interests in BNC Women's and Children's Hospital and BNC Harmony Clinic are transferred to Jiahua Yihe or its designated person pursuant to applicable PRC laws and regulations, (iii) all of the assets of Jiahua Kangming and all of the assets of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming are transferred to Jiahua Yihe or its designated person pursuant to applicable PRC laws and regulations, or (iv) Jiahua Yihe unilaterally terminates the agreement.

Entrustment Agreements and Powers of Attorney

Parties

Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic will enter into entrustment agreements (the “**Entrustment Agreements**”) with an annexure of the powers of attorney executed by Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming (the “**Powers of Attorney**”) in favor of Jiahua Yihe (and its successors or liquidators) or a natural person designated by Jiahua Yihe (the “**Attorney**”).

Subject matter

Pursuant to the Entrustment Agreements and the Powers of Attorney annexed thereto, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming irrevocably agree to authorize the Attorney to exercise all of its rights and powers as a shareholder of Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic (as applicable), including the rights to vote in a shareholders' meeting, sign minutes, and file documents with the relevant companies registry. As Jiahua Yihe is a wholly-owned subsidiary of the Company, the terms of the Entrustment Agreements and the Powers of Attorney will give the Company full control over all corporate decisions made by such Attorney and exercise management control over Jiahua Kangming, and the 30% equity interest in BNC Women's and Children's Hospital and BNC Harmony Clinic.

Furthermore, since the Exclusive Option Agreements, the Entrustment Agreements and the Powers of Attorney encompass dealing with the assets of Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic, the liquidator can seize their assets in a winding up situation for the benefit of Jiahua Yihe's shareholders or creditors.

Term of the Entrustment Agreements and Powers of Attorney and termination

Each of the Entrustment Agreements and Powers of Attorney shall become effective from the Effective Date. Each of the Entrustment Agreements and Powers of Attorney has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Jiahua Yihe) is entitled to unilaterally terminate it.

Each of the Entrustment Agreements and Powers of Attorney may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) all of Ms. Zhao's and Ms. ZHOU Jie's equity interests in Jiahua Kangming and all of Jiahua Kangming's equity interests in BNC Women's and Children's Hospital and BNC Harmony Clinic are transferred to Jiahua Yihe or its designated person pursuant to applicable PRC laws and regulations, (iii) all of the assets of Jiahua Kangming and all of the assets of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming are transferred to Jiahua Yihe or its designated person pursuant to applicable PRC laws and regulations, or (iv) Jiahua Yihe unilaterally terminates the agreement.

Equity Pledge Agreements

Parties

Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic will enter into equity pledge agreements (the "**Equity Pledge Agreements**").

Subject matter

Pursuant to the Equity Pledge Agreements, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming agree to pledge all of her/its respective equity interests in Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic to Jiahua Yihe to secure performance of all their obligations and the obligations of BNC Women's and Children's Hospital and BNC Harmony Clinic under the Exclusive Option Agreements, the Entrustment Agreements and the Equity Pledge Agreements underlying the VIE Contracts.

If Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic declare any dividend during the term of the pledge, Jiahua Yihe is entitled to receive all dividends or other income arising from the pledged equity interests, if any. In case of any breach of obligations by Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital or BNC Harmony Clinic, Jiahua Yihe, upon issuing a written notice to Ms. Zhao, Ms. ZHOU Jie or Jiahua Kangming, will be entitled to all remedies available in the VIE Contracts including but not limited to disposing of the pledged equity interests.

In addition, pursuant to the Equity Pledge Agreements, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming undertake to Jiahua Yihe, among other things, not to transfer their equity interests in Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic and not to create or allow any pledge or encumbrance thereon that may affect the rights and interest of Jiahua Yihe without its prior written consent. Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic undertake to Jiahua Yihe, among other things, not to assist to transfer the equity interests in Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic held by them or to create or allow any pledge or encumbrance thereon without Jiahua Yihe's prior written consent.

In addition, as advised by our PRC Legal Adviser, pursuant to the Property Rights Law of the People's Republic of China (《中華人民共和國物權法》) and the Equity Pledge Agreements, Jiahua Yihe (as the pledgee) shall have the right to receive all yields accrued from the equity interest in Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic pledged by Ms. Zhao, Ms. ZHOU Jie or Jiahua Kangming (which include dividends or other distributions declared to Ms. Zhao, Ms. ZHOU Jie or Jiahua Kangming) to Jiahua Yihe.

Term of the Equity Pledge Agreements and termination

Each of the Equity Pledge Agreements shall become effective from the Effective Date. Each of the Equity Pledge Agreements has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Jiahua Yihe) is entitled to unilaterally terminate it.

Each of the Equity Pledge Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) all of Ms. Zhao's and Ms. ZHOU Jie's equity interests in Jiahua Kangming and all of Jiahua Kangming's equity interests in BNC Women's and Children's Hospital and BNC Harmony Clinic are transferred to Jiahua Yihe or its designated person pursuant to applicable PRC laws and regulations, (iii) all of the assets of Jiahua Kangming and all of the assets of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming are transferred to Jiahua Yihe or its designated person pursuant to applicable PRC laws and regulations, or (iv) Jiahua Yihe unilaterally terminates the agreement.

