
DIRECTORS AND SENIOR MANAGEMENT

GENERAL

The following table sets forth certain information concerning our Directors and members of our senior management:

Name	Age	Position/Title	Role and Responsibility	Date of Appointment as Director	Date of Joining our Group
<i>Executive Directors</i>					
Mr. Zhang Xiaopeng	55	executive Director and chief executive officer	being responsible for overall business operation and strategic planning of our Group as well as overseeing investment, supervising public affairs management, resources development and logistics management of our Group	February 21, 2014	February 2014
Mr. Lu Wenzuo	71	executive Director	being responsible for overall hospital operation and management of Yangsi Hospital	December 16, 2015	December 2003
<i>Non-Executive Directors</i>					
Mr. Zhao John Huan	54	Chairman, non-executive Director, chairman of the Nomination Committee of the Board	being responsible for overseeing the corporate development and strategic planning of our Group	February 21, 2014	February 2014
Mr. Yuan Bing	48	non-executive Director, member of the Audit Committee of the Board	being responsible for overseeing the corporate development and strategic planning of our Group	December 16, 2015	December 2015

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position/Title	Role and Responsibility	Date of Appointment as Director	Date of Joining our Group
Mr. Lin Sheng	42	non-executive Director, member of the Remuneration Committee of the Board	being responsible for overseeing the corporate development and strategic planning of our Group and supervising overall business and operations of our Group	February 21, 2014	February 2014
Mr. Lin Tun	42	non-executive Director	being responsible for overseeing the corporate development and strategic planning of our Group	June 30, 2015	June 2015

Independent Non-Executive Directors

Ms. Chen Xiaohong	65	independent non-executive Director, chairman of the Remuneration Committee and member of the Nomination Committee of the Board	being responsible for providing independent opinion and judgment to the Board	December 13, 2016	December 2016
Mr. Shi Luwen	53	independent non-executive Director, member of the Audit Committee and Nomination Committee of the Board	being responsible for providing independent opinion and judgment to the Board	December 13, 2016	December 2016

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position/Title	Role and Responsibility	Date of Appointment as Director	Date of Joining our Group
Mr. Zhou Xiangliang	36	independent non-executive Director, chairman of the Audit Committee and member of the Remuneration Committee of the Board	being responsible for providing independent opinion and judgment to the Board	December 13, 2016	December 2016

Senior Management

Name	Age	Position/Title	Role and Responsibility	Date of Appointment	Date of Joining our Group
Mr. Yang Wen	53	deputy general manager of Weikang Investment, chief medical service officer of Weikang Investment	being responsible for overseeing medical education and training activities of the Hospitals and the upgrading and maintenance of medical facilities and infrastructure of the Hospitals as well as overseeing quality control of medical services of the Hospitals	September 2014 (deputy general manager of Weikang Investment), August 2016 (chief medical service officer of Weikang Investment)	May 2005
Ms. Le Meifen	56	deputy general manager of Weikang Investment	being responsible for supervising general administrative affairs and human resources and nursing services of the Hospitals	April 2008	August 2003

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position/Title	Role and Responsibility	Date of Appointment	Date of Joining our Group
Ms. Yuchi Min	63	deputy general manager of Weikang Investment	being responsible for supervising research and development of the Hospitals and overseeing the clinical education of the Hospitals	April 2008	March 2004
Mr. Zang Chuanbo	45	deputy general manager of our Company	being responsible for overseeing medical management of our Group and assisting the chief executive officer	February 2016	March 2014
Ms. Pang Jiayi	63	financial director of Weikang Investment	being responsible for supervising corporate financing of the Hospitals	January 2004	January 2004
Ms. Ding Yue	44	chief nursing officer of our Company	being responsible for supervising the healthcare quality management of our Company	March 2014	March 2014

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position/Title	Role and Responsibility	Date of Appointment	Date of Joining our Group
Ms. Xia Yuanqing ^{Note 1}	48	deputy general manager of our Company	being responsible for overseeing investment, supervising public affairs management, resources development and logistics management of our Group and assisting the chief executive officer	October 2015	October 2015
Mr. Zou Bingchuan ^{Note 2}	54	chief medical service officer of Weikang Investment	being responsible for overseeing quality control of medical services of the Hospitals	July 2008	July 2008

Notes:

- (1) Ms. Xia ceased to be a member of the senior management team of our Company for personal reasons from August 2016.
- (2) Mr. Zou ceased to be a member of the senior management team of our Company for personal reasons from August 2016.

DIRECTORS

The Board currently consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

Executive Directors

Mr. Zhang Xiaopeng (張曉鵬), aged 55, is the executive Director and chief executive officer of our Company and was appointed as a Director on February 21, 2014. Mr. Zhang is primarily responsible for overall business operation and strategic planning of our Group and is also responsible for overseeing investment, supervising public affairs management, resources development and logistics management of our Group.

DIRECTORS AND SENIOR MANAGEMENT

In November 2013, Mr. Zhang served as the vice hospital administrator, the chief physician and professor at Beijing Cancer Hospital (北京大學腫瘤醫院), a Class IIIA special hospital located in Beijing, from August 2000 to October 2013. Prior to the work at Beijing Cancer Hospital, Mr. Zhang worked at the First Hospital of China Medical University (中國醫科大學附屬第一醫院), a Class IIIA general hospital providing comprehensive medical services located in Shenyang, Liaoning Province, from July 1987 to July 2000, and served as the chief physician and professor from September 1999 to July 2000.

Mr. Zhang is the first chairman of committee of the Chinese Society to Oncoradiology of the Chinese Anti-cancer Association (中國抗癌協會腫瘤影像專業委員會) from November 2004 to September 2014, and was a member of the standing committee of Chinese Society of Radiology (中華醫學會放射學分會) from October 2008 to October 2014, vice chairman of committee of Beijing Society of Radiology (北京醫學會放射學分會) from April 2010 to April 2013, and chairman of committee of Beijing Society to Oncoradiology of the Chinese Anti-cancer Association (北京抗癌協會腫瘤影像專業委員會) from January 2010 to January 2013.

Mr. Zhang obtained a Doctoral degree in Surgery in July 1996, a Master's degree in Medicine in July 1987 and a Bachelor's degree in Medicine in December 1982 from China Medical University (中國醫科大學) in China.

Mr. Lu Wenzuo (陸文佐), aged 71, is an executive Director of our Company and was appointed as a Director on December 16, 2015. Mr. Lu is responsible for overall hospital operation and management of Yangsi Hospital. He joined our Group in December 2003. He currently serves as a director of Weikang Investment and also held the position as the hospital administrator of Yangsi Hospital upon its establishment. As the hospital administrator of Yangsi Hospital, Mr. Lu is primarily responsible for overall management and operations of Yangsi Hospital. Mr. Lu has significant decision-making authority in administrative matters in Yangsi Hospital, including the decision-making authority in daily operations, hiring and promotion of personnel and remuneration. Mr. Lu is also responsible for the implementation of plans and financial auditing of Yangsi Hospital. Furthermore, Mr. Lu is also responsible for overseeing and executing the tasks formulated by the Chinese government and the Group.

Mr. Lu has more than 33 years of experience in hospital management. Prior to joining our Group, he worked as the deputy hospital administrator for the First People's Hospital of Nantong (南通市第一人民醫院), a Class IIIA general hospital located in Nantong, Jiangsu Province, from July 1983 to March 1987. He joined Shanghai Punan Hospital (上海浦南醫院), a Class II general hospital located in Shanghai, in April 1987 and served as the deputy hospital administrator from January 1992 to December 2003.

Mr. Lu graduated from Shanghai Medical College (復旦大學上海醫學院) (previously known as Shanghai First Medical College (上海第一醫學院)) in China in August 1969 and majored in Medicine. Mr. Lu received the qualification of chief physician (主任醫師) from the Medical Technical Worker Advanced Qualifications Review Committee of Shanghai (上海衛生技術人員高級職稱評審委員會) in December 1996. He was awarded as one of the Top Ten Outstanding Administrators in Shanghai by Shanghai Association for Non-government Medical Institutions (上海市社會醫療機構協會) in November 2013.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Zhao John Huan (趙令歡), aged 54, is the Chairman and non-executive Director of our Company and was appointed as a Director on February 21, 2014. Mr. Zhao is responsible for overseeing the corporate development and strategic planning of our Group. He is currently the chairman and chief executive officer of Hony Capital.

Mr. Zhao has extensive experience in senior management positions at several companies in the United States and PRC. Prior to joining our Group, he was the advisor to the chief executive officer of Lenovo Group Limited from 2002 to 2003. From January 2003 to December 2009, Mr. Zhao served as a vice president, and from January 2010 to May 2010, a senior vice president of Legend Holdings Limited (聯想控股有限公司). From May 2010 to December 2011, he served as a director and a senior vice president of Legend Holdings Limited, and from January 2012 to present, a director and an executive vice president of Legend Holdings Limited (now known as Legend Holdings Corporation).

Mr. Zhao is currently a non-executive director of Lenovo Group Limited (Stock Code: 0992), the chairman of the board of China Glass Holdings Limited (Stock Code: 3300), a director and an executive vice president of Legend Holdings Corporation (Stock Code: 3396), a non-executive director of Zoomlion Heavy Industry Science and Technology Co., Ltd. (Stock Code: 1157) and an executive director, the chairman of the board and the chief executive officer of Best Food Holding Company Limited (Stock Code: 1488), which are listed on the Hong Kong Stock Exchange, and a deputy chairman of Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司) (Stock Code: 600649), a company listed on the Shanghai Stock Exchange, and a director of Shanghai Jin Jiang International Hotels Development Co., Ltd. (上海錦江國際酒店發展股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600754 (A shares) and 900934 (B shares)). He once served as a director of Wumart Stores, Inc., a company listed on the Main Board of Hong Kong Stock Exchange (Stock Code: 1025) prior to December 2015 (listed on the GEM Board of the Hong Kong Stock Exchange prior to May 2011 (Stock Code: 8277)) from November 2009 to June 2014, a director of Fiat Industrial S.p.A., a company listed on MTA Italian Stock Exchange from January 2011 to September 2013, a non-executive director of New China Life Insurance Company Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 1336) from November 2012 to March 2015, a non-executive director of Chinasoft International Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 0354) from July 2011 to April 2015, an executive director of CSPC Pharmaceutical Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1093), from December 2008 to May 2015, and a director of Jiangsu Phoenix Publishing & Media Corporation Limited (江蘇鳳凰出版傳媒股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 601928), from June 2009 to June 2012.

Mr. Zhao obtained his Bachelor's degree in Science from Nanjing University (南京大學) in China in July 1984 and dual Master's degrees of Science from Northern Illinois University in the United States in May 1990 and a Master of Management degree from the J.L. Kellogg Graduate School of Management at Northwestern University in the United States in June 1996.

Mr. Yuan Bing (袁兵), aged 48, is a non-executive Director of our Company and was appointed as a Director on December 16, 2015. He is primarily responsible for overseeing the corporate development and strategic planning of our Group. Mr. Yuan has more than 13 years of experience in

DIRECTORS AND SENIOR MANAGEMENT

the investment banking industry and has extensive knowledge in corporate financing, listing and mergers and acquisitions transactions. Mr. Yuan joined Hony Capital in April 2009 and has served as the managing director of the investment department of its Hong Kong office since January 2010. Currently, he is also a director of Top Amuse Holding Limited and a non-executive and non-independent director and a member of the audit and the risk management committees of Biosensors International Group, Ltd., a company listed on the Singapore Stock Exchange. He is also a non-executive director and a member of the audit committee of Hydoo International Holdings Limited (Stock Code: 1396) and a non-executive director and the chairman of the risk management and corporate governance committee of Haichang Holdings Ltd. (Stock Code: 2255), which are both listed on the Hong Kong Stock Exchange. Prior to joining Hony Capital, Mr. Yuan served as the managing director of the fixed income division of Morgan Stanley Asia Limited from October 2006 to 2009. Before that, Mr. Yuan served as the managing director of the PRC enterprises corporate financing department of Morgan Stanley Asia Limited from April 2004 to 2006. Mr. Yuan also served as the vice president of Credit Suisse First Boston (Hong Kong) Limited from September 2001 to March 2004.

Mr. Yuan received a Bachelor of Arts degree in English from Nanjing University in China in July 1990. He also obtained a Master's degree in International Relations in June 1993 and a Juris Doctorate's Degree in October 1998 from Yale University in the United States.

Mr. Lin Sheng (林盛), aged 42, is a non-executive Director of our Company and was appointed as a Director on February 21, 2014. Mr. Lin is responsible for overseeing the corporate development and strategic planning of our Group and supervising overall business and operations of our Group. He joined Hony Capital in April 2003 and was mainly responsible for pharmaceutical services and medical devices, medical services, media, telecommunications and technology industry research and investment. Mr. Lin has extensive experience in business operation, product marketing and management and has extensive expertise in information technology.

From July 29, 2011 to April 27, 2015, Mr. Lin had been a non-executive director of Chinasoft International Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 0354).

Mr. Lin obtained a Master's degree in Technical Economy and Management in July 1999, and a dual Bachelor's degree in Engineering Physics and Business Administration from Tsinghua University (清華大學) in China in July 1997.

Mr. Lin Tun (林墩), aged 42, is a non-executive Director of our Company and was appointed as a Director on June 30, 2015. Mr. Lin is primarily responsible for overseeing the corporate development and strategic planning of our Group. He joined our Group in June 2015.

Mr. Lin has extensive experience in strategy research, market analysis and investment. Prior to joining our Group, he worked as the executive general manager of the research department for China International Capital Corporation Hong Kong Securities Limited from October 2010 to June 2013. He also served as a natural resources economist for the Asian Development Bank (亞洲開發銀行) from June 2005 to September 2010.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lin obtained a Doctoral degree in Philosophy and a Master's degree in Philosophy in October 2005 from the University of Cambridge in England, a Master's degree in Science from the University of Vermont in the United States in May 1999, and a Bachelor's degree in International Business and Trade from Renmin University of China (中國人民大學) in China in July 1997.

Independent non-executive Directors

Ms. Chen Xiaohong (陳曉紅), aged 65, was appointed as an independent non-executive Director of our Company on December 13, 2016 with effect from the Listing Date. Ms. Chen served as the vice hospital administrator of Chinese People's Liberation Army General Hospital (中國人民解放軍總醫院) from December 2003 to December 2009. She was accredited with the title of chief physician by the Department of Cadres of the Chinese People's Liberation Army General Hospital's Political Division in September 1999.