Dispute resolution

Each of the VIE Contracts contains a dispute resolution provision, which stipulates that in the event of any dispute relating to the interpretation and performance of the VIE Contracts, the parties shall negotiate in good faith to resolve such disputes. If the parties fail to reach an agreement on the resolution of such a dispute within 30 days, the relevant dispute may be submitted to the China International Economic and Trade Arbitration Commission (the “CIETAC”) for arbitration in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used in the arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties.

The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or land assets of Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming (as applicable) or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Jiahua Kangming; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and the PRC (the place where the main assets are located) shall be deemed to have jurisdiction to grant and/or enforce arbitral awards and interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. However, our PRC Legal Adviser is of the opinion that such provisions may not be enforceable under the PRC law. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Jiahua Kangming pursuant to the current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC, and Jiahua Yihe may only seek interim remedies or enforcement from competent PRC courts. As a result, in the event that Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women’s and Children’s Hospital or BNC Harmony Clinic breaches any of the VIE Contracts, the Group may not be able to obtain sufficient remedies in a timely manner, and its ability to exert control over Jiahua Kangming and the 30% equity interests in BNC Women’s and Children’s Hospital or BNC Harmony Clinic as well as its financial conditions and the results of operations could be negatively affected.

Succession

As advised by our PRC Legal Adviser, the provisions set out in the VIE Contracts are also binding on any successor of Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming as if such successors were a signing party to the VIE Contracts. As such, any breach by the successors would be deemed to be a breach of the VIE Contracts. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents and any breach by the successors would be deemed to be a breach of the VIE Contracts. In case of a breach, Jiahua Yihe can enforce its rights against the successors. Pursuant to the VIE Contracts, in the event of changes in the shareholding of Jiahua Kangming, any successor of Jiahua Kangming shall assume any and all rights and obligations of Jiahua Kangming under the VIE Contracts as if such successor were a signing party to the relevant contract.

Liquidation, bankruptcy or death

Pursuant to the Exclusive Option Agreements, (i) in the event of a dissolution or liquidation of Jiahua Kangming, BNC Women's and Children's Hospital or BNC Harmony Clinic (as applicable) under the PRC laws, all the residual assets which are attributable to Ms. Zhao, Ms. ZHOU Jie or Jiahua Kangming (as applicable) shall be transferred to Jiahua Yihe or its designated person(s) at the minimum purchase price permitted under PRC law, and each of Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic undertakes that she/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer to Jiahua Yihe or its designated person(s), (ii) in the event of bankruptcy, reorganization, merger of Jiahua Kangming, death or incapacity of Ms. Zhao or Ms. ZHOU Jie or any other event which causes changes to Ms. Zhao's and Ms. ZHOU Jie's shareholding in Jiahua Kangming or Jiahua Kangming's shareholding in BNC Women's and Children's Hospital and BNC Harmony Clinic, the successor of Ms. Zhao's and Ms. ZHOU Jie's equity interest in Jiahua Kangming and the successor of Jiahua Kangming's equity interests in BNC Women's and Children's Hospital and BNC Harmony Clinic shall be bound by the VIE Contracts, and (iii) any disposal of shareholding in Jiahua Kangming or Jiahua Kangming's shareholding in each of BNC Women's and Children's Hospital and BNC Harmony Clinic shall be governed by the VIE Contracts unless Jiahua Yihe consents otherwise in writing.

In addition, pursuant to the Exclusive Option Agreements, Jiahua Yihe is entitled to exercise its option to purchase at any time, when permitted by the then applicable PRC laws, the equity interest in Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic held by Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming, respectively, by itself or through its designated person(s) at the minimum purchase price permitted under the PRC law.

All equity interest owned by Ms. Zhao and Ms. ZHOU Jie in Jiahua Kangming and all equity interest owned by Jiahua Kangming in BNC Women's and Children's Hospital and BNC Harmony Clinic will also be pledged to Jiahua Yihe under the Equity Pledge Agreement to secure performance of obligations by Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic under the VIE Contracts and in case of any breach of such obligations, Jiahua Yihe is entitled to enforce such pledge. Accordingly, in the event of a dissolution or liquidation of Jiahua Kangming, BNC Women's and Children's Hospital or BNC Harmony Clinic (as applicable), a liquidator may seize and deal with the assets which are attributable to Ms. Zhao, Ms. ZHOU Jie or Jiahua Kangming (as applicable) based on the VIE Contracts for the benefit of Jiahua Yihe's shareholders or creditors.

Loss sharing

As advised by our PRC Legal Adviser, none of the VIE Contracts provides that the Group is obligated to share the losses of Jiahua Kangming or provide financial support to Jiahua Kangming. Further, Jiahua Kangming is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, the Group, as the primary beneficiary of Jiahua Kangming under the VIE Contracts, is not required to share the losses of Jiahua Kangming or provide financial support to Jiahua Kangming.

Arrangements to address potential conflicts of interests

Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming undertake that, during the period that the VIE Contracts remain effective, they shall not take or omit to take any action which may lead to a conflict of interest with Jiahua Yihe or Jiahua Yihe's direct or indirect shareholders. If there is any conflict of interest, Jiahua Yihe shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws. Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming will unconditionally follow the instructions of Jiahua Yihe to take any action to eliminate such conflict of interest.