Ms. Chen currently holds positions in the following organizations:

Name of organization/project	Position	Time of commencement
Branch of Chinese Hospital Association Maternity Hospital Management (中國醫院協會婦產醫院管理分會)	honorary chairwoman	November 2015
Guangdong Medical Safety Association (廣東省醫療安全協會)	consultant	September 2015
Construction of modern hospital management system - enhancement project of maternity hospital management quality (現代醫院管理制度建設—婦產醫院管理質量提升 項目)	project specialist	October 2014
Nursing Management Professional Commission of Chinese Hospital Association (中國醫院協會護理管理專業委員會)	honorary chairwoman	April 2011
Out-patient Emergency Management Professional Commission of Chinese Hospital Association (中國醫院協會門急診管理專業委員會)	honorary chairwoman	2012

Ms. Chen graduated from the People's Liberation Army Second Military Medical University in China (中國人民解放軍第二軍醫大學) majoring in Military Health Management through distance learning with correspondence courses, received her college diploma through the self-taught higher education examination (高等教育自學考試) and obtained a graduation certificate in Psychology from the Peking University in China in December 2000. She served as the chief physician of the Health Department of People's Liberation Army General Logistics Department in May 1999.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Shi Luwen (史錄文), aged 53, was appointed as an independent non-executive Director of our Company on December 13, 2016 with effect from the Listing Date. Mr. Shi has served as the dean of the Department of Pharmacy Administration and Clinical Pharmacy of Peking University School of Pharmaceutical Sciences (北京大學藥學院) since 2000 and as the director of the International Research Center for Medical Administration of Peking University (北京大學醫藥管理國際研究中心) since 2002.

Mr. Shi currently holds positions in various organizations, including those set out below:

Name of organization/project	Position	Time of commencement
China Pharmaceutical Innovation and Research Development Association Medicine Policy Professional Committee (中國醫藥創新促進會醫藥政策專業委員會)	chairman	2015
Chinese Hospital Association Expert Committee of Clinical Pharmacists Practice 中國醫院協會臨床藥師工作專家委員會	committee member	2014
China Nonprescription Medicines Association Expert Committee (中國非處方藥物協會專家委員會)	committee member	2014
Pharmacy Administration Professional Commission of Beijing Association of Chinese Medicine (北京中醫藥協會藥事管理專業委員會)	vice chairman	2012

In addition, Mr. Shi had held positions in various organizations, including those set out below:

Name of organization/project	Position	Period of time
Medical and Health System Reform Intensifying Expert Advisory Panel of the Ministry of Health of the PRC (中國衛生部深化醫藥衛生體制改革專家諮詢組)	expert	2010-2012
Basic Medical Insurance System for Urban Resident Joint Conference of the State Council (國務院城鎮居民基本醫療保險部聯席會議)	pilot evaluation expert	2007-2010

Mr. Shi has been an independent non-executive director of China Meheco Co., Ltd. (中國醫藥健康產業股份有限公司, a company listed on the Shanghai Stock Exchange, Stock Code: 600056) since December 2015.

Mr. Shi was awarded the Scientific Chinese Person (2011) (科學中國人(2011)年度人物) by Scientific Chinese Magazine in 2012, the Hospital Science and Technology Innovation Award (醫院科技創新獎) by the Chinese Hospital Association in 2011 and the Xue Muqiao Price Research Award (薛暮橋價格研究獎) by the Price Association of China (中國價格協會) in 2010. He was awarded the Beijing Science and Technology Award (北京市科學技術獎) by the People's Government of Beijing Municipality in 2002.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Shi obtained his Bachelor's degree in Science from Peking University Health Science Center (北京大學醫學部) (formerly known as Peking Medical University in China (中國北京醫科大學)) in July 1987 and his Master's degree in Health Professions Education from the University of Illinois in the United States in July 1992.

Mr. Zhou Xiangliang (周向亮), aged 36, was appointed as an independent non-executive Director of our Company on December 13, 2016 with effect from the Listing Date. Mr. Zhou has served in Beijing Science Technology Co., Ltd. (北京中環信科科技股份有限公司) as the chief financial officer since July 2010 and has also held the position of board secretary since August 2011. Prior to working in Beijing Scienco Technology Co., Ltd., Mr. Zhou worked as a consultant in KPMG Huazhen LLP.

Mr. Zhou obtained his Bachelor's degree in Management from the Central University of Finance and Economics (中央財經大學) in China in June 2003. He was qualified as a Chinese Certified Public Accountant (中國註冊會計師) by Beijing Institute of Certified Public Accountants (北京註冊會計師協會) in July 2007 and as a board secretary by the Shenzhen Stock Exchange in November 2012.

GENERAL

Save as disclosed above, each of our Directors has confirmed that:

- (i) he does not and has not held any other directorships in listed companies during the three years immediately prior to the date of this prospectus;
- (ii) there is no other information in respect of our Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and
- (iii) there is no other matter that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, is as follows:

Mr. Yang Wen (楊文), aged 53, was appointed as a deputy general manager and chief medical service officer of Weikang Investment in September 2014 and August 2016, respectively, and is primarily responsible for overseeing medical education and training activities of the Hospitals, the upgrading and maintenance of medical facilities and infrastructure of the Hospitals and overseeing quality control of medical services of the Hospitals. He joined our Group in May 2005 and has worked for over 11 years in Weikang Investment. He served as the head of the department of respiratory medicine from 2005 to 2014 and has served as the head of the department of internal medicine since 2010 and has been in charge of overseeing the organization of educational activities of the Group since March 2010. Apart from his position in Weikang Investment, Mr. Yang, in the capacity of the deputy hospital administrator of Yangsi Hospital, is also responsible for business and infrastructure work, medical dispute resolutions and regular inspection of service performance of Yangsi Hospital.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang obtained a Bachelor's degree in Medicine from Wannan Medical College in China in July 1986. He was accredited with the title of chief physician (主任醫師) by the Medical Technical Worker Advanced Qualifications Review Committee of Anhui Province (安徽省衛生技術高級職務評審委員會) in December 2005.

Ms. Le Meifen (樂美芬), aged 56, was appointed as a deputy general manager of Weikang Investment in April 2008 and is primarily responsible for supervising general administrative affairs and human resources and nursing services of the Hospitals. She joined our Group in August 2003 and has worked for 12 years in Weikang Investment where she served as the director of the human resources and administration department. Apart from her position in Weikang Investment, Ms. Le, in the capacity of the deputy hospital administrator of Yangsi Hospital, is also responsible for assisting hospital administrator in general administrative work and internal coordination of Yangsi Hospital.

Ms. Le received her graduation certificate through the self-taught higher education examination from the School of Nursing of Fudan University (復旦大學護理學院), majoring in Nursing, in China in December 2004. She was accredited with the title of associate chief nurse by the Qualifications Reform Affairs Group of Shanghai (上海市職稱改革工作領導小組) in December 2004.

Ms. Yuchi Min (尉遲敏), aged 63, was appointed as a deputy general manager of Weikang Investment in April 2008 and is primarily responsible for supervising research and development of the Hospitals and overseeing the clinical education of the Hospitals. She joined our Group in March 2004 and has worked for 12 years in Weikang Investment where she currently serves as the head of the departments of gastroenterology and endoscope. Apart from her position in Weikang Investment, Ms. Yuchi, in the capacity of the deputy hospital administrator of Yangsi Hospital, is responsible for design of devising scientific research plans and clinical research.

Ms. Yuchi obtained a Bachelor's degree in Medicine from Wannan Medical College in China in August 1982. She was accredited with the title of chief physician by the Qualifications Reform Affairs Group of Shanghai (上海市職稱改革工作領導小組) in November 1999.

Mr. Zang Chuanbo (臧傳波), aged 45, was appointed as a deputy general manager of our Company in February 2016. He is primarily responsible for overseeing medical management of our Group and assisting the chief executive officer. Mr. Zang has more than 22 years of experience in the medical industry. He joined our Group in March 2014 and has served as the chief medical officer since then. Prior to joining our Group, Mr. Zang served as the deputy chief of medical division from August 2007, deputy chief of cadres division from July 2008, and chief of postgraduate and training division from July 2010 at the Chinese People's Liberation Army General Hospital in Beijing, a Class IIIA general hospital and as the deputy director of the medical department of the Chinese People's Liberation Army General Hospital Hainan Branch from July 2011. Mr. Zang also worked as a doctor in the department of general surgery of the Chinese People's Liberation Army General Hospital, from July 1994 to August 2007.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zang obtained an EMBA degree in June 2013 from Nankai University (南開大學) in China, a Master's degree in General Surgery in July 2000 from the Military Medical School of People's Liberation Army of China (中國人民解放軍軍醫進修學院) in China and a Bachelor's degree in Clinical Medicine in July 1994 from Xi'an Jiaotong University Health Science Centre (西安交通大學醫學部) (previously known as Xi'an Medical University (西安醫科大學)) in China.

Ms. Pang Jiayi (龐家漪), aged 63, was appointed as the financial director of Weikang Investment when she joined our Group in January 2004 and is primarily responsible for supervising corporate financing of the Hospitals. Ms. Pang also is the chief financial officer of Yangsi Hospital responsible for business development and financial budgeting and cost control. From January 1982 to December 2003, she worked for Shanghai Punan Hospital, a Class II hospital in Shanghai, and had served as the deputy chief of the financial department from April 1988, the chief of the financial department from July 1992 and the deputy director of the economic management department from April 2001.

Ms. Pang received a college diploma in Financial Accounting from Shanghai Jingan District College (上海市靜安區業餘大學) in China in January 1990. She was accredited with the title of accountant in July 1992 by the Qualifications Reform Affairs Group of Shanghai (上海市職稱改革工作領導小組).

Ms. Ding Yue (丁玥), aged 44, was appointed as the chief nursing officer (護理總監) of our Company in March 2014. She is primarily responsible for supervising the healthcare quality management of our Company. She joined our Group in March 2014. Prior to joining our Group, Ms. Ding served as nursing supervisor (護理主管) of the hospital management office in Peking University Health Science Center (北京大學醫學部醫院管理處) from July 2012 to February 2014. From August 1996 to June 2012, Ms. Ding worked at Beijing Cancer Hospital as the head of the nursing department and the deputy head of the nursing department.

Ms. Ding obtained her Bachelor's degree in Medicine in July 1996 from the School of Nursing of Peking University in China.

None of our senior management members held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

RESIGNED SENIOR MANAGEMENT

Ms. Xia Yuanqing (夏遠青), aged 48, was appointed as the deputy general manager of our Company in October 2015 and ceased to be a member of the senior management team of the Company for personal reasons from August 2016. She was primarily responsible for overseeing investment, supervising public affairs management, resources development and logistics management of our Group and assisting the chief executive officer. Ms. Xia has more than 23 years of experience in the medical industry. She joined our Group in October 2015 and has served as the deputy general manager since then. Prior to joining our Group, from September 2012 to October 2015, Ms. Xia served as a senior director in the department of strategic investment in China Resources Healthcare Group Ltd. (華潤醫療集團有限公司), a healthcare investment group. From April 1996 to May 2012, Ms. Xia served as a medical information consultant, a northern area sales manager, a northern area major

DIRECTORS AND SENIOR MANAGEMENT

customer manager and a national major customer manager in Shanghai Roche Pharmaceutical Company Limited (上海羅氏製藥有限公司), a sino-foreign joint pharmaceutical company registered in Shanghai. From July 1993 to April 1996, Ms. Xia worked as a doctor in Beijing Obstetrics and Gynecology Hospital of Capital Medical University (首都醫科大學附屬北京婦產醫院), a Class IIIA special hospital in Beijing.

Ms. Xia obtained an MBA degree in September 2008 from China Europe International Business School (中歐國際工商學院) in China and a Bachelor's degree in Clinical Medicine in July 1993 from Guizhou Medical University (貴州醫科大學) (previously known as Guiyang Medical Collage (貴陽醫學院)) in China.

Mr. Zou Bingchuan (鄒冰川), aged 54, was appointed as the chief medical service officer of Weikang Investment in July 2008 and ceased to be a member of the senior management team of the Company from August 2016 in order to pursue other career opportunities. He was primarily responsible for overseeing quality control of medical services of the Hospitals. He had held the position since he joined our Group.

Mr. Zou obtained a Bachelor's degree in Medicine from Jiangxi Medical College of Nanchang University (南昌大學江西醫學院) (previously known as Jiangxi Medical College (江西醫學院)) in China in July 1985. He was accredited with the title of chief physician by Jiangxi Province Qualifications Affairs Office (江西省職稱工作辦公室) in March 2004.

Our Directors confirmed that to the best of their knowledge and information available to them, Ms. Xia Yuanqing and Mr. Zou Bingchuan resigned as senior management due to their respective personal reasons and there is no disagreement or any matter which needs to be drawn to the attention of the Stock Exchange in respect of their resignations from senior management.

Our Directors are of the view that the departure of Ms. Xia and Mr. Zou has no material impact on the Company's ability to meet the management continuity requirement under Rule 8.05(1)(b) of the Listing Rules on the following grounds:

- (i) our daily operation was managed and supervised collectively by our core management team, which comprises of our two executive Directors and the senior management as set out above (the "**Core Management Team**"). The Core Management Team has been led and supervised by Mr. Lu Wenzuo, our executive Director and the hospital administrator of Yangsi Hospital, who joined our Group in December 2003, and Mr. Zhang Xiaopeng, our executive Director and chief executive officer, who joined our Group in February 2014. The departure of Ms. Xia and Mr. Zou has no material impact on the functionalities of the Core Management Team as a whole.
- (ii) Ms. Xia joined our Group in October 2015 and her roles and duties have been assumed by Mr. Zhang Xiaopeng and Mr. Zou's roles and duties have been assumed by Mr. Yang Wen, and both Mr. Zhang Xiaopeng and Mr. Yang Wen are existing members of the Core Management Team.

DIRECTORS AND SENIOR MANAGEMENT

- (iii) Mr. Zhang Xiaopeng and Mr. Yang Wen have sufficient knowledge, experience and capacity to take over the roles and responsibilities of Ms. Xia and Mr. Zou. Mr. Zhang Xiaopeng is equipped with profound understanding of China's healthcare industry through his extensive experience in the overall operations of distinguished Class III hospitals in China. Since joining our Group, Mr. Zhang, with assistance of a working team with relevant investment knowledge, is responsible for strategic planning of our Group, and participates in the evaluation, assessment, risk identification, and decision-making process of investments of our Group. We believe that Mr. Zhang's in-depth knowledge of China's healthcare industry, and his profound familiarity with the management and operations of hospitals in China and the ability to leverage on specialized expertise in China's healthcare industry are essential to the success of our Group's future investments. In addition, an investment decision to acquire any target hospitals will be discussed, reviewed and approved at the board level of our Company. Mr. Yang Wen has been primarily responsible for overseeing medical education and training activities of the Hospitals, and as the deputy hospital administrator of Yangsi Hospital, has also been in charge of regular inspection of service performance of Yangsi Hospital, which enables him to assume Mr. Zou's main responsibilities in overseeing quality control of medical services of the Hospitals. Both Mr. Zhang Xiaopeng and Mr. Yang Wen participate in the daily management and operation of our Group and are able to devote sufficient time and efforts to take more responsibilities, including those roles and duties assumed from Ms. Xia and Mr. Zou, respectively.
- (iv) Mr. Zhang Xiaopeng and Mr. Yang Wen perform their respective duties and functions assumed from Ms. Xia and Mr. Zou with support and assistance of the working team, the majority members of which have remained in our Group throughout the Track Record Period and up to the Latest Practicable Date.
- (v) Although Ms. Xia and Mr. Zou were members of the Core Management Team during the Track Record Period, after their departure, our current Core Management Team maintained eight members, including two executive Directors, and a majority of our current Core Management Team, namely five out of eight members, have remained in their managerial positions in the Group throughout the Track Record Period and up to the Latest Practicable Date.