Insurance

The Group did not purchase any insurance to cover the risks relating to the VIE Contracts.

Operations in compliance with the VIE Contracts

The Group will adopt the following measures to ensure legal and regulatory compliance of the VIE Contracts:

- as part of the internal control measures, major issues arising from the implementation of the VIE Contracts with Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic will be regularly reviewed, at least on an annual basis, by the Board. The Board will determine, as part of its periodic review process, whether legal advisers and/or other professionals will be retained to assist the Group to deal with specific issues arising from the VIE Contracts;
- the independent non-executive Directors will review the implementation and compliance of the VIE Contracts;
- matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at regular meetings by the Board no less frequently than on a quarterly basis;
- the relevant business units and operation divisions of the Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of the Company in relation to compliance and performance conditions under the VIE Contracts and other related matters;
- Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming will undertake they will not carry on, own or acquire any business which is in competition with or is likely to be in competition with the business carried on by BNC Women's and Children's Hospital and BNC Harmony Clinic without our prior written consent; and
- the Group will unwind the VIE Contracts as soon as the law allows the business to be operated without them.

As of the date of this announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, the Directors are not aware of any factors that would lead to any interference from or restrictions imposed by any PRC governing bodies on the Group's operating the businesses through BNC Women's and Children's Hospital and BNC Harmony Clinic under the VIE Contracts.

Effect and legality of the VIE Contracts

As advised by our PRC Legal Adviser, Beijing MOFCOM, as the competent authority for foreign investment administration in Beijing, is of the view that the Company, as a foreign entity, shall not hold more than 70% shares in the medical institution in Beijing.

Our PRC Legal Adviser conducted an interview with an officer of Beijing MOFCOM in respect of the proposed VIE Contracts entitling the Company to control Jiahua Kangming and the 30% equity interest in BNC Women's and Children's Hospital and BNC Harmony Clinic. According to the officer, (i) no approval from the authority is required for the execution of the VIE Contracts; (ii) the execution of the VIE Contracts does not fall into the current supervision of Beijing MOFCOM concerning foreign investment activities; and (iii) there is no prohibitive or restrictive requirement with respect to the VIE Contracts under current PRC law. Our PRC Legal Adviser is of the view that Beijing MOFCOM is the competent authority to give such confirmation in respect of foreign investments.

Our PRC Legal Adviser, after taking reasonable actions and steps to reach its legal conclusions, is of the following legal opinion:

- the VIE Contracts are narrowly tailored to achieve the business purposes of the Company and minimize the potential for conflict with relevant PRC laws and regulations;
- each of Jiahua Yihe, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic is duly established and validly existing under the PRC laws, and has obtained or completed all requisite approvals, permits, registrations or filings that are material for carrying out its business operations as required by the applicable PRC laws, regulations and rules;
- each of the VIE Contracts, taken individually and collectively, constitutes legal, valid and binding obligations of the parties thereto and will be enforceable under applicable PRC laws and regulations except that (a) the CIETAC has no power to grant injunctive relief, nor will it be able to order the winding up of Jiahua Kangming pursuant to the current PRC laws; and (b) interim remedies or enforcement order granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC. The VIE Contracts do not, individually or collectively, violate the mandatory provisions of the PRC Contract Law, the General Principles of the PRC Civil Law and other applicable PRC laws and regulations and are not deemed as "concealing illegal intentions with a lawful form" resulting in the invalidity of the VIE Contracts;

- none of the VIE Contracts violates any provisions of the existing articles of association of each of Jiahua Yihe, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic; and
- the execution, effectiveness and enforceability of the VIE Contracts do not require any approvals from any PRC governmental authority, except that each of the Equity Pledge Agreements is subject to registration requirements with the relevant Administration for Industry and Commerce and the exercising of the exclusive options by Jiahua Yihe according to the Exclusive Option Agreements shall be subject to the then effective PRC laws and regulations and relevant approving procedures (if applicable).

Board's view on the VIE Contracts

Based on the above, the Board is of the view that the VIE Contracts are narrowly tailored because they are only used to address the Foreign Ownership Restriction. The VIE Contracts are also narrowly tailored to achieve the business purposes of the Company and minimize the potential for conflict with relevant PRC laws and regulations. By entering into the VIE Contracts, the Company, through Jiahua Yihe, is able to control and consolidate Jiahua Kangming and to obtain the 30% economic benefits of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming. The VIE Acquisition Agreement and the VIE Contracts, the transactions contemplated thereunder and the Annual Caps are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

RISKS RELATING TO THE VIE CONTRACTS

If the PRC government finds that the VIE Contracts do not comply with PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, the Company could be subject to severe penalties or be forced to relinquish our interests received through the VIE Contracts.

The Company is incorporated in the Cayman Islands and its wholly-owned PRC subsidiary, Jiahua Yihe, is considered as a WFOE. In light of the foreign ownership restrictions under the Foreign Investment Catalogue with respect to medical institutions in the PRC, and in order to control Jiahua Kangming to prevent leakages of equity and values to the minority shareholder of BNC Women's and Children's Hospital and BNC Harmony Clinic and to obtain the full economic benefits of these medical institutions, the Company, through Jiahua Yihe, proposed to enter into certain VIE Contracts with Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic. Due to a lack of interpretations from the PRC authorities, there is no assurance that the MOFCOM will not in the future consider the VIE Contracts as an unpermitted form of foreign investment in medical institutions, in which case the Group may be found in violation of the applicable Foreign Investment Catalogue and as a result may be subject to various penalties, including fines and the discontinuation of or restrictions on our operations.

As advised by our PRC Legal Adviser, (i) the Group's corporate structure formed under the VIE Contracts is not in violation of any existing PRC laws and regulations, (ii) the VIE Contracts as a whole and each of the VIE Contracts among Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic (as applicable) constitute legal, valid and binding obligations on the parties thereto, except that (a) the CIETAC has no power to grant injunctive relief, nor will it be able to order the winding up of Jiahua Kangming pursuant to the current PRC laws; and (b) interim remedies or enforcement order granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC, and (iii) the business operations of Jiahua Yihe, Jiahua Kangming and BNC Women's and Children's Hospital and BNC Harmony Clinic are in compliance with existing PRC laws and regulations in all material aspects.

However, our PRC Legal Adviser has also advised there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including those related to foreign investment restrictions and the Draft Law (as defined below). In addition, certain PRC court rulings invalidated certain contractual agreements which were considered to be entered into with the intention of circumventing foreign investment restrictions in the PRC in contravention of the PRC Contract Law and the General Principles of the PRC Civil Law. Accordingly, there can be no assurance that the PRC regulatory authorities, in particular the MOFCOM and the PRC courts or arbitration panels, will ultimately take a view that is consistent with the opinion of our PRC Legal Adviser.

The relevant PRC regulatory authorities have broad discretion in determining whether a particular VIE structure violates PRC laws and regulations. If the Group's corporate and contractual structures were deemed by the MOFCOM or other competent authorities to be illegal, either in whole or in part, we may have to modify such structures to comply with regulatory requirements. There is no assurance that the Group will be able to continue to prevent leakages of equity and values to the minority shareholder of BNC Women's and Children's Hospital and BNC Harmony Clinic and to obtain the full economic benefits of these medical institutions after the Group modifies its corporate and contractual structures to comply with the regulatory requirements. Further, if the Group's corporate and contractual structure were found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, which may include:

- revoking the VIE Contracts;
- imposing fines on the Group;
- confiscating any of the Group's income that they deem to have been obtained through illegal operations;

- discontinuing or restricting the Group’s operations;
- imposing conditions or requirements with which we may not be able to comply; and
- taking other regulatory or enforcement actions that could be harmful to the Group’s business.

Furthermore, if any equity interest held by Ms. Zhao and Ms. ZHOU Jie in Jiahua Kangming and any equity interest held by Jiahua Kangming in BNC Women’s and Children’s Hospital and BNC Harmony Clinic is held in the court custody in connection with its litigation, arbitration or other judicial or dispute resolution proceedings, there is no assurance that the equity interest will be disposed of to the Group in such proceedings in accordance with the VIE Contracts. The occurrence of any of these events could adversely affect the Group’s business, financial condition and results of operations.

On January 19, 2015, the MOFCOM circulated Foreign Investment Law of the PRC (Draft for Comment) (《中華人民共和國外國投資法(草案徵求意見稿)》) and the Explanation on the draft PRC Foreign Investment Law (《關於〈中華人民共和國外國投資法(草案徵求意見稿)〉的說明》) (collectively the “**Draft Law**”), which proposed changes to the PRC foreign investment legal regime and the treatment of the variable interest entity structure, including contractual arrangement such as the VIE Contracts. The Draft Law, if finally adopted, may have a material impact on the PRC foreign investment legal regime.

There is no concrete guidance on how the existing and new VIE Contracts should be treated in the Draft Law. For investments using the VIE Contracts which exist before the Draft Law is adopted and becomes law, if the underlying businesses are still being categorized as prohibited or restricted foreign investment businesses after the Draft Law is adopted and becomes law, there are three suggested available alternatives (the “**Suggested Alternatives**”) in dealing with such VIE Contracts pursuant to the Draft Law:

- (i) the reporting regime: the foreign investment enterprise under the VIE arrangement shall report to the foreign investment authority under the State Council of the PRC that it is effectively controlled by PRC investors. After such reporting, the VIE arrangement can be retained and the relevant parties can continue the operation;
- (ii) the recognition regime: the foreign investment enterprise under the VIE arrangement shall file an application with the foreign investment authority under the State Council of the PRC for being recognised as a party under the effective control of PRC investors. If the foreign investment authority recognizes it as being effectively controlled by PRC investors, the VIE arrangement can be retained and the relevant parties can continue the operation; or

- (iii) the entry permit regime: the foreign investment enterprise under the VIE arrangement shall apply for entry permit from the foreign investment authority under the State Council of the PRC, and the foreign investment authority and relevant authorities will consider factors including the actual controller of the foreign investment enterprise and make a decision on how the relevant VIE arrangement should be handled.