Based on the above, the Sole Sponsor concurs with the view of the Directors.

COMPANY SECRETARY

Ms. Kwong Yin Ping Yvonne (鄺燕萍) was appointed as the company secretary of our Company on May 10, 2016.

Ms. Kwong has extensive experience in providing company secretarial and compliance services to numerous private and listed companies. She is a vice president of SW Corporate Services Group Limited, a company focusing on the provision of listing company secretarial and compliance services. She currently serves as the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Kwong received a Bachelor's degree in Accountancy from the Hong Kong Polytechnic University in Hong Kong in November 1997. She has been a fellow of the Hong Kong Institute of Chartered Secretaries and a fellow of the Institute of Chartered Secretaries and Administrators since December 2012.

BOARD COMMITTEES

We have established the Audit Committee, the Remuneration Committee and the Nomination Committee in our Board of Directors. The committees operate in accordance with their respective terms of reference established by our Board of Directors.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Mr. Zhou Xiangliang (chairman), Mr. Shi Luwen and Mr. Yuan Bing. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members, namely Ms. Chen Xiaohong (chairman), Mr. Lin Sheng and Mr. Zhou Xiangliang. The primary duties of the Remuneration Committee are to evaluate and make recommendations to our Board on the remuneration policies covering our Directors and senior management of our Group.

Nomination Committee

We have established the 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. Zhao John Huan (chairman), Mr. Shi Luwen and Ms. Chen Xiaohong. The primary duties of the Nomination Committee are to review and make proposals with respect to the structure, size and composition of our Board, identify individuals suitably qualified to become Board members and recommend to our Board as to matters relating to appointment or re-appointment of Directors and succession planning of our Board.

DIRECTORS' INTEREST IN HOSPITAL INVESTMENT OF HONY FUND VIII

As at the Latest Practicable Date, each of Mr. Zhang Xiaopeng, Mr. Yuan Bing and Mr. Lin Sheng is a director of Zhejiang Guangsha Medical Technology Co., Ltd (浙江廣廈醫療科技有限公司) (“**Guangsha Medical**”), a hospital investment of Hony Capital Fund VIII (Cayman), L.P. (“**Hony Fund VIII**”) in Zhejiang Province. None of them is involved in the day-to-day operation and management of Guangsha Medical or the hospitals managed by it.

DIRECTORS AND SENIOR MANAGEMENT

Guangsha Medical is held as to 75% by Hony Fund VIII. As of the Latest Practicable Date, Guangsha Medical, as one of the founders of Guangsha Hospitals (as defined below) had paid 80%, 80% and 65% start-up funds in Zhejiang Jinhua Guangfu Oncological Hospital (浙江金華廣福腫瘤醫院) (“**Jinhua Guangfu**”), Dongyang Guangfu Hospital (東陽廣福醫院) (“**Dongyang Guangfu**”) and Yongkang Hospital (永康醫院), respectively (collectively, the “**Guangsha Hospitals**”). To the best of the knowledge of our Directors, after this acquisition, Guangsha Hospitals remained under the operation and management by their existing management team. Jinhua Guangfu is constructed and developed as a Class IIIB special hospital and registered as a Privately-funded Non-enterprise Entity providing oncology and cancer treatments, located in Jinhua City of Zhejiang Province. Dongyang Guangfu is constructed and developed as a Class II general hospital and registered as a Privately-funded Non-enterprise Entity providing comprehensive medical services, located in Jinhua City, Zhejiang Province. Yongkang Hospital is constructed and developed as a Class IIB general hospital and registered as a public institution providing comprehensive medical services, located in Yongkang City, Zhejiang Province. The aggregate annual unaudited revenue of the Guangsha Hospitals amounted to RMB597 million for the financial year of 2015.

Independent Fund Investment Management

Guangsha Medical and our Group are controlled, operated and managed by two groups of controlling shareholders. Guangsha Medical is held as to 75% by Hony Fund VIII following the aforementioned acquisition, which is an exempted limited partnership formed under the laws of the Cayman Islands and ultimately managed by Hony Capital Fund VIII GP (Cayman) Ltd.. As of the Latest Practicable Date, our Company is held as to 97.14% by Hony Fund V, which is ultimately managed by Hony Capital Fund V GP Limited. Hony Fund VIII and Hony Fund V have different groups of limited partners, and their respective general partners, when making any decision relating to the fund investments, are under fiduciary duties to act for the best interests of their own limited partners.

No Competition between Guangsha Medical and our Group

Our Directors are of the view that Guangsha Medical does not compete, or is not likely to compete, either directly or indirectly, with the businesses of our Group on the following grounds and factors:

- (a) *Geographical separation.* The locations of the Guangsha Hospitals are geographically different from that of our Hospitals, and are all situated in Zhejiang Province, whereas our Hospitals are all situated in Shanghai. Due to such geographical separation, the Guangsha Hospitals do not compete with our Hospitals in terms of patients and medical professionals. During the Track Record Period, given that patients generally tend to visit hospitals that are in close proximity to their residence, the patients of Guangsha Hospitals were substantially from Jinhua City and rural areas surrounding Jinhua City, and the medical professionals recruited by the Guangsha Hospitals were primarily residents in those respective local cities.

DIRECTORS AND SENIOR MANAGEMENT

- (b) *Suppliers*. During the Track Record Period, there was no overlap of suppliers of medicines and medical facilities between the Guangsha Hospitals and our Group.
- (c) *Business delineation*. There is a clear delineation between our Group and the Guangsha Hospitals for the following reasons:
 - (i) the Guangsha Hospitals have a core management team, which is comprised of their existing management team, responsible for their day-to-day management, which is separate and independent from our Group;
 - (ii) the Guangsha Hospitals and our Group have independent financial and technical systems;
 - (iii) the Guangsha Hospitals and our Group have independent human resources systems with different operational personnel and staff; and
 - (iv) all essential administrative functions of the Guangsha Hospitals have been and will be carried out independently of our Group.

Enhanced Corporate Governance

Notwithstanding the grounds and factors as described above, our Company will adopt a set of enhanced corporate governance measures to avoid potential conflict of interests between our Company and our Directors and between our Company and our Shareholders and safeguard the interests of our Shareholders as a whole. The detailed enhanced corporate governance measures are set out in the paragraph headed “Relationship with our Controlling Shareholders—Corporate Governance Measures”.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of fees, salaries, bonuses, other allowances and benefits in kind, including our contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director’s responsibilities, qualification, position and seniority.

The aggregate amount of remuneration which was paid to our Directors for the years ended December 31, 2013, 2014, 2015 and the nine months ended September 30, 2016 was approximately RMB0.2 million, RMB1.7 million, RMB2.6 million and RMB2.2 million, respectively. It is estimated that remuneration and benefits in kind equivalent to approximately RMB7.0 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2017 under arrangements in force at the date of this prospectus. For further details of our Directors’ compensation, please refer to the section headed “Statutory and General Information—C. Further Information About our Directors and Substantial Shareholders—2. Particulars of Service Contracts” in Appendix IV to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration which was paid by us to our five highest paid individuals (including both employees and Directors) for the years ended December 31, 2013, 2014, 2015 and the nine months ended September 30, 2016 was approximately RMB0.7 million, RMB3.2 million, RMB4.9 million and RMB3.7 million, respectively.

No remuneration was paid to our Directors or to the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period. Save as disclosed above, the Directors are not entitled to receive any other special benefits from the Company. The compensation of the Directors is determined by the Board which, following Listing, will receive recommendation from the Remuneration Committee which will take into account applicable laws, rules and regulations.

PRE-IPO SHARE APPRECIATION RIGHTS SCHEME

We have adopted the Pre-IPO Share Appreciation Rights Scheme. Please see the section headed “Statutory and General Information—D. Share Appreciation Rights Schemes—1. Pre-IPO Share Appreciation Rights Scheme” in Appendix IV to this prospectus for details of the Pre-IPO Share Appreciation Rights Scheme.

POST-IPO SHARE APPRECIATION RIGHTS SCHEME

We have adopted the Post-IPO Share Appreciation Rights Scheme. Please see the section headed “Statutory and General Information—D. Share Appreciation Rights Schemes—2. Post-IPO Share Appreciation Rights Scheme” in Appendix IV to this prospectus for details of the Post-IPO Share Appreciation Rights Scheme.

EQUITY INCENTIVE TO MR. LU WENZUO

New Pride entered into the service contract with Mr. Lu Wenzuo, pursuant to which, New Pride granted to Mr. Lu Wenzuo (a) certain share awards to acquire up to 3% equity interest in each of Weikang Investment and Honghe Ruixin or receive the cash equivalent; and (b) certain share appreciation rights to receive a cash payment determined based on the appreciation of the notional equity interest in Weikang Investment and Honghe Ruixin. Please see the section headed “Statutory and General Information—E. Service Contract” in Appendix IV to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

We have appointed Halcyon Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in 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 estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full fiscal year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that, as of the Latest Practicable Date, the Company has fully complied with the applicable code provisions as set out in the Code of Corporate Governance Practices as contained in Appendix 14 to the Listing Rules from the Listing Date.

COMPETENCE OF DIRECTOR AND SENIOR MANAGEMENT

During the Track Record Period, the Company identified certain irregularities in the financial reporting filings of Weikang Investment in 2013 and 2014, which was subsequently rectified.

Although Mr. Lu Wenzuo, as hospital administrator of Yangsi Hospital, has been responsible for the financial auditing of Yangsi Hospital and Ms. Pang Jiayi, as the financial director of Weikang Investment and the chief financial officer of Yangsi Hospital, has supervised corporate financing of Yangsi Hospital, the Company considered that Weikang Investment's financial irregularities have no impact on the competence of Mr. Lu and Ms. Pang to be a Director and/or a member of senior management of our Company for the following reasons:

- a) Mr. Lu and Ms. Pang have performed their essential duties through their contributions and involvement in the operations and management of Yangsi Hospital and/or Fuhua Hospital during the Track Record Period and up to the Listing;

DIRECTORS AND SENIOR MANAGEMENT

- b) Mr. Lu and Ms. Pang were not delegated to be in charge of, or involved in the preparation, review and approval of financial accounts of Weikang Investment during the relevant period, and neither of them were involved in the financial reporting affairs of Weikang Investment;
- c) under the delegation and authorization of the then board of Weikang Investment, the then financial manager of Weikang Investment was in charge of the overall management over the financial accounts and financial reporting of Weikang Investment and directly reported duties to the then board of Weikang Investment with regards to the financial and tax affairs of Weikang Investment. Ms. Pang did not participate in any part of the internal review and approval in relation to Weikang Investment's financial accounts and financial reporting filings; and
- d) neither Mr. Lu nor Ms. Pang participated in the process of preparation, review and approval of the financial accounts of Weikang Investment during the relevant period as a result of the deficiency in internal control of the financial management of Weikang Investment prior to completion of Weikang Acquisition.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders are Vanguard Glory and Hony Capital Entities.

As of the Latest Practicable Date, our Controlling Shareholders held 97.14% of our issued share capital. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Controlling Shareholders will be entitled to exercise voting rights of approximately 72.83% of our issued share capital and hence will continue to be our Controlling Shareholders.

The following table sets forth the principal activities and shareholding of each listed company deemed to be interested by Hony Capital Entities as of the Latest Practicable Date:

<u>Name of the listed company</u>	<u>Shareholding percentage</u>	<u>Principal activities</u>
China International Marine Containers (Group) Co., Ltd. (2039.HK)	7.2%	container manufacturing and service business, road transportation vehicle business, energy, chemical and food equipment business, offshore engineering business and airport facilities equipment business.
Haichang Holdings Ltd. (2255.HK)	10.01%	theme park management and related real estate operations
Shanghai Chengtou Holding Co., Ltd. (SHSE:600649)	9.24%	management and disposal of city waste, real estate development as well as private equity investment
Shanghai Jin Jiang International Hotels Development (600754.SH)	12.56%	hotel management services in addition to food and beverage operations
Chongqing New Century Cruise Co Ltd (SZSE: 002558)	6.27%	operating of cruises, provision of travel-related as well as food processing services
Tuniu Corporation (Nasdaq:TOUR)	7.3%	online leisure travel company offering a large selection of packaged tours and travel-related services for leisure travelers through tuniu.com

Save as disclosed in the section headed “Directors and Senior Management—Directors’ interest in Hospital Investment of Hony Fund VIII”, our Controlling Shareholders and Directors confirm that they do not have any interest in a business which competes with or is likely to compete with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective associates after the Global Offering.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management Independence

We carry on our business independently from our Controlling Shareholders from a management perspective. Our Board consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors.

The two Directors, Mr. Zhao John Huan and Mr. Lin Tun, who hold directorship in our Controlling Shareholders, are our non-executive Directors and are not involved in the day-to-day management and operation of our Company. Mr. Zhao John Huan is the chairman of the Nomination Committee of our Board. In addition to attending our Board and the Nomination Committee meetings, Mr. Zhao John Huan is mainly responsible for providing supervision regarding the business and operation of our Group.

The following table sets forth the positions held by our Directors in our Controlling Shareholders and/or its associates:

<u>Name of Director</u>	<u>Position held in our Company</u>	<u>Position held in our Controlling Shareholders and/or their associates</u>
Mr. Zhao John Huan	Chairman, non-executive Director, chairman of the Nomination Committee of the Board	director of Hony Capital Fund V GP Limited
Mr. Lin Tun	non-executive Director	director of Vanguard Glory

Save as disclosed above, none of our Directors holds any position in our Controlling Shareholders or their associates.

Our Board is supported by a team of senior management and the majority of the members of our senior management has been managing our business throughout the Track Record Period. Each of our senior management members possesses relevant management and/or industry-related experience to act as such. Please refer to the section headed “Directors and Senior Management” for details of their management experience. We consider that our Board and senior management will function independently from each of our Controlling Shareholders and that our Company is capable of managing our business independently from our Controlling Shareholders because:

- (a) each of our Directors is aware of his or her fiduciary duties as a director which require, among others things, that he or she must act for the benefit of and in the best interests of our Company and our Shareholders as a whole and must not allow any conflict between his or her duties as a Director and his or her personal interests;
- (b) each of our independent non-executive Directors has extensive experience in different areas and has been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) none of the core management members currently holds any positions in our Controlling Shareholders or their associates;
- (d) each of our Directors will not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or she or any of his or her associates has a material interest and shall not be counted in the quorum present at the particular Board meeting; and
- (e) we have established an internal control mechanism to identify related party transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions.

Based on the above, our Directors are satisfied that they are able to perform their roles as Directors independently and our business will be managed independently from our Controlling Shareholders after the Listing.