Accordingly, after the Draft Law is adopted and becomes law and assuming one of the Suggested Alternatives is adopted by the PRC government, in the event that BNC Women's and Children's Hospital's and BNC Harmony Clinic's business still falls within the restricted or prohibited lists of the new foreign investment law, the Group will have to:

- (i) report to the competent authorities if the reporting regime is finally adopted. The existing VIE structure will be permitted to continue following reporting to the MOFCOM that the VIE structure is ultimately controlled by a PRC investor. However, the Draft Law has not mentioned how to deal with the existing VIE structures ultimately controlled by a foreign investor and whether the relevant entity could continue its business operations under the reporting regime;
- (ii) obtain recognition from the competent authorities if the recognition regime is finally adopted. The existing VIE structure will be permitted to continue following recognition, on the application of the investor, by the MOFCOM of the VIE structure being ultimately controlled by a PRC investor. However, the Draft Law has not mentioned how to deal with the existing VIE structure ultimately controlled by a foreign investor and whether the relevant entity could continue its business operations under the recognition regime; or
- (iii) obtain entry permit from the competent authorities if the entry permit regime is finally adopted. The existing VIE structure will be permitted to continue following the entry permit is granted by the MOFCOM after taking into account a number of considerations including, without limitation, the identity (whether PRC investor or foreign investor) of the ultimate control person.

However, there is no guarantee that the Group will be able to obtain such recognition or entry permit. If the Group is unable to obtain such recognition or entry permit, the Group may be required to terminate the VIE Contracts. As a result, the Group will lose control over Jiahua Kangming and the 30% equity interests in BNC Women's and Children's Hospital and BNC Harmony Clinic, which could negatively affect the Group's ability to conduct its business.

According to our PRC Legal Adviser, the Draft Law is currently in consultation stage and has not yet been effective or legally binding. As there are uncertainties on the final content and interpretations of the Draft Law, there is no assurance that the VIE Contracts will comply with the Draft Law when it is adopted and becomes law.

The Board will monitor the development of the Draft Law and discuss with our PRC Legal Adviser on a regular basis in order to assess its possible impact on the VIE Contracts and the business of the Company. In case there would be material impact on the Group or the business of BNC Women's and Children's Hospital and BNC Harmony Clinic, the Company will timely publish announcements in relation to material developments of and arising from the Draft Law.

The VIE Contracts may not be as effective in providing operational control as direct ownership and Jiahua Kangming or its shareholders may fail to perform its obligations under the VIE Contracts.

The Group has 70% equity ownership interests in BNC Women's and Children's Hospital and BNC Harmony Clinic and will rely on the VIE Contracts with the two medical institutions and Jiahua Kangming and its shareholders to control the remaining 30% equity interests in BNC Women's and Children's Hospital and BNC Harmony Clinic. The VIE Contracts may not be as effective as direct ownership in providing the Group with control over Jiahua Kangming. Direct ownership would allow the Group, for example, to directly or indirectly exercise its rights as a shareholder to effect changes in the board of directors of Jiahua Kangming, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level.

If Jiahua Kangming or its shareholders fail to perform their respective obligations under the VIE Contracts, we may not prevent leakages of equity and values to the minority shareholder of BNC Women's and Children's Hospital and BNC Harmony Clinic or obtain the full economic benefits of these medical institutions. In addition, in that case the Group may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws which may be limited. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. For example, if Jiahua Kangming or its shareholders were to refuse to transfer their equity interest in BNC Women's and Children's Hospital and BNC Harmony Clinic or Jiahua Kangming to Jiahua Yihe or its designee when Jiahua Yihe exercises the option pursuant to the VIE Contracts, or if it were otherwise to act in bad faith toward the Group, the Group might have to take legal actions to compel it to perform its respective contractual obligations. Furthermore, uncertainties of the PRC legal system could impede the Group's ability to exercise the option to acquire ownership and subject us to substantial costs.

The Group may lose control over Jiahua Kangming and may not enjoy the full economic benefits of BNC Women's and Children's Hospital and BNC Harmony Clinic if Jiahua Kangming declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

Jiahua Kangming holds 30% equity interest in each of BNC Women's and Children's Hospital and BNC Harmony Clinic. The VIE Contracts contain terms that specifically provide that Jiahua Kangming may not be voluntarily liquidated without the written consent of Jiahua Yihe. However, if the shareholders of Jiahua Kangming breach this obligation and voluntarily liquidate Jiahua Kangming or if Jiahua Kangming declares bankruptcy, all or part of its assets may become subject to liens or rights of third-party creditors and the Group may be unable to continue control Jiahua Kangming and may not enjoy the 30% economic benefits of BNC Women's and Children's Hospital and BNC Harmony Clinic attributable to Jiahua Kangming, which could adversely affect our business, financial condition and results of operations.

The VIE Contracts may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce the Group's net income.

According to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to challenge by the PRC tax authorities and additional taxes and interest may be imposed. The Group would be subject to adverse tax consequences if the PRC tax authorities were to determine that transactions under the VIE Contracts among Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic (as applicable) were not conducted on an arm's length basis as the PRC tax authorities have the authority to make special tax adjustments to the tax positions of Jiahua Yihe and Jiahua Kangming. Moreover, in accordance with the Implementation Measures of Special Tax Adjustments (Trial Version) (Guo Shui Fa 2009 No. 2), additional corporate income tax payable as a result of a special tax adjustment made by the PRC tax authorities on or after January 1, 2008 shall be subject to an interest levy calculated on a daily basis. The Group's net income may be adversely affected if Jiahua Yihe and Jiahua Kangming's tax liabilities increase or if it is subject to late payment fees or other penalties.