Operational Independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently, despite the controlling interest held by our Controlling Shareholders. We have sufficient independent premises, equipment, access to customers and suppliers, employees to operate our business independently from our Controlling Shareholders and their respective associates. We have formed an internal investment department comprised of a team with relevant investment experience, and Mr. Zhang Xiaopeng is responsible for overseeing investment related affairs. This investment department is mainly responsible for identifying potential investment targets, conducting assessment and evaluation over these potential targets and assisting our Board to make decisions on investments. Our organizational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal controls to facilitate the effective operation of our business.

Financial Independence

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs. In addition, we have sufficient capital and banking facilities to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations.

As at the date of this prospectus, all outstanding amounts due to our Controlling Shareholders have been fully settled.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKINGS

In order to ensure that direct and indirect competition does not develop between us and the Controlling Shareholders' other activities, our Controlling Shareholders have entered into a deed of non-competition (the “**Deed of Non-competition**”) in favor of our Company. Under the Deed of Non-competition, each of our Controlling Shareholders has undertaken to our Company (for ourselves and for the benefit of our subsidiaries) that other than other interests owned by but not under the control of them and/or their respective associates in a particular company and other business entities from time to time (including companies and other business entities in which the Controlling Shareholders and/or their respective associates hold a stake of not more than 50% and are not involved in their daily operation and management), the Controlling Shareholders, subject to any applicable laws, regulations or Stock Exchange rules, will procure any companies and other business entities (other than the Group) under the control of the Controlling Shareholders and/or their respective associates not to engage in any business with a nature similar to that of our listed business (“**Restricted Business**”) in China.

The above undertaking does not preclude the holding by the Controlling Shareholders of interests in any of the companies engaging in any Restricted Business (the “**Subject Company**”) where:

- (a) the relevant interests held by the Controlling Shareholders or any of its associates is less than 10% of the issued share capital of any company which is listed on any stock exchange; or
- (b) any Restricted Business conducted or engaged in by the Subject Company (and assets relating thereto) accounts for less than 10% of the Subject Company's consolidated turnover or consolidated assets, as shown in its latest audited accounts.

If any business opportunity which is the same or similar to our business that may constitute direct or indirect competition with our Group (“**Business Opportunity**”) is identified by the Controlling Shareholders in China during the restricted period, they are required to refer such Business Opportunity to us and may not pursue such Business Opportunity unless our Directors or a Board committee (whose members do not have a material interest in the Business Opportunity) declines the relevant Business Opportunity.

Pursuant to the Deed of Non-competition, the above restrictions will cease to have effect on a Controlling Shareholder on the earliest of the following dates on which such Controlling Shareholder ceases to hold directly or indirectly in aggregate 30% or more of all the issued share capital, or otherwise ceases to be a controlling shareholder (as defined under the Listing Rules), of our Company or the Shares cease to be listed and traded on the Hong Kong Stock Exchange.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Furthermore, the independent non-executive Directors will review, on an annual basis, the Controlling Shareholders' compliance with the Deed of Non-competition (in particular, the right of first refusal relating to any Business Opportunity) and the Controlling Shareholders will provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors. We will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance with and enforcement of the Deed of Non-competition in our annual report or by way of announcement to the public.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following enhanced corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders as a whole:

- (a) our Directors will comply with our Articles of Association, which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his respective associates is materially interested;
- (b) our Directors will ensure that any material conflict or potential conflict of interests involving the Controlling Shareholders, our Directors and their respective associates will be reported to our independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a Board meeting will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities;
- (c) in respect of the business opportunity involving any material potential conflict of interests with the Controlling Shareholders, our Directors or their respective associates, our independent non-executive Directors will review all information and documents in respect of the same;
- (d) we also have an established compliance department headed by Mr. Lu Wenzuo, our executive Director, to identify any material conflict or potential conflict of interests involving the Controlling Shareholders, our Directors or their respective associates and conduct a review on the effectiveness of such internal control measures on a half-yearly basis to ensure due compliance with the Deed of Non-competition and execution of our conflict check mechanism;
- (e) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition in accordance with the Listing Rules;
- (f) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance with and enforcement of the Deed of Non-competition in the annual reports of our Company or by way of announcement;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (g) all connected transactions between our Company and our connected persons will be subject to annual review by our independent non-executive Directors as well as the auditors of our Company;
- (h) our Company has appointed a compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and internal control; and
- (i) pursuant to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules (the "**CG Code**"), our Directors, including the independent non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances at the costs of our Company.

Our Company will comply with the CG Code which sets out principles of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviation from it in the corporate governance report which will be included in our annual report.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued shares of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Global Offering:

As of the Date of this Prospectus

	<u>HK\$</u>
Authorized share capital	
500,000,000 Shares	500,000
Issued share capital	
9,986 Shares	9,986

Immediately after the Capitalization Issue

	<u>HK\$</u>
Issued share capital	
99,860,000 Shares	99,860

Immediately after Completion of the Global Offering

	<u>HK\$</u>
Shares to be issued under the Global Offering	
33,334,000 Shares	33,334
Total issued Shares on completion of the Global Offering	
133,194,000 Shares	133,194

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Capitalization Issue and Global Offering. The above does not take into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares 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 our share capital 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.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed “Structure and Conditions of the Global Offering—Conditions of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares 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 Shares allotted or agreed to be allotted by the Directors other than pursuant to:

- (a) a rights issue;
- (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;
- (c) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

- (i) 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering; and
- (ii) the total nominal value of our share capital repurchased by our Company (if any) under the general mandate to repurchase Shares referred to “—General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire:

- (1) at the conclusion of our next annual general meeting; or
 - (2) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
 - (3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,
- whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information—A. Further Information About Our Group—4. Resolutions in writing of our Shareholders” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure and Conditions of the Global Offering—Conditions of the Global Offering”, our Directors have been granted a general unconditional mandate to exercise all of our powers to repurchase Shares with a total nominal value of not exceeding 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering.

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information—A. Further Information About Our Group—5. Repurchases of our own securities” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire:

- (i) at the conclusion of our next annual general meeting; or
 - (ii) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
 - (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,
- whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information—A. Further Information About Our Group—4. Resolutions in writing of our Shareholders” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Division 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 our Company:

Name of shareholder	Nature of interest	Shares held immediately following the completion of the Global Offering ⁽¹⁾			
		Shares held immediately prior to the Global Offering		Shares held immediately following the completion of the Global Offering ⁽¹⁾	
		Number	Percentage	Number	Percentage
Vanguard Glory	Beneficial owner	9,700	97.14%	97,000,000	72.83%
Hony Fund V	Interest in controlled corporation	9,700	97.14%	97,000,000	72.83%
Hony Capital Fund V GP, L.P.	Interest in controlled corporation	9,700	97.14%	97,000,000	72.83%
Hony Capital Fund V GP Limited	Interest in controlled corporation	9,700	97.14%	97,000,000	72.83%
Hony Group Management Limited	Interest in controlled corporation	9,700	97.14%	97,000,000	72.83%
Hony Managing Partners Limited ⁽²⁾ ...	Interest in controlled corporation; deemed interest	9,950	99.64%	99,500,000	74.70%
Exponential Fortune Group Limited ⁽²⁾	Interest in controlled corporation; deemed interest	9,950	99.64%	99,500,000	74.70%
Mr. Zhao John Huan ⁽²⁾	Interest in controlled corporation ; deemed interest	9,950	99.64%	99,500,000	74.70%

Notes:

- (1) Assuming the Over-allotment Option is not exercised.
- (2) Aggregating the Shares held by Midpoint Honour and pledged in favor of Hony Capital 2008 Management Limited.
- (3) Hony Fund V is an exempted limited partnership formed under the laws of the Cayman Islands as an investment vehicle. The general partner of Hony Fund V is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited. Hony Capital Fund V GP Limited is wholly owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business—Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The table below sets forth the estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering:

	<u>Assuming the Over-allotment Option is not exercised</u>	<u>Assuming the Over-allotment Option is exercised in full</u>
Assuming an Offer Price of HK\$13.90 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	HK\$380.2 million	HK\$449.7 million
Assuming an Offer Price of HK\$15.00 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	HK\$416.9 million	HK\$491.9 million
Assuming an Offer Price of HK\$12.80 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	HK\$343.6 million	HK\$407.6 million

Assuming an offering price of HK\$13.90 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:

- (i) approximately 50%, HK\$190.1 million, is expected to be used for strategic acquisition of hospitals in China. By leveraging our experience and advanced hospital management capability, we believe that we will realize accelerated integration and market expansion. In selecting potential hospital targets, we will make comprehensive evaluations in consideration of cost-related factors and potential market opportunities, and target Class II or Class III hospitals or hospitals with Class II or Class III hospital-equivalent scale that possess competitive advantages and are located in regions in China with sizeable population and economic activities, with a particular focus on hospitals in Yangtze River Delta region, Pearl River Delta region and Bohai Economic Rim. We will seek for potential targets through internal market research and/or recommendations from our business partners, and target to acquire or invest in one or two hospitals that are comparable to Yangsi Hospital in terms of factors including profitability, medical skills, number of patient visits and growth potential in each year subsequent to the Listing. In carrying out the acquisitions, the consideration will be determined with reference to the market value of the potential hospital targets, and by an independent valuer where appropriate; we may also

FUTURE PLANS AND USE OF PROCEEDS

seek for additional equity and/or debt funding to facilitate the acquisitions, if necessary. As at the Latest Practicable Date, we have not identified any specific targets, or adopted a concrete timetable or expected capital expenditure plan to implement acquisition, and we have not entered into any letter of intent or agreement in relation to any acquisition;

- (ii) approximately 18%, HK\$68.4 million, is expected to be used for further investment in the hospitals we own or manage from time to time (except for not-for-profit hospitals), such as purchase and installation of medical and other equipment, upgrading and improvement of medical facilities, as set out in the following breakdown:
- approximately 11% of the net proceeds for purchases of medical and other equipment, including B-mode colored ultrasound machines, non-invasive hemodynamics detector, respirator machine, automatic biochemistry analyzer, and the upgrading and replacement of various other medical equipment; and
 - approximately 7% of the net proceeds for upgrading and improvement of medical facilities, including development and renovation of new medical wards, upgrading of teleconference system for our Group and the hospitals we own or manage, as well as upgrading and replacement of operating room equipment, sterilization equipment and other facilities;
- (iii) approximately 15%, HK\$57.0 million, is expected to be used for employee training programs at the Hospitals and other hospitals we own or manage from time to time, efforts to recruit talents and academic research activities, as set out in the following breakdown:
- approximately 6% of the net proceeds for human resources expenses, including labor costs and employee benefits;
 - approximately 5% of the net proceeds for employing medical professionals and experts in business management; and
 - approximately 4% of the net proceeds for conducting academic research activities and developing employee training programs with a focus on management training and professional training;
- (iv) approximately 7%, HK\$26.6 million, is expected to be used for upgrading and improving our information technology system. See the section headed “Business—Information Technology Systems” for further details; and
- (v) the remaining amount of approximately 10%, HK\$38.0 million, is expected to be used to provide funding for our working capital, rental and property related expenses and other general corporate purposes.

FUTURE PLANS AND USE OF PROCEEDS

The above allocation of the proceeds will be adjusted on a pro rata basis if the Over-allotment Option is exercised, or in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the estimated offer price range.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the “**Cornerstone Investment Agreement**”) with, amongst others, Anhui Zhong’an Health Elderly Care Services Industry Investment Partnership (Limited Partnership) (安徽省中安健康養老服務產業投資合夥企業(有限合夥)) (the “**Cornerstone Investor**”), who agreed to cause China International Capital Corporation Limited, an asset manager that is a qualified domestic institutional investor as approved by the relevant government authorities of the PRC (the “**QDII**”), to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 200 Shares) which may be purchased with an aggregate amount of US\$15 million (equivalent to approximately HK\$116.4 million) (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at the Offer Price (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$12.80 per Share (being the low end of the Offer Price range set out in this prospectus), the total number of Shares subscribed by the Cornerstone Investor would be approximately 9,094,800, representing approximately (i) 27.3% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 23.7% of the Offer Shares, assuming the Over-allotment Option is exercised in full; (iii) 6.8% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (iv) 6.6% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming an Offer Price of HK\$13.90 per Share (being the mid-point of the Offer Price range set out in this prospectus), the total number of Shares subscribed by the Cornerstone Investor would be approximately 8,375,000, representing approximately (i) 25.1% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 21.8% of the Offer Shares, assuming the Over-allotment Option is exercised in full; (iii) 6.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (iv) 6.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming an Offer Price of HK\$15.00 per Share (being the high end of the Offer Price range set out in this prospectus), the total number of Shares subscribed by the Cornerstone Investor would be approximately 7,761,000, representing approximately (i) 23.3% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 20.2% of the Offer Shares, assuming the Over-allotment Option is exercised in full; (iii) 5.8% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (iv) 5.6% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

The QDII is the parent company of China International Capital Corporation Hong Kong Securities Limited (“**CICC**”), which is the Sole Sponsor, Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager of the Global Offering. The QDII acts in accordance with the instructions from the Cornerstone Investor in order to facilitate the participation by the Cornerstone Investor in the Global Offering of the Company. Other than being a client of the QDII, the Cornerstone Investor is an independent third party of CICC. Due to its relationship with CICC, the QDII is considered as a “connected client” of CICC under paragraph 13(7) of Appendix 6 to the Listing Rules, and the participation of the Cornerstone Investor as a cornerstone investor through the QDII is therefore subject to the written consent from the Stock Exchange. The Shares to be allocated and issued to it under the Global Offering will be held by the QDII on a non-discretionary basis on behalf of the Cornerstone Investor. It is confirmed by the Company that the Cornerstone Investor’s cornerstone investment agreement does not contain any material terms which are more favourable to the Cornerstone Investor or the QDII than those in other cornerstone investment agreements, if any. In addition, apart from the preferential treatment of assured entitlement under a cornerstone investment,

CORNERSTONE INVESTOR

(i) each of the Company and CICC (as the connected broker and the Sole Bookrunner) has also confirmed that, no preferential treatment has been, nor will be, given to the QDII by virtue of its relationship with CICC; (ii) the QDII has confirmed that, to the best of its knowledge and belief, it has not received and will not receive preferential treatment in the allocation of the Global Offering on behalf of the Cornerstone Investor as a cornerstone investor by virtue of its relationship with CICC; and (iii) CICC, as the Sole Sponsor, has confirmed that, it has no reason to believe that the QDII received any preferential treatment in the allocation of the Global Offering as a cornerstone investor on behalf of the Cornerstone Investor by virtue of its relationship with CICC. An application has been made to the Stock Exchange and the Stock Exchange has granted its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to allow Offer Shares to be placed to the QDII as a “connected client” of CICC and held by the QDII on behalf of the Cornerstone Investor.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investor will not subscribe for any Offer Share under the Global Offering other than pursuant to the Cornerstone Investment Agreement. The Offer Shares to be subscribed for by the Cornerstone Investor 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 Investor will not have any board representation in the Company, nor will the Cornerstone Investor become a substantial shareholder of the Company. The Offer Shares to be subscribed for by the Cornerstone Investor may 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 and Conditions of the Global Offering—The Hong Kong Public Offering” in this prospectus.