Furthermore, if Jiahua Yihe exercises the option to purchase all or any part of the equity interests in Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic from Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming, the equity interest transfer price may be subject to review and tax adjustment by the relevant tax authority. Jiahua Kangming will be subject to PRC enterprise income tax on the difference between the equity interest transfer price and the amount Jiahua Kangming has paid to obtain the equity interest in BNC Women's and Children's Hospital and BNC Harmony Clinic. Jiahua Kangming will pay the remaining amount to Jiahua Yihe under the VIE Contracts. The amount to be received by Jiahua Yihe may also be subject to enterprise income tax. Such tax amounts could be substantial and the Group's financial condition may be adversely affected as a result.

The shareholders of Jiahua Kangming may have conflicts of interest with the Group, which may materially and adversely affect the Group's business and financial conditions.

The Group's control over Jiahua Kangming and the 30% equity interests in BNC Women's and Children's Hospital and BNC Harmony Clinic held by Jiahua Kangming is based upon the VIE Contracts with, among others, Jiahua Kangming and its shareholders. These shareholders may potentially have a conflict of interest with the Group, and they may breach their agreements with the Group or if they otherwise act in bad faith, if they believe the VIE Contracts would adversely affect their own interests. There is no assurance that when conflicts of interest arise between the Group and the shareholders of Jiahua Kangming, the shareholders of Jiahua Kangming will act completely in the Group's interests or that the conflicts of interest will be resolved in the Group's favor. If the shareholders of Jiahua Kangming do not act completely in the Group's interests or the conflicts of interest between the Group and them are not resolved in the Group's favor, the Group's business and financial condition may be materially and adversely affected.

In addition, the shareholders of Jiahua Kangming may breach or cause Jiahua Kangming to breach the VIE Contracts. If Jiahua Kangming or its shareholders breach their agreements with the Group or otherwise have disputes with the Group, the Group may have to initiate arbitration or other legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly distract the management's attention, adversely affect the Group's ability to control Jiahua Kangming and the 30% equity interests in BNC Women's and Children's Hospital and BNC Harmony Clinic and otherwise result in negative publicity and adversely affect the reputation of the Group's medical institutions. There is no assurance that the outcome of any such dispute or proceeding will be in the Group's favor.

Certain terms of the VIE Contracts may not be enforceable under PRC law and enforcement of certain of the Group's rights under the VIE Contracts is subject to regulatory approval.

All the agreements which constitute the VIE Contracts are governed by PRC laws and all disputes will be submitted for arbitration, whose ruling will be final and binding. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit the Group's ability to enforce the VIE Contracts. In the event that the Group is unable to enforce the VIE Contracts, or if the Group suffers significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert control over Jiahua Kangming and the 30% equity interests in BNC Women's and Children's Hospital and BNC Harmony Clinic.

The VIE Contracts contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic, injunctive relief and/or winding up of these entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Therefore, in the event of breach of any of the VIE Contracts by Jiahua Kangming or its shareholders, and if the Group is unable to enforce the VIE Contracts, the Group may not be able to exert control over Jiahua Kangming and the 30% equity interests in BNC Women's and Children's Hospital and BNC Harmony Clinic, which could negatively affect our ability to conduct our business.

Pursuant to the VIE Contracts, Jiahua Yihe (or its designee) has the exclusive right to purchase all or any part of the equity interests in Jiahua Kangming, BNC Women's and Children's Hospital and BNC Harmony Clinic from Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming for the minimum price permitted under the then applicable PRC laws. The equity interest transfer is subject to the approval from or filings with the MOFCOM and/or their local competent branches, which is outside of the Group's control.

REASONS FOR AND BENEFITS OF THE VIE ACQUISITION AND THE VIE CONTRACTS

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

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

In view of the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from an independent financial adviser) are of the view that the VIE Acquisition Agreement and the VIE Contracts, the transactions contemplated thereunder and the Annual Caps are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION

Information on the Group and Jiahua Yihe

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

Information on BNC Women's and Children's Hospital and BNC Harmony Clinic

BNC Women's and Children's Hospital is a limited liability company incorporated in the PRC which is owned by Jiahua Yihe as to 70% and by Jiahua Kangming as to 30%. BNC Harmony Clinic is a limited liability company incorporated in the PRC which is owned by Jiahua Yihe as to 70% and by Jiahua Kangming as to 30%. Each of BNC Women's and Children's Hospital and BNC Harmony Clinic is currently consolidated into the accounts of the Company.

According to the financial statements of BNC Women's and Children's Hospital and BNC Harmony Clinic prepared in accordance with China Accounting Standards for Business Enterprises, the total net liabilities of BNC Women's and Children's Hospital and BNC Harmony Clinic as at December 31, 2016 were RMB57,225,184.63 and RMB1,273,331.28 respectively; and the net profit/loss before and after taxation of BNC Women's and Children's Hospital and BNC Harmony Clinic for the financial years ended December 31, 2015 and 2016 are as follows:

	Year ended December 31,	
	2016	2015
	(in RMB)	
BNC Women's and Children's Hospital		
Net profit/(loss) before taxation	30,441,337.80	(25,171,054.81)
Net profit/(loss) after taxation	22,609,184.64	(18,880,874.92)
BNC Harmony Clinic		
Net profit/(loss) before taxation	410,948.56	(2,585,772.33)
Net profit/(loss) after taxation	304,513.05	(1,941,180.57)

Information on Jiahua Kangming

Jiahua Kangming was incorporated in the PRC with limited liability on December 18, 2015. It is owned by Ms. Zhao as to 99% and Ms. ZHOU Jie as to 1% and is a connected person of the Company. Jiahua Kangming is principally engaged in investments holding.

According to the financial statements of Jiahua Kangming prepared in accordance with China Accounting Standards for Business Enterprises, the total net assets of Jiahua Kangming as at December 31, 2016 were RMB6,899,801.08; and the net loss before and after taxation of Jiahua Kangming for the financial years ended December 31, 2016 were RMB198.92 and RMB198.92 respectively.

LISTING RULES IMPLICATIONS

Discloseable transaction

As the highest applicable percentage ratio in respect of the transactions contemplated under the VIE Acquisition Agreement and the VIE Contracts exceeds 5% but is less than 25%, the entering into of the VIE Acquisition Agreement and the VIE Contracts constitutes a discloseable transaction of the Company under the Listing Rules.

Connected transactions and continuing connected transactions

Ms. Zhao is the spouse of Mr. Zhou, the controlling shareholder of the Company. Ms. ZHOU Jie is Mr. Zhou's sister. Jiahua Kangming is held as to 99% by Ms. Zhao and as to 1% by Ms. ZHOU Jie. Therefore, each of Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming is a connected person of the Company by virtue of her/it being an associate of Mr. Zhou pursuant to the Listing Rules.

Accordingly, the transactions contemplated under the VIE Acquisition Agreement and the VIE Contracts constitute connected transactions and continuing connected transactions respectively of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the VIE Acquisition Agreement and the VIE Contracts exceeds 5%, the entering into of the VIE Acquisition Agreement and the VIE Contracts, the transactions contemplated thereunder and the Annual Caps are subject to the annual reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Independent Board Committee

The Board has established the Independent Board Committee comprising all the independent non-executive Directors to review, consider and recommend the VIE Acquisition Agreement and the VIE Contracts, the transactions contemplated thereunder and the Annual Caps and to advise the Independent Shareholders in respect thereof, and the Company has appointed an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

JoeCare and its associates, being controlling shareholders of the Company materially interested in the VIE Acquisition Agreement and the VIE Contracts and the transactions contemplated thereunder, will abstain from voting at the EGM. In light of the Voting Agreement, Victor Gains will also abstain from voting at the EGM. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, save as disclosed above, no Shareholders (or its associates) has any material interest in the VIE Acquisition Agreement and the VIE Contracts and the transactions contemplated thereunder.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information regarding the details of the VIE Acquisition and the VIE Contracts; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM and other information as required under the Listing Rules will be despatched to the Shareholders on or before October 19, 2017.

As completion of the VIE Acquisition Agreement and the VIE Contracts and the transactions contemplated thereunder is subject to the fulfilment and/or waiver of certain conditions set forth therein, the Completion may or may not proceed. Investors should exercise caution when dealing in the Shares. If in doubt, investors are recommended to consult their professional adviser(s).

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Annual Caps”	has the meaning described under the paragraph headed “Exclusive Operation Service Agreement” in this announcement;
“Articles of Association”	the articles of association of the Company adopted on December 22, 2016 which became effective on January 18, 2017, as amended from time to time;
“associate(s)”	has the same meaning ascribed to it in the Listing Rules;
“BNC Children’s Hospital”	Beijing New Century Children’s Hospital Co., Ltd. (北京新世紀兒童醫院有限公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company;

“BNC Harmony Clinic”	Beijing New Century Ronghe Outpatient Service Co., Ltd. (北京新世紀榮和門診部有限公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company;
“BNC Women’s and Children’s Hospital”	Beijing New Century Women’s and Children’s Hospital Co., Ltd. (北京新世紀婦兒醫院有限公司), a company incorporated in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Company;
“Board”	the board of Directors of the Company;
“Business Day”	a day (other than a Saturday or a Sunday) on which banks are open for business in Hong Kong;
“BVI”	the British Virgin Islands;
“Circular”	the circular to be despatched to the Shareholders in relation to the transactions contemplated under the VIE Acquisition Agreement and the VIE Contracts;
“Company”	New Century Healthcare Holding Co. Limited (新世紀醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	the completion of the transactions contemplated under the VIE Acquisition Agreement;
“Completion Date”	the date of the Completion;
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules;
“controlling shareholder(s)”	has the same meaning ascribed to it in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Draft Foreign Investment Law”	the consultation draft of the proposed Foreign Investment Law (Draft for Comment) (《中華人民共和國外國投資法(草案徵求意見稿)》) for public review and comments published by the MOFCOM in January 2015;