To the best knowledge of the Company, the Cornerstone Investor is an Independent Third Party, and it is not a connected person or an existing shareholder of the Group or their respective close associate (as defined under the Listing Rules).

Details of the allocations to the Cornerstone Investor will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or about March 15, 2017.

CORNERSTONE INVESTOR

We set out below a brief description of the Cornerstone Investor:

The Cornerstone Investor is a limited partnership incorporated under the laws of the PRC. It is a private equity investment fund managed by Anhui Zhong’an Health Investment Management Co., Ltd. (“**Anhui Zhong’an**”). The Cornerstone Investor mainly engages in elderly care industry investment, equity investment, venture capital investment, corporate investment management, corporate investment consultation and corporate asset management business. Anhui Zhong’an is jointly held as to 50% by Hefei Kangyang Capital Management Partnership (Limited Partnership) (合肥康養資本管理合夥企業(有限合夥)) (which is collectively owned by four PRC individuals), as to 45% by Anhui Investment Group Holdings Co., Ltd. (安徽省投資集團控股有限公司) and as to 5% by Tibet Hongzhi Investment Advisory Partnership (Limited Partnership) (西藏弘志投資顧問合夥企業(有限合夥)). Anhui Zhong’an mainly engages in healthcare industry investment, venture capital investment, equity investment, corporate investment management, corporate investment consultation and corporate asset management business.

CORNERSTONE INVESTOR

CONDITIONS PRECEDENT

The subscription of the Cornerstone Investor is subject to, among other things, the satisfaction that:

- a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement shall have been entered into and become effective and all of the conditions precedent to completion set forth therein shall have been satisfied and having become unconditional (or waived by the relevant parties) by no later than the time and date as specified in the Underwriting Agreements;
- b) the Hong Kong Underwriting Agreement and the International Underwriting Agreement shall not have been terminated in accordance with their respective terms;
- c) the Offer Price having been agreed upon between the Company and the Sole Global Coordinator;
- d) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- e) no law having been enacted or promulgated by a government authority which prohibits the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or the subscription contemplated under the Cornerstone Investment Agreement and there shall be no order or injunction of a court of competent and relevant jurisdiction in effect precluding or prohibiting the consummation of such transactions hereunder; and
- f) the representations, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE DISPOSAL OF SHARES BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed and undertaken to the Company and the Sole Global Coordinator that it will not, and will procure the QDII not to, whether directly or indirectly, at any time during the period of six months following the Listing Date, effect any disposal (as defined in the Cornerstone Investment Agreement) of any of the Shares subscribed for by it pursuant to the Cornerstone Investment Agreement.

The Cornerstone Investor may transfer the Shares so subscribed in certain limited circumstances as set out in the Cornerstone Investment Agreement, such as transfer to a wholly-owned subsidiary of the Cornerstone Investor, provided that, among other things, such wholly-owned subsidiary undertakes in writing that such wholly-owned subsidiary be bound by the Cornerstone Investor's obligations under the Cornerstone Investment Agreement and subject to the restrictions on disposal imposed on the Cornerstone Investor.

UNDERWRITING

HONG KONG UNDERWRITER

Sole Lead Manager

China International Capital Corporation Hong Kong Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 3,333,600 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriter has agreed to subscribe or procure subscribers for its applicable proportion of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

One of the conditions is that the Offer Price must be agreed between us and the Sole Global Coordinator on behalf of the Hong Kong Underwriter. For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Underwriter. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator on behalf of the Underwriters, the Global Offering will not proceed.

Grounds for Termination

The obligations of the Hong Kong Underwriter to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into force:
 - (i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, currency market, credit, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the

UNDERWRITING

Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Cayman Islands, Hong Kong, China, the United States, the United Kingdom, the European Union (taken as a whole), Singapore or Japan (each a “Relevant Jurisdiction”); or

- (ii) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority, in or affecting a Relevant Jurisdiction; or
- (iii) any event or series of events or circumstances in the nature of force majeure (including, without limitation, acts of government, labor disputes, strikes, lock-outs, riot, public disorder, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, outbreak of diseases or epidemics including, but not limited to, MERS, SARS, swine or avian flu, H5N1, H1N1 and such related/mutated forms, economic sanction, in whatever form directly or indirectly, in or affecting a Relevant Jurisdiction; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting a Relevant Jurisdiction; or
- (v) (A) any moratorium, suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Exchange Limited, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or payment or clearance services in or affecting any of the Relevant Jurisdictions; or
- (vi) any (A) material change or prospective material change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in taxation, in a Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (vii) a Director other than an independent non-executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of the Company; or

UNDERWRITING

- (viii) saved as disclosed in this prospectus, any material litigation or claim being threatened or instigated against any member of the Group or Yangsi Hospital; or
- (ix) save as disclosed in this prospectus, any order or petition for the winding up 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; or
- (x) any materialization of any of the risks set out in the section headed “Risk Factors” of this prospectus;

which, individually or in the aggregate, and in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter):

- (A) is or is likely to or will be materially adverse to, or materially affect, the business or financial position of the Company and its subsidiaries as a whole; or
 - (B) has or is likely to or will have a material adverse effect on the success of the Global Offering; or
 - (C) makes or will make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented in accordance with their terms; or
- (b) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriter after the date of the Hong Kong Underwriting Agreement:
- (i) any breach of, or event rendering untrue, incorrect or misleading in any material respect, any of the representations, warranties and undertakings given on the part of our Company under the Hong Kong Underwriting Agreement; or
 - (ii) any material breach on the part of our Company of any of the provisions under the Hong Kong Underwriting Agreement; or
 - (iii) any statement contained in this prospectus, the Application Forms, or any notices, announcements issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) which was when it was issued or has become untrue, incorrect, inaccurate or misleading in any material respect; or
 - (iv) any matter that has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute a material omission therefrom this prospectus; or

UNDERWRITING

- (v) any event, act or omission which gives or is likely to give rise to any liability of the Company and the Controlling Shareholders pursuant to the indemnities given under the Hong Kong Underwriting Agreement; or
- (vi) that, as a result of market conditions or otherwise, a material portion of the orders in the bookbuilding process at the time the International Underwriting Agreement is entered into, have been withdrawn or cancelled, and the Sole Global Coordinator, in their sole discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or
- (vii) any material adverse change or prospective material adverse change in the assets, liabilities, business, results of operations, position or condition, financial or otherwise of the Company and its subsidiaries as a whole; or
- (viii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued or sold (including any Shares that may be sold and transferred pursuant to the exercise of the Over-Allotment Option) under the Global Offering and the Shares to be issued pursuant to the Capitalization Issue 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
- (ix) any expert, whose consent is required for the issue of this prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent (other than the withdrawal of consent by the Sole Sponsor without a reason) prior to the issue of this prospectus; or
- (x) the Company withdraws this prospectus or the Global Offering,

then the Sole Global Coordinator may (for itself and on behalf of the Hong Kong Underwriter) in its sole and absolute discretion and upon giving notice orally or in writing to the Company terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an 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 Listing Date), except for Shares issued pursuant to the Global Offering (including any exercise of the Over-allotment Option) or any of the circumstances provided under Rule 10.08 of the Listing Rules.

UNDERWRITING

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to our Company and the Stock Exchange that, except pursuant to any lending of Shares by Vanguard Glory pursuant to the Stock Borrowing Agreement, it shall not and shall procure that the relevant registered Shareholder(s) shall not:

- in the period commencing from the date by reference to which disclosure of its 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 or securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; and
- during the period of six months commencing on the date on which the period referred to in the immediate preceding paragraph 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 or securities referred to in the immediately preceding paragraph above to such an extent that immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder.

Note 2 to Rule 10.07 of the Listing Rules provides that such rule does not prevent a Controlling Shareholder from using the Shares beneficially owned by it as security (including a charge or a 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, each of the Controlling Shareholders has further undertaken to the Company and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will immediately inform us and the Stock Exchange of:

- any pledges or charges of any Shares or securities of our Company beneficially owned by it in favor of any authorized institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or securities of our Company so pledged or charged; and
- any indication received by it, either verbal or written, from the pledgee or chargee that any Shares or other securities of our Company pledged or charged will be disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders (or its respective shareholders) and disclose such matters by way of an announcement which is published on the website of the Stock Exchange as soon as possible after being so informed by any of the Controlling Shareholders (or its respective shareholders).

UNDERWRITING

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company has also undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter that except pursuant to the Global Offering (including pursuant to 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 after the Listing Date (the “**First Six-Month Period**”), our Company will not, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, 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 (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any 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 represents the right to receive, or any warrants or other rights to purchase any share capital or other securities of the Company, as applicable), or deposit any share capital or other securities of the Company, 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, any of the economic consequences of ownership (legal or beneficial) of Shares or any 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 any shares of such other member of the Group, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above;
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of such share capital or other securities will be completed within the First Six-Month Period). The Company further agrees that, in the event the Company enters into any of the transactions described in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on

UNDERWRITING

which the First Six-Month Period expires (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any Shares or other securities of the Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders agrees and undertakes to each of the Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriter that, save as the lending of Shares pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) and unless in compliance with the Listing Rules:

- (a) during the First Six-Month Period, it will not:
 - (i) sell, offer to sell, contract or agree to sell, assign, 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 contract or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly (through a chain of companies or not), conditionally or unconditionally, any Shares or any other securities of the Company 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 any other securities of the Company) held by it as of the date of the Hong Kong Underwriting Agreement; or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any such capital or securities or any interest therein; 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 announce any intention to enter into any transaction described in paragraphs (i), (ii) or (iii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such capital or securities, in cash or otherwise (whether or not such transaction will be completed with the First Six-Month Period); and

UNDERWRITING

- (b) (A) during the Second Six-Month Period, it will not enter into any of the foregoing transactions in paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to enter into any such transactions if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, any of the Controlling Shareholders will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and
- (B) until the expiry of the Second Six-Month Period, in the event that it enters into any of the foregoing transactions in paragraphs (a)(i), (ii) or (iii) above or offers to or agrees to, or announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the securities of the Company.

For the avoidance of doubt, the foregoing restrictions shall not prevent any of the Controlling Shareholders from purchasing additional Shares and disposing any Shares thus purchased in the relevant period, subject to compliance with the requirements of Rule 8.08 of the Listing Rules to maintain an open market in the securities and a sufficient public float.

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the International Underwriter. Under the International Underwriting Agreement, the International Underwriter will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriter the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriter at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 5,000,000 additional Shares representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

UNDERWRITING

Total Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriter will receive an underwriting commission of 3.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriter but will instead be paid, at the rate applicable to the International Offering, to the International Underwriter. Our Company may, at our sole discretion, pay to the Sole Global Coordinator for its respective accounts an incentive fee up to 0.5% of the Offer Price for each Offer Share.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$13.90 per Share (being the mid-point of the indicative offer price range of HK\$12.80 to HK\$15.00 per Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering (collectively the “**Commissions and Fees**”) are estimated to be approximately HK\$83.1 million in total.

Each of the Company and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriter and International Underwriter for certain losses which they may suffer, including liabilities under the U.S. Securities Act, losses incurred arising from their performance of their obligations under the Underwriting Agreements and any breach by our Company of the Underwriting Agreements.

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “**Syndicate Members**”, and their affiliates may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- the Syndicate Members (except for China International Capital Corporation Hong Kong Securities Limited, as the Stabilizing Manager, its affiliates 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
- all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

UNDERWRITING

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 the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities 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 or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant 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 of these activities may occur both during and after the end of the stabilizing period described in the sections headed “Structure and Conditions of the Global Offering—The International Offering—Over-allotment Option” and “Structure and Conditions of the Global Offering—The International Offering—Stabilization.” These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriter’s Interests in our Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriter does not have any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriter and its affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other Services to our Company

The Sole Global Coordinator, the Hong Kong Underwriter or its respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Sole Global Coordinator, Hong Kong Underwriter or its respective affiliates have received or will receive customary fees and commissions.

UNDERWRITING

Over-Allotment and Stabilization

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the sections headed “Structure and Conditions of the Global Offering—The International Offering—Stabilization”, and “Structure and Conditions of the Global Offering—The International Offering—Over-allotment Option”.

Sponsor’s Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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:

- (i) the Hong Kong Public Offering of 3,333,600 Offer Shares in Hong Kong as described in the paragraph headed “—The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of initially 30,000,400 Shares, consisting of the offering of our Shares outside the United States in reliance on Regulation S under the U.S. Securities Act. At any time from the Listing Date until 30 days after the last day for lodging of applications in the Hong Kong Public Offering, the Sole Global Coordinator, as representative of the International Underwriter, have an option to require our Company to allot and issue up to 5,000,000 additional Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.62% of the Company’s enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

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 approximately 25.02% of the enlarged issued share capital of the Company immediately after the 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 27.74% of the enlarged issued share capital immediately after the 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” below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed “—The Hong Kong Public Offering—Reallocation and clawback” below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 3,333,600 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Offer Shares will represent approximately 2.5% of the Company’s enlarged share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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 out in the paragraph headed “—Conditions of the Global Offering” below.

Allocation

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 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 Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 1,666,800 Offer Shares for pool A and 1,666,800 Offer Shares for pool B. 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 million (excluding the brokerage, SFC transaction levy and 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 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. 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 undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this 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 or suspected multiple applications and any application for more than 1,666,800 Offer Shares are liable to be rejected.

Reallocation and clawback

The allocation of the Offers Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more the number of the Offer Shares initially available for

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 10,000,400 Offer Shares (in the case of (i)), 13,333,600 Offer Shares (in the case of (ii)) and 16,667,200 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). 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 Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may allocate 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 for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems 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 that he and any person(s) for whose benefit he 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.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$15.00 per Offer Share in addition to any 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 of the Global Offering” below, is less than the maximum price of HK\$15.00 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. Further details are set out below in the section headed “How to Apply for the Hong Kong Offer Shares.”

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 30,000,400 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering and approximately 22.52% of the Company's enlarged share capital immediately after the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to 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 of the Global Offering" 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 our Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriter exercisable by the Sole Global Coordinator on behalf of the International Underwriter.