“Economic Benefits”	all the economic rights and benefits and other similar rights attaching or accruing to (i) the 100% equity interest in Jiahua Kangming held by Ms. Zhao and Ms. ZHOU Jie, and (ii) the 30% equity interest in each of BNC Women’s and Children’s Hospital and BNC Harmony Clinic held by Jiahua Kangming, on or after Completion, to the extent permitted under the applicable laws and regulations;
“Effective Date”	the date when all the conditions precedent under the VIE Acquisition Agreement have been fulfilled (or waived if applicable) and the VIE Contracts have been approved by the Independent Shareholders at the EGM;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the VIE Acquisition Agreement and the VIE Contracts, the transactions contemplated thereunder and the Annual Caps;
“Foreign Investment Catalogue”	the Industry Catalogue for Guiding Foreign Investment (Amended in 2017) (外商投資產業指導目錄(2017年修訂)), jointly issued by the NDRC and the MOFCOM on June 28, 2017, and effective on July 28, 2017;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the VIE Acquisition Agreement and the VIE Contracts, the transactions contemplated thereunder and the Annual Caps;
“Independent Shareholder(s)”	the Shareholders other than those who are required under the Listing Rules to abstain from voting at the EGM in respect of the VIE Acquisition Agreement and the VIE Contracts, the transactions contemplated thereunder and the Annual Caps;

“Jiahua Kangming”	Beijing Jiahua Kangming Medical Investment and Management Co., Ltd. (北京嘉華康銘醫療投資管理有限公司), a company incorporated in the PRC with limited liability, which is owned by Ms. Zhao as to 99% and by Ms. ZHOU Jie (Mr. Zhou’s sister) as to 1%, and is a connected person of the Company;
“Jiahua Yihe”	Beijing Jiahua Yihe Management and Consulting Co., Ltd. (北京嘉華怡和管理諮詢有限公司), a company incorporated in the PRC with limited liability and wholly-owned by the Company;
“JoeCare”	JoeCare Investment Co., Ltd., a company incorporated in the BVI with limited liability and wholly-owned by Mr. Zhou. JoeCare is one of the controlling Shareholders;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
“Long-Stop Date”	June 30, 2018;
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部);
“Mr. Zhou”	Mr. Jason ZHOU, Chairman of the Board, chief executive officer, an executive Director and controlling shareholders;
“Ms. Liang”	Ms. LIANG Yanqing (梁艷清), a non-executive Director and one of the substantial Shareholders;
“Ms. Zhao”	Ms. ZHAO Juan (趙娟), the spouse of Mr. Zhou;
“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);
“percentage ratio(s)”	the percentage ratio(s) set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction;

“PRC”	the People’s Republic of China, for the purpose of this announcement, not including Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“PRC Legal Adviser”	Commerce & Finance Law Offices, the legal adviser to the Company as to the laws of the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of US\$0.0001 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary” or “subsidiaries”	has the same meaning ascribed to it in the Listing Rules;
“Victor Gains”	Victor Gains Limited, a company incorporated in the BVI with limited liability and wholly-owned by Ms. Liang, and one of our substantial Shareholders;
“VIE”	variable interest entity;
“VIE Acquisition”	the transactions contemplated under the VIE Acquisition Agreement pursuant to which Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming conditionally agreed to enter into the VIE Contracts with, among others, Jiahua Yihe on or before the date of the Circular and to cause Jiahua Yihe to perpetually and factually enjoy all the Economic Benefits from Completion;
“VIE Acquisition Agreement”	the agreement dated September 26, 2017 entered into between Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie and Jiahua Kangming in respect of the VIE Acquisition;

“VIE Contracts”	a series of structured contracts to be entered into on the date of the Circular between Jiahua Yihe, Ms. Zhao, Ms. ZHOU Jie, Jiahua Kangming, BNC Women’s and Children’s Hospital and BNC Harmony Clinic that will allow Jiahua Yihe to control and consolidate Jiahua Kangming to prevent leakages of equity and values to the minority shareholder of BNC Women’s and Children’s Hospital and BNC Harmony Clinic, and to obtain the 30% economic benefits of these two medical institutions attributable to Jiahua Kangming;
“Voting Agreement”	an agreement entered into between Mr. Zhou and Ms. Liang on February 18, 2016 with an initial term of three years from the date thereof, pursuant to which Ms. Liang irrevocably agreed to follow Mr. Zhou’s voting directions when exercising the voting rights attached to the Shares beneficially owned by her during the term of such agreement;
“WFOE”	wholly-foreign-owned enterprise;
“%”	percent.

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

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

Hong Kong, September 26, 2017

For the purpose of this announcement, the conversion of RMB into HK\$ is based on the exchange rate of RMB1 to HK\$1.1841 for illustration purpose only.

As of the date of this announcement, the executive Directors are Mr. Jason ZHOU, Ms. XIN Hong and Mr. XU Han; the non-executive Directors are Ms. LIANG Yanqing, Dr. HE Xin, Mr. WANG Siye and Ms. ZHANG Lan; and the independent non-executive Directors are Mr. WU Guanxiong, Mr. SUN Hongbin, Mr. JIANG Yanfu and Dr. MA Jing.