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the Listing Date until 30 days after the last date for lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 5,000,000 additional Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocation in the International Offering, if any. If the

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.62% of our Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the 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 certain other jurisdictions, 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 them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 5,000,000 Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Ordinance include:

- a) over-allocation for the purpose of preventing or minimising any reduction in the market price;

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price;
- c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- d) purchasing, or agreeing to purchase, the Shares for the sole purpose of preventing or minimising any reduction in the market price;
- e) selling the Shares to liquidate a long position held as a result of those purchases; and
- f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Saturday, April 8, 2017. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilise, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Ordinance will be made within seven days of the expiration of the stabilizing period.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it may choose to borrow up to 5,000,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, from Vanguard Glory to cover over-allocations (being the maximum number of additional Shares which may be allotted and issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercising of the Over-allotment Option.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

If such Stock Borrowing Arrangement is entered into, it will only be effected by the Stabilizing Manager, its affiliates or any person acting for it for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

PRICING OF THE GLOBAL OFFERING

The International Underwriter 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 prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, March 9, 2017 and in any event on or before Thursday, March 9, 2017, by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$15.00 per Share and is expected to be not less than HK\$12.80 per 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 Sole Global Coordinator, 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 offered in the Global Offering and/or the indicative Offer Price range below that 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, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.hcclhealthcare.com) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Sole Global Coordinator (on behalf of the Underwriters) and our Company, 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 being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Sole Global Coordinator may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$343.8 million, assuming an Offer Price per Share of HK\$12.80, or approximately HK\$417.1 million, assuming an Offer Price per Share of HK\$15.00 (or if the Over-allotment Option is exercised in full, approximately HK\$407.8 million, assuming an Offer Price per Share of HK\$12.80, or approximately HK\$492.1 million, assuming an Offer Price per Share of HK\$15.00).

The Offer Price for Shares under the Global Offering is expected to be announced on Wednesday, March 15, 2017. The indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Wednesday, March 15, 2017 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.hcclhealthcare.com).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed “Underwriting.”

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) 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 agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, 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. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Hong Kong Offer Shares.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, March 15, 2017 but will only become valid certificates of title at 8:00 a.m. on Thursday, March 16, 2017 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” has not been exercised.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling 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 our Company complies 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 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.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, March 16, 2017, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, March 16, 2017. Our Shares will be traded in board lots of 200 Shares each and the stock code of our Shares will be 3869.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong 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 Sole Global Coordinator, 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 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 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 Company and the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are 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 OFFER SHARES

Which Application Channel to Use

For Hong Kong 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 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 between 9:00 a.m. from Tuesday, February 28, 2017, until 12:00 noon on Thursday, March 9, 2017 from:

- (i) *the following office of the Hong Kong Underwriter:*

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(ii) *any of the branches of the following receiving bank:*

Wing Lung Bank Limited

District	Branch Name	Branch Address
Hong Kong Island....	Head Office	45 Des Voeux Road Central, Central
	Johnston Road Branch	118 Johnston Road, Wan Chai
	Kennedy Town Branch	28 Catchick Street, Kennedy Town
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road, Mong Kok
	Tsim Sha Tsui Branch	4 Carnarvon Road, Tsim Sha Tsui
	San Po Kong Branch	8 Shung Ling Street, San Po Kong
New Territories	Tsuen Wan Branch	251 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. from Tuesday, February 28, 2017 until 12:00 noon on Thursday, March 9, 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 Wing Lung Bank (Nominees) Limited — Hospital Corporation Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, February 28, 2017 - 9:00 a.m to 5:00 p.m.
- Wednesday, March 1, 2017 - 9:00 a.m to 5:00 p.m.
- Thursday, March 2, 2017 - 9:00 a.m to 5:00 p.m.
- Friday, March 3, 2017 - 9:00 a.m to 5:00 p.m.
- Monday, March 6, 2017 - 9:00 a.m to 5:00 p.m.
- Tuesday, March 7, 2017 - 9:00 a.m to 5:00 p.m.
- Wednesday, March 8, 2017 - 9:00 a.m to 5:00 p.m.
- Thursday, March 9, 2017 - 9:00 a.m to 12:00 noon

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The application for the Hong Kong Offer Shares will commence on Tuesday, February 28, 2017 through Thursday, March 9, 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 Thursday, March 9, 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 authorise the Company and/or the Sole Global Coordinator (or its 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 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 Ordinance, 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 Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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);

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (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 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 bank, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and/or their respective advisors 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 Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Underwriters nor any of their respective officers or advisors 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 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 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 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 Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or 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 fulfill the criteria mentioned in "— 14. Despatch/collection of Share Certificates and Refund Monies — Personal collection" in this section to collect the Share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (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 Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong 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 Terms and Conditions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “Who can apply” in this section may apply through the **White Form eIPO** service for the 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 authorise the **White Form eIPO** service 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 at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, February 28, 2017 until 11:30 a.m. on Thursday, March 9, 2017 and the latest time for completing full payment of application

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

monies in respect of such applications will be 12:00 noon on Thursday, March 9, 2017 or such later time under the “— 10. Effect 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 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 payment 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 paper 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 “Hospital Corporation of China Limited” **White Form eIPO** application submitted via the website www.eipo.com.hk to support the funding of “Source of Dongjiang-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 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 Centre
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 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 Global Coordinator and our Hong Kong Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given electronic application instructions to apply for the Hong Kong 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 is 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 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 Offer Shares applied for or any lesser number allocated;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- undertake and confirm that you 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 nor participated in 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 Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong 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 Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisors 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

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 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 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 Ordinance, 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 Offer Shares on your behalf;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the 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 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 200 Hong Kong Offer Shares. Instructions for more than 200 Hong Kong 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 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:

- Tuesday, February 28, 2017 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, March 1, 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, March 2, 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Friday, March 3, 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Monday, March 6, 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Tuesday, March 7, 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, March 8, 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, March 9, 2017 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, February 28, 2017 until 12:00 noon on Thursday, March 9, 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, March 9, 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 Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 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 “—6. Applying by Giving Electronic Application Instructions to HKSCC Via CCASS—Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and any of their respective advisors 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 Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** service 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 Sole Bookrunner, the Sole Sponsor, the

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Sole Global Coordinator 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 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 Thursday, March 9, 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong 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 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

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- 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 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 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 200 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 200 Hong Kong 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 Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Global Offering—The Hong Kong Public Offering—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 Thursday, March 9, 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If the application lists do not open and close on Thursday, March 9, 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 “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 Offer Shares on Wednesday, March 15, 2017 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at www.hcclhealthcare.com and the website of the 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.hcclhealthcare.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, March 15, 2017;
- from the designated results of allocations website at www.iporeresults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, March 15, 2017 to 12:00 midnight on Tuesday, March 21, 2017;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, March 15, 2017 to Saturday, March 18, 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, March 15, 2017 to Friday, March 17, 2017 at all the receiving bank branches and sub-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 Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in “Structure and Conditions 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong 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 the **White Form eIPO** service, 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 Sole Global Coordinator, 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 Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- 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 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 dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believes that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong 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\$15.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure and Conditions of the Global Offering—Conditions of the Global 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 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 Wednesday, March 15, 2017.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong 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 **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 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 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 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 Wednesday, March 15, 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 Thursday, March 16, 2017 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 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 Wednesday, March 15, 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 authorise 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 despatched 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 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 Wednesday, March 15, 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 Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, March 15, 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 Wednesday, March 15, 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 Offering Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- **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 "— 11. 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 Wednesday, March 15, 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong 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 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from 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 Wednesday, March 15, 2017, or such other date as notified by the Company in the newspapers as the date of despatch/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 Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, March 15, 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 despatched 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 despatched 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 Offer Shares

For the purposes of allocating Hong Kong 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 Wednesday, March 15, 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- 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 “11. Publication of Results” above on Wednesday, March 15, 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, March 15, 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 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 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 Wednesday, March 15, 2017. Immediately following the credit of the Hong Kong 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 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 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 Wednesday, March 15, 2017.

15. ADMISSION OF THE SHARES INTO CCASS

If the 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 advisors 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 Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

February 28, 2017

The Directors
Hospital Corporation of China Limited

China International Capital Corporation Hong Kong Securities Limited

Dear Sirs,

We report on the financial information of Hospital Corporation of China Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at December 31, 2014 and 2015 and September 30, 2016, the balance sheets of the Company as at December 31, 2014 and 2015 and September 30, 2016, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the period from February 21, 2014 (date of incorporation) to December 31, 2014 and the year ended December 31, 2015 and the nine months ended September 30, 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 III below for inclusion in Appendix IA to the prospectus of the Company dated February 28, 2017 (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 February 21, 2014 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. On January 26, 2016, the Company changed its registered name from "Grand Accordia Healthcare Group Co. Limited" to "Hospital Corporation of China Limited". Pursuant to the acquisition as described in Note 1.2 of Section II headed "Acquisition of Listing Business" below, which was completed on September 30, 2014, the Company became the holding company of the subsidiaries now comprising the Group.

As at the date of this report, the Company has direct or indirect interests in the subsidiaries as set out in Note 1.2 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.

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

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 place of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 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 International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (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 IFRSs. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the “ISAs”) issued by the International Auditing and Assurance Standards Board (“IAASB”) 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 IFRSs, 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 Hong Kong Institute of Certified Public Accountants.

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 Group and the Company as at December 31, 2014 and 2015 and September 30, 2016, and of the Group’s consolidated 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 IA 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 September 30, 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 International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the IAASB. 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 the ISAs 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 December 31, 2014 and 2015 and September 30, 2016, and for the period from February 21, 2014 (date of incorporation of the Company) to December 31, 2014 and the year ended December 31, 2015 and the nine months ended September 30, 2015 and 2016 (the "Financial Information").

The Financial Information is presented in Renminbi ("RMB") and all amounts are rounded to the nearest thousand yuan (RMB'000), unless otherwise stated.

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31,		As at
				September 30,
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	6	23,798	23,625	23,605
Intangible assets	7	1,088,808	1,085,351	1,082,759
Deferred income tax assets.....	19	—	249	397
Other receivables, deposits and prepayments.....	12	487	487	—
Total non-current assets		<u>1,113,093</u>	<u>1,109,712</u>	<u>1,106,761</u>
Current assets				
Available-for-sale financial assets	8	81,150	—	—
Inventories	9	851	1,180	1,961
Trade receivables	11	1,563	7,490	6,588
Other receivables, deposits and prepayments.....	12	469	3,682	10,045
Amounts due from related parties	13	79,787	166,861	37,725
Cash and cash equivalents.....	14	5,145	13,104	133,135
Total current assets		<u>168,965</u>	<u>192,317</u>	<u>189,454</u>
Total assets		<u>1,282,058</u>	<u>1,302,029</u>	<u>1,296,215</u>

	Note	As at December 31,		As at
				September 30,
		2014	2015	2016
		RMB'000	RMB'000	RMB'000
EQUITY				
Equity attributable to owners of the Company				
Share capital	15	—	—	65
Share premium	15	—	—	31,150
Reserves	17	1,037,045	1,044,847	1,047,119
Retained earnings		2,067	45,200	63,341
		1,039,112	1,090,047	1,141,675
Non-controlling interests	29(b)	22,102	38,492	44,752
Total equity		<u>1,061,214</u>	<u>1,128,539</u>	<u>1,186,427</u>
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	19	32,486	37,069	38,311
Accruals, other payables and provisions	21	—	—	9,721
Total non-current liabilities		<u>32,486</u>	<u>37,069</u>	<u>48,032</u>
Current liabilities				
Amounts due to related parties	13	103,998	51,296	22,278
Trade payables	20	1,994	2,919	3,992
Accruals, other payables and provisions	21	59,710	63,753	29,648
Current income tax liabilities		22,656	18,453	5,838
Total current liabilities		<u>188,358</u>	<u>136,421</u>	<u>61,756</u>
Total liabilities		<u>220,844</u>	<u>173,490</u>	<u>109,788</u>
Total equity and liabilities		<u>1,282,058</u>	<u>1,302,029</u>	<u>1,296,215</u>

COMPANY'S BALANCE SHEETS

	Note	As at December 31,		As at
		2014	2015	September 30,
		RMB'000	RMB'000	2016
				RMB'000
ASSETS				
Non-current assets				
Investment in subsidiaries	29(a)	1,038,400	1,038,400	1,039,788
Total non-current assets		<u>1,038,400</u>	<u>1,038,400</u>	<u>1,039,788</u>
Current assets				
Cash and cash equivalents.....		—	8	20,270
Amounts due from subsidiaries		162	171	196
Other receivables, deposits and prepayments.....	12	—	2,876	8,928
Total current assets		<u>162</u>	<u>3,055</u>	<u>29,394</u>
Total assets		<u>1,038,562</u>	<u>1,041,455</u>	<u>1,069,182</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	15	—	—	65
Share premium.....	15	—	—	31,150
Reserves		1,038,400	1,038,400	1,038,400
Accumulated losses.....		—	(5,268)	(19,302)
Total equity		<u>1,038,400</u>	<u>1,033,132</u>	<u>1,050,313</u>
LIABILITIES				
Non-current liabilities				
Accruals, other payables and provisions	21	—	—	1,388
Total non-current liabilities		<u>—</u>	<u>—</u>	<u>1,388</u>
Current liabilities				
Amounts due to related parties.....		162	6,789	7,923
Accruals, other payables and provisions.....	21	—	1,534	9,558
Total current liabilities		<u>162</u>	<u>8,323</u>	<u>17,481</u>
Total liabilities		<u>162</u>	<u>8,323</u>	<u>18,869</u>
Total equity and liabilities		<u>1,038,562</u>	<u>1,041,455</u>	<u>1,069,182</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	For the period from February 21, 2014 (date of incorporation) to		Nine months ended	
		December 31, 2014	Year ended December 31, 2015	September 30, 2015 2016	
		RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue.....	22	23,653	142,524	97,895	115,367
Cost of revenue.....	23	(7,763)	(41,395)	(28,944)	(49,020)
Gross profit		<u>15,890</u>	<u>101,129</u>	<u>68,951</u>	<u>66,347</u>
Selling expenses	23	—	(1)	(1)	(3)
Administrative expenses.....	23	(7,947)	(13,203)	(8,225)	(22,060)
Other (losses)/gains— net	24	(47)	(342)	(31)	871
Other income	25	—	2,477	977	1,081
Operating profit		<u>7,896</u>	<u>90,060</u>	<u>61,671</u>	<u>46,236</u>
Finance income-net	27	584	53	46	119
Profit before income tax		<u>8,480</u>	<u>90,113</u>	<u>61,717</u>	<u>46,355</u>
Income tax expense.....	28	(4,185)	(22,788)	(15,862)	(15,581)
Profit for the period/year		<u>4,295</u>	<u>67,325</u>	<u>45,855</u>	<u>30,774</u>
Other comprehensive income.....		—	—	—	—
Total comprehensive income		<u>4,295</u>	<u>67,325</u>	<u>45,855</u>	<u>30,774</u>
Profit and total comprehensive income attributable to:					
Owners of the Company.....		2,067	50,935	34,739	18,141
Non-controlling interests.....		2,228	16,390	11,116	12,633
		<u>4,295</u>	<u>67,325</u>	<u>45,855</u>	<u>30,774</u>
Earnings per share from profit attributable to owners of the Company					
- Basic and diluted earnings per share (in RMB).....	30	<u>213</u>	<u>5,251</u>	<u>3,581</u>	<u>1,832</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Sub-total	Attributable to non-controlling interests		Total equity	
	Share capital	Share premium	Reserves			RMB'000	RMB'000		RMB'000
			(Note 16&17)	Retained earnings					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at February 21, 2014									
(date of incorporation)	—	—	—	—	—	—	—		
Comprehensive income									
- Profit for the period	—	—	—	2,067	2,067	2,228	4,295		
Capital contribution by shareholder (Note 17)	—	—	1,038,400	—	1,038,400	—	1,038,400		
Deemed distribution to shareholder	—	—	(1,365)	—	(1,365)	—	(1,365)		
Acquisition of business (Note 32)	—	—	—	—	—	19,884	19,884		
Others	—	—	10	—	10	(10)	—		
Balance at December 31, 2014	<u>—</u>	<u>—</u>	<u>1,037,045</u>	<u>2,067</u>	<u>1,039,112</u>	<u>22,102</u>	<u>1,061,214</u>		
Balance at January 1, 2015	—	—	1,037,045	2,067	1,039,112	22,102	1,061,214		
Comprehensive income									
- Profit for the year	—	—	—	50,935	50,935	16,390	67,325		
Transfer of reserves	—	—	7,802	(7,802)	—	—	—		
Balance at December 31, 2015	<u>—</u>	<u>—</u>	<u>1,044,847</u>	<u>45,200</u>	<u>1,090,047</u>	<u>38,492</u>	<u>1,128,539</u>		
Balance at January 1, 2016	—	—	1,044,847	45,200	1,090,047	38,492	1,128,539		
Comprehensive income									
- Profit for the period	—	—	—	18,141	18,141	12,633	30,774		
Proceeds from share issued (Note 15).....	65	31,150	—	—	31,215	—	31,215		
Dividend (Note 18).....	—	—	—	—	—	(6,373)	(6,373)		
Shared-based payments (Note 16) ..	—	—	2,272	—	2,272	—	2,272		
At September 30, 2016	<u>65</u>	<u>31,150</u>	<u>1,047,119</u>	<u>63,341</u>	<u>1,141,675</u>	<u>44,752</u>	<u>1,186,427</u>		
(Unaudited)									
Balance at January 1, 2015	—	—	1,037,045	2,067	1,039,112	22,102	1,061,214		
Comprehensive income									
- Profit for the period	—	—	—	34,739	34,739	11,116	45,855		
At September 30, 2015	<u>—</u>	<u>—</u>	<u>1,037,045</u>	<u>36,806</u>	<u>1,073,851</u>	<u>33,218</u>	<u>1,107,069</u>		

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	For the period from	Year ended	Nine months ended	
		February 21, 2014		December	September 30,
		(date of	31, 2015	2015	2016
		incorporation) to			
		December 31, 2014			
		RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cash flows from operating activities					
Cash generated from operations	31	2,449	30,048	23,632	179,973
Income tax paid.....		—	(22,656)	(22,656)	(24,554)
Interests received.....		584	53	46	186
Net cash generated from operating activities		<u>3,033</u>	<u>7,445</u>	<u>1,022</u>	<u>155,605</u>
Cash flows from investing activities					
Net cash used in business combinations.....	32	(954,254)	—	—	—
Purchase of property, plant and equipment.....		(884)	(1,275)	(1,025)	(11,189)
Purchase of available-for-sale financial asset.....		(81,150)	(81,620)	(81,620)	—
Proceeds from disposal of available-for-sale financial asset		—	163,409	163,409	—
Net cash (used in)/received from investing activities		<u>(1,036,288)</u>	<u>80,514</u>	<u>80,764</u>	<u>(11,189)</u>
Cash flows from financing activities					
Repayment to related parties		—	(80,000)	(80,000)	—
Cash used in relation to the listing		—	—	—	(3,071)
Capital contribution from shareholder.	17	1,038,400	—	—	—
Proceeds from share issued.....	15	—	—	—	31,152
Dividend paid.....		—	—	—	(53,000)
Net cash received from/(used in) financing activities		<u>1,038,400</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>(24,919)</u>
Net increase in cash and cash equivalents		<u>5,145</u>	<u>7,959</u>	<u>1,786</u>	<u>119,497</u>
Cash and cash equivalents at beginning of period/year.....		—	5,145	5,145	13,104
Exchange gains on cash and cash equivalents		—	—	—	534
Cash and cash equivalents at end of period/year		<u>5,145</u>	<u>13,104</u>	<u>6,931</u>	<u>133,135</u>

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION, ACQUISITION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated in the Cayman Islands on February 21, 2014 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 PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. On January 26, 2016, the Company changed its registered name from "Grand Accordia Healthcare Group Co. Limited" to "Hospital Corporation of China Limited".

During the years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016, the Company is an investment holding company. The Company, together with its subsidiaries listed in Note 1.2 (collectively referred to as the "Group"), are principally engaged in (i) operation and management of its privately owned hospital, Shanghai Fuhua Hospital Co., Ltd. ("Fuhua Hospital") and (ii) provision of management and consultation services to a not-for-profit hospital, Shanghai Yangsi Hospital ("Yangsi Hospital") (together "the Listing Business") in the People's Republic of China (the "PRC").

The Company is controlled by Vanguard Glory Limited ("Vanguard Glory"), a subsidiary of Hony Capital Fund V GP, L.P., which is considered as the ultimate holding company of the Company.

The Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

1.2 Acquisition of Listing Business

Prior to the incorporation of the Company, the Listing Business was owned and operated by Weikang Investment Management Co., Ltd. ("Weikang Investment") and Fuhua Hospital (together, the "Acquired Companies").

Weikang Investment was established on April 15, 2002 in the PRC by Mr. Chen Zhixiong, Ms. Hu Jianlian, Ms. Zhang Wanzhen and Mr. Wang Jianjun, with a registered capital of RMB30,000,000, and is principally engaged in corporate investment management, investment consultancy, corporate management consultancy, corporate profile design and marketing analysis. On January 5, 2007, Weikang Investment founded Yangsi Hospital, a not-for-profit hospital registered as a privately-funded non-enterprise entity. On January 15, 2014, Weikang Investment acquired 100% equity interest in Fuhua Hospital from Zheng Guilan and Chen Ruifang. Fuhua Hospital and Yangsi Hospital are principally engaged in general hospital services.

On September 30, 2014 ("Acquisition Date"), New Pride Holdings Limited ("New Pride"), an indirectly wholly-owned subsidiary of the Company, completed its acquisition of 80% of the equity interest in Weikang Investment (the "Acquisition of Listing Business"), and thereby the operation of the Listing Business (refer to Note 32 for details).

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Country/ place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group				Principal activities/ place of operation
			December 31,		September 30,		
			2014	2015	2015	2016	
Directly owned:							
Acute Sky Holdings Limited (天銳控股有限公司) ("Acute Sky") (b)	The BVI, on January 2, 2014	US\$1	100%	100%	100%	100%	Investment holding, The BVI
Ever Surpass Investments Limited (恒越投資有限公司) ("Ever Surpass") (b)	The BVI, on December 10, 2013	US\$1	100%	100%	100%	100%	Investment Holding, The BVI
Indirectly owned:							
Bliss Success Holdings Limited (妙榮控股有限公司) ("Bliss Success") (d)	Hong Kong, on December 20, 2011	HK\$1	100%	100%	100%	100%	Investment Holding, Hong Kong
New Pride Holdings Limited (捷穎控股有限公司) (d)	Hong Kong, on April 11, 2012	HK\$1	100%	100%	100%	100%	Investment holding, Hong Kong
Honghe Yixin Investment Management (Shanghai) Co., Ltd.* (弘和醫信投資管理(上海)有限公司) ("Honghe Yixin") (c)	The PRC, on July 29, 2014	RMB30,000,000	100%	100%	100%	100%	Investment holding, The PRC
Tibet Honghe Zhiyuan Business Management Co., Ltd.* (西藏弘和志遠企業管理有限公司) ("Honghe Zhiyuan") (c)	The PRC, on October 10, 2014	RMB30,000,000	100%	100%	100%	100%	Management services, The PRC
Tibet Dazi Honghe Ruixin Business Management Co., Ltd.* (西藏達孜弘和瑞信企業管理有限公司) ("Honghe Ruixin") (c)	The PRC, on December 23, 2014	RMB500,000	80%	80%	80%	80%	Hospital management, The PRC
Shanghai Weikang Investment Management Co., Ltd.* (上海維康投資管理有限公司) (e)	The PRC, on April 15, 2002	RMB30,000,000	80%	80%	80%	80%	Hospital management, The PRC
Shanghai Fuhua Hospital Co., Ltd.* (上海福華醫院有限公司) (a)	The PRC, on October 17, 2007	RMB1,000,000	80%	80%	80%	80%	General hospital services, The PRC

Notes:

- * English translation is for identification purpose only. The English names of the 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.

- (a) Fuhua Hospital was established as a limited liability company on October 17, 2007. No statutory financial statements have been prepared for Fuhua Hospital for the financial year ended December 31, 2014. The statutory auditor of Fuhua Hospital for the financial year ended December 31, 2015 is Shanghai HDDY Certified Public Accountants Co., Ltd.
- (b) No statutory financial statements have been prepared for the Company as well as Acute Sky and Ever Surpass incorporated in the Cayman Islands and the BVI, respectively, since their respective dates of incorporation, as there is no statutory requirement for these companies to issue audited financial statements in their respective places of incorporation.
- (c) No statutory financial statements have been prepared for Honghe Zhiyuan, Honghe Yixin and Honghe Ruixin for the financial years ended December 31, 2014. The statutory auditor of Honghe Zhiyuan, Honghe Yixin and Honghe Ruixin for the financial year ended December 31, 2015 is Joinach Certified Public Accountants Co., Ltd. (北京中樂成會計師事務所有限公司).
- (d) No statutory financial statements have been prepared for New Pride and Bliss Success incorporated in Hong Kong since their respective dates of incorporation.
- (e) The statutory auditor of Weikang Investment for the financial years ended December 31, 2014 and 2015, and the nine months ended September 30, 2014 is Shanghai HDDY Certified Public Accountants Co., Ltd. (上海宏大東亞會計師事務所有限公司).

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 and periods 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 International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board (“IASB”) are set out below. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of the Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment 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 which are applicable to the Group and have not been early adopted by the Group:

		<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 7	Disclosure Initiative	1 January 2017
Amendments to IAS 12	Recognition of deferred tax	1 January 2017
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Lease	1 January 2019
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendment to IFRS 10 and IAS 28	Sale or Contribution of assets between an investor and its associate or joint venture	Deferred

Amendments to IAS 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 IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. An entity shall apply those amendments to IAS 7 for annual periods beginning on or after 1 January 2017.

Amendments to IAS 12 on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. An entity shall apply those amendments to IAS 12 for annual periods beginning on or after 1 January 2017.

IFRS 9 'Financial Instruments'. IFRS 9 (2014), 'Financial instruments' replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised 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: amortised 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. IFRS 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 IAS 39. IFRS 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 amortised 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. IFRS 9 also applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk.

IFRS 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 IFRS 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. IFRS 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 IFRS 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.

IFRS 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 2.21 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 non-cancellable operating lease commitments amounted to RMB12,333,000 (Note 33). IFRS 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 recognised 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. 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.

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 above, the directors of the Company do not expect the application of the new and revised IFRSs in issue but not yet effective will have significant impact on the financial performance and positions of the Group.

2.2 Subsidiaries

2.2.1 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.

(a) *Business combination*

The Group applies the acquisition method to account for business combinations. 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 assumed and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises 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 recognised 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 IFRS.

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 recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised 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 recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, 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. If the total of consideration transferred, non-controlling interest recognised 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 recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *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.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 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. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

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 operations of the Group are located in the PRC, the consolidated financial statements are 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 recognised in the income statement.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the income statement within 'finance income or expenses'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains — net'.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

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

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

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

— Buildings	20 years
— Medical equipment	5 years
— Vehicles	5 years
— Leasehold improvements	Shorter of remaining lease term vs. estimated useful lives
— Office equipment and furniture	3-10 years

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.

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

Construction-in-progress (the "CIP") represents buildings under construction and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the cost are transferred to buildings and depreciated 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 group of CGUs 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. It is not always necessary to determine both the fair value less costs to sell of disposal and its value in use. If either of these amounts exceeds the asset's carrying amount, the asset is not impaired and it is not necessary to estimate the other amount. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) *Medical licences*

Medical licences acquired in a business combination are recognised at fair value at the acquisition date. These medical licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives of approximately 13 years.

(c) *Contractual rights to provide management services*

Contractual rights to provide management services are the rights to provide management services to a hospital. These contractual rights acquired in a business combination are recognised at fair value at the acquisition date. These contractual rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the contractual terms of approximately 50 years.

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

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

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 balance sheet (Notes 11, 12, 13 and 14).

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised 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. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income.

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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.10 Impairment of financial assets

(a) *Assets carried at amortised 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 reorganisation, 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 recognised in the consolidated income statement. If a loan or held-to-maturity investment 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 recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset

previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted-average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.12 Trade and other receivables

Trade receivables are amounts due from patients and governments' social insurance schemes rendered 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows and consolidated balance sheets, 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.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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 payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised 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 and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 realised or the deferred income tax liability is settled.

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements 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 utilised.

(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.

2.17 Employee benefits

(a) *Pension obligations*

The Group companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the 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) *Share-based payments*

Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (including shares or share options) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Cash-settled share-based payment transactions

The Group operates a number of cash-settled share-based compensation plans, under which the entity receives services from employees by incurring liabilities for amounts that are based on the price (or value) of the entity's shares or other equity instruments of the entity (the share appreciation rights). The employee services received and the liability incurred is measured at the fair value of the liability.

The liability shall be measured, initially and at the end of each reporting period until settled, at the fair value of the share appreciation rights, by applying an option pricing model, taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered service to date.

At the end of each reporting period and at the date of settlement, the Group re-measures the fair value of the liability, with any changes in fair value recognized in profit or loss for the period.

Share-based payment transactions with cash alternatives

The Group operates a share-based compensation plan, under which the entity receives services from employees and the terms of the arrangement provide the employees with a choice of whether the entity settles the transaction in cash or by issuing equity instruments.

For this kind of share-based payment transactions, the Group is considered to have issued a compound financial instrument, which includes a debt component (the employees' right to demand payment in cash) and an equity component (the employees' right to demand settlement in equity instruments rather than in cash).

The Group measures the fair value of the compound financial instrument at the measurement date, taking into account the terms and conditions on which the rights to cash or equity instruments were granted. To apply this, the Group first measures the fair value of the debt component, and then measures the fair value of the equity component, taking into account that the counterparty must forfeit the right to receive cash in order to receive the equity instrument. The fair value of the compound financial instrument is the sum of the fair values of the two components.

The Group accounts separately for the services received in respect of each component of the compound financial instrument. For the debt component, the Group recognizes the services received and a liability to pay for those services in accordance with the requirements applying to cash-settled share-based payment transactions. For the equity component, the Group recognizes the services received and an increase in equity in accordance with the requirements applying to equity-settled share-based payment transactions.

At the date of settlement, the Group re-measure the liability to its fair value. If the Group issues equity instruments on settlement rather than paying cash, the liability shall be transferred direct to equity, as the consideration for the equity instruments issued. If the Group pays in cash on settlement rather than issuing equity instruments, that payment shall be applied to settle the liability in full. Any equity component previously recognized shall remain within equity.

Share-based payment transactions among group entities

The Company settling a share-based payment transaction when another entity in the Group receives the goods or services shall recognize the transaction as an equity-settled share-based payment transaction only if it is settled in the Company's own equity instruments. Otherwise, the transaction shall be recognized as a cash settled share-based payment transaction. In its separate financial statements, the Company records a debit, recognizing an increase in the investment in subsidiaries as a capital contribution from the parent and a credit to equity as no goods or services are received by the Company.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount 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 recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of 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 recognised as interest expense.

2.19 Revenue recognition

The Group's revenue is primarily derived from rendering hospital management services to a hospital, general hospital services and sales of pharmaceuticals.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the goods sold and services rendered in the ordinary course of the Group's activities, stated net of discounts and sales related taxes. The Group recognises 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 on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) *Hospital Management Services*

Hospital management services fee is recognised 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.

(b) *General Hospital Services*

Revenues from general Hospital services are recognised 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 social security card or cash.

(c) *Pharmaceutical Sales*

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

2.20 Interest income

Interest income is recognised using the effective interest method.

2.21 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.

2.22 Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the Group's and the Company's financial statements 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 currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the executive directors.

(a) *Market Risk*

(i) *Foreign exchange risk*

The Group runs its business inside the PRC, from which country the Group gain its revenue. The functional currency of all operating subsidiaries is RMB. As a result, the foreign exchange risk to the Group's financial performance is low.

(ii) *Price risk*

The Group is not exposed to significant commodity price risk. The wealth management product investments held by the Group are classified as available-for-sale financial asset. In consideration of the short maturity and relative stable price of wealth management products involved, the Group assesses the price risk is immaterial.

(iii) *Cash flow and fair value interest rate risk*

Borrowings obtained at variable rates expose the group to cash flow interest rate risk which is partially offset by cash and wealth management products held at variable rates. Borrowings obtained at fixed rates expose the group to fair value interest rate risk. The Group is not exposed to significant interest rate risk as the Group has no borrowings.

The directors of the Company do not anticipate any significant impact to the wealth management products as a result from changes in interest rates because of its short term maturity.

(b) Credit Risk

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

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

The Group mainly engages in providing management services to hospital and its largest customer is Yangsi Hospital which comprised 76% and 83% and 81% of total revenue during the period ended December 31, 2014 and the year ended December 31, 2015 and the nine months ended September 30, 2016. The settlement of management fee from Yangsi Hospital may take three to six months. Management makes periodic collective assessments as well as individual assessment on the recoverability of trade and other receivables, including, management fee, based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of trade and other receivables.

Management of the Group makes individual assessment on the recoverability of amounts due from related parties based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of amounts due from related parties.

(c) Liquidity Risk

The Group aims to maintain sufficient cash and cash equivalents 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	After 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2014					
Trade payables	1,994	—	—	—	1,994
Accruals and other payables (excluding accrued employee benefits, other taxes and advance from third parties)	53,916	—	—	—	53,916
Amounts due to related parties	<u>103,998</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>103,998</u>
	<u>159,908</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>159,908</u>
At December 31, 2015					
Trade payables	2,919	—	—	—	2,919
Accruals and other payables (excluding accrued employee benefits, other taxes and advance from third parties)	55,816	—	—	—	55,816
Amounts due to related parties	<u>51,296</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>51,296</u>
	<u>110,031</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>110,031</u>
At September 30, 2016					
Trade payables	3,992	—	—	—	3,992
Accruals and other payables (excluding accrued employee benefits, other taxes and advance from third parties)	19,824	—	—	—	19,824
Amounts due to related parties	<u>22,278</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,278</u>
	<u>46,094</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>46,094</u>

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 shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the 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 December 31, 2014 and 2015 and September 30, 2016 was as follows:

	As at December 31,		As at
	2014	2015	September 30, 2016
The liability-to-asset ratio.....	<u>17%</u>	<u>13%</u>	<u>8%</u>

There were no changes in the Group's approach to capital management during the Relevant Periods.

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 at December 31, 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised 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).

The following table presents the Group's assets that are measured at fair value at December 31, 2014.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Available-for-sale financial assets				
Wealth management contract				
- Wealth management contract with floating rates	—	—	81,150	81,150
Total assets	<u>—</u>	<u>—</u>	<u>81,150</u>	<u>81,150</u>

There were no transfers between levels 1, 2 and 3 during the year.

At December 31, 2015 and September 30, 2016, there is no financial instruments of the Group is required to be measured at fair value.

(a) *Financial instruments in level 3*

The following table presents the changes in level 3 instruments for the years ended December 31, 2014 and December 31, 2015 and the nine months ended September 30, 2016, respectively.

	Wealth management products with floating rates		
	For the period	Year ended	Nine months
	ended	December 31,	ended
	December 31,	December 31,	September 30,
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Opening balance	—	81,150	—
Addition	81,150	81,620	—
Settlements	—	(163,409)	—
Gains and losses recognised in profit or loss	—	639	—
Closing balance.....	<u>81,150</u>	<u>—</u>	<u>—</u>
Total gains or losses for the year included in profit or loss under “Other (losses)/gains — net”	—	639	—
Changes in unrealised gains or losses for the year included in profit or loss at the end of the year.....	<u>—</u>	<u>—</u>	<u>—</u>

Available-for-sale financial assets are wealth management products held by the Group which was effective on December 5, 2014, December 5, 2014 and January 27, 2015, respectively and fell due on January 7, January 14 and February 12, 2015, respectively. The fair value of the wealth management products held by the Group is approximate to the book value and relevant fair value gain/loss and financial impact of changes in interest rate are minimal because of short term maturity while the duration of two contracts are ranging from 33 to 40 days.

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 judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements 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. 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 and market data.

The basis for the key assumptions used in the impairment testing as of September 30, 2016 (estimates based on the operations during the nine months ended September 30, 2016) are as follows:

(i) *Revenue (% compound growth rates)*

The revenue compound growth rates for the eight-year projection period is based on the Company's forecast of its average revenue growth rate from 2016 to 2023. In particular, the Company's management has estimated that the compound growth rate of its general hospital services segment revenue will be 9.69% during the period and the compound growth rate of its hospital management services segment revenue will be 9.65%. Frost and Sullivan has forecasted that the market size of Shanghai non-public hospitals will experience rapid growth with a Compound Annual Growth Rate ("CAGR") of 10.7%, starting from 2016 to 2023. The Company considers the CAGR, business transition strategy and other market forecasts in estimating these growth rates.

(ii) *Cost and operation expenses (% of revenue)*

The cost and operation expenses (% of revenue) for its general hospital services segment and its hospital management services segment for the eight-year forecast period are determined on the basis of management's past experience.

(iii) *Long-term growth rate*

The 3% long-term growth rate after the eight-year forecast period is estimated on the basis of the inflation rate of China. 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.

(iv) *Discount rates*

The discount rates for the eight-year forecast period and after that period are determined by reference to discount rates provided by an independent valuer. Discount rates were estimated based on the weighted average cost of capital ("WACCs") with reference to the industry risk premium and the debt to equity ratio of some guideline companies in China healthcare sector.

Changes in the conditions for these estimates and assumptions can significantly affect the assessed result of goodwill impairment test.

For the sensitivity analysis and other details, please refer to Note 7 to financial information in Accountant's report.

No impairment was charged during the years ended December 31, 2014 and 2015 and nine months ended September 30, 2016.

(b) *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 judgment is required from the Group 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 income tax and deferred tax provisions in the period in which such determination is made.

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

(c) *Purchase price allocation*

The application of business combination accounting requires the use of significant estimates and assumptions. The purchase method of accounting for business combinations requires the Group to estimate the fair value of identifiable assets acquired and liabilities assumed. This exercise 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.

An asset is identifiable if it either:

- (a) is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- (b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

(d) *Consolidation*

Not-for-profit hospital founded by Weikang Investment

Yangsi Hospital, a not-for-profit hospital, was founded by Weikang Investment, a subsidiary acquired by the Company in September 2014. Despite the fact that Weikang Investment founded the hospital, Weikang Investment is not entitled to the dividend of the hospital in accordance with relevant PRC rules and regulation. Weikang Investment and its affiliate have entered into agreements with the hospital in which the Group obtains contractual rights to provide management services of the not-for-profit hospital for certain periods and is entitled to receive performance-based management fees during Relevant Periods.

The Group has exercised significant judgments in determining whether the Group has control over hospital. In exercising such judgment, the Group considers the purpose and design of the hospital, what the relevant activities are and how decisions about those activities are made, whether the rights of the Group gives the current ability to direct the relevant activities, whether rights exercisable by other parties as internal governance body members are substantive, whether the Group is exposed, or has rights, to variable returns from its involvement with the hospital, and whether the Group has the ability to use its power over the hospital to affect the amount of the Group's returns.

After assessment, the management has concluded that the Group does not have the decision making power over internal governance body to direct the relevant activities of the not-for-profit hospital, so the Group does not control and thus does not consolidate the not-for-profit hospital. Instead, agreements are considered as management contracts to generate management service income.

5 SEGMENT INFORMATION

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

The CODM considers the business from both the service and product perspective. When the group companies have similar economic characteristics, and the segments are similar in each of the following respects: (i) the nature of the products and services; (ii) the nature of the production processes; (iii) the type or class of customer 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, the Group's operating segments are aggregated. In the view of CODM, the Group is principally engaged in two different segments which are subject to different business risks and different economic characteristics and the Group's operating and reportable segments for segment reporting purpose are as follows:

The Group assesses the performance of the operating segments based on a measure of earnings before interests, income tax, depreciation and amortisation ("EBITDA").

(a) *General hospital services*

Revenue from this segment is derived from hospital services provided at Fuhua Hospital.

(b) *Hospital management services*

The Group provides comprehensive management services to Yangsi Hospital under hospital management agreements and receives management service fee.

(c) *Unallocated*

The “Unallocated” category represents the headquarter expenses.

Segment information about the Group's reportable segment is presented below.

	General hospital services	Hospital management services	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the period from February 21, 2014 to December 31, 2014				
Revenue from external customers.....	5,275	18,378	—	23,653
EBITDA	83	16,263	—	16,346
Depreciation	(93)	(453)	(442)	(988)
Amortization	(287)	(769)	—	(1,056)
Finance income — net	—	584	—	584
Headquarter expenses except for depreciation and amortization			(6,406)	(6,406)
Profit before tax	(297)	15,625	(6,848)	8,480
As at December 31, 2014				
Segment assets.....	20,839	298,706	3,649	323,194
Goodwill.....	7,948	950,916	—	958,864
Total assets	28,787	1,249,622	3,649	1,282,058
Total liabilities.....	10,237	198,797	11,810	220,844
Other Segment information for the period from February 21, 2014 to December 31, 2014				
Depreciation, amortization and impairment	(380)	(1,222)	(442)	(2,044)
Additions of non-current assets except for goodwill	16,676	135,823	3,287	155,786

	General hospital services	Hospital management services	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2015				
Revenue from external customers.....	23,447	119,077	—	142,524
EBITDA	923	104,057	—	104,980
Depreciation	(531)	(1,755)	(1,166)	(3,452)
Amortization.....	(1,150)	(2,307)	—	(3,457)
Finance income — net	4	49	—	53
Headquarter expenses except for depreciation and amortization.....			(8,011)	(8,011)
Profit before tax	(754)	100,044	(9,177)	90,113
As at December 31, 2015				
Segment assets.....	26,773	311,222	5,170	343,165
Goodwill.....	7,948	950,916	—	958,864
Total assets	34,721	1,262,138	5,170	1,302,029
Total liabilities.....	16,742	128,791	27,957	173,490
Other Segment information for the year ended December 31, 2015				
Depreciation, amortization and impairment	(2,675)	(4,062)	(1,166)	(7,903)
Additions of non-current assets except for goodwill	984	2,213	82	3,279
Nine months ended September 30, 2016				
Revenue from external customers	21,089	94,278	—	115,367
EBITDA	1,145	65,697	—	66,842
Depreciation	(458)	(1,363)	(890)	(2,711)
Amortization.....	(863)	(1,729)	—	(2,592)
Finance income - net	9	177	—	186
Headquarter expenses except for depreciation and amortization.....			(15,370)	(15,370)
Profit before tax	(167)	62,782	(16,260)	46,355
As at September 30, 2016				
Segment assets.....	28,392	290,976	17,983	337,351
Goodwill.....	7,948	950,916	—	958,864
Total assets	36,340	1,241,892	17,983	1,296,215
Total liabilities.....	17,810	86,538	5,440	109,788

	General hospital services	Hospital management services	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Other Segment information for the nine months ended September 30, 2016				
Depreciation, Amortization and impairment.....	(1,321)	(3,092)	(890)	(5,303)
Addition of non-current assets except for goodwill	<u>661</u>	<u>2,030</u>	<u>—</u>	<u>2,691</u>
Nine months ended September 30, 2015 (Unaudited)				
Revenue from external customers	<u>15,875</u>	<u>82,020</u>	<u>—</u>	<u>97,895</u>
EBITDA	424	71,118		71,542
Depreciation	(388)	(1,317)	(878)	(2,583)
Amortization.....	(863)	(1,729)	—	(2,592)
Finance income - net	<u>4</u>	<u>42</u>	—	46
Headquarter expenses except for depreciation and amortization.....			<u>(4,696)</u>	<u>(4,696)</u>
Profit before tax	<u>(823)</u>	<u>68,114</u>	<u>(5,574)</u>	<u>61,717</u>
Other Segment information for the nine months ended September 30, 2015 (Unaudited)				
Depreciation, Amortization and impairment.....	(1,931)	(3,046)	(878)	(5,855)
Addition of non-current assets except for goodwill	<u>905</u>	<u>1,647</u>	<u>36</u>	<u>2,588</u>

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Medical equipment	Office equipment, furniture and motor vehicles	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Period ended December 31, 2014						
Opening net amount.....	—	—	—	—	—	—
Additions.....	—	2,574	75	713	—	3,362
Business combinations (Note 32).....	19,128	352	552	1,392	—	21,424
Depreciation charge.....	(412)	(427)	(29)	(120)	—	(988)
Closing net amount.....	<u>18,716</u>	<u>2,499</u>	<u>598</u>	<u>1,985</u>	<u>—</u>	<u>23,798</u>
At December 31, 2014						
Cost.....	19,128	2,926	627	2,105	—	24,786
Accumulated depreciation.....	(412)	(427)	(29)	(120)	—	(988)
Net amount.....	<u>18,716</u>	<u>2,499</u>	<u>598</u>	<u>1,985</u>	<u>—</u>	<u>23,798</u>
Year ended December 31, 2015						
Opening net amount.....	18,716	2,499	598	1,985	—	23,798
Additions.....	—	902	94	82	2,201	3,279
Depreciation charge.....	(1,587)	(1,210)	(162)	(493)	—	(3,452)
Closing net amount.....	<u>17,129</u>	<u>2,191</u>	<u>530</u>	<u>1,574</u>	<u>2,201</u>	<u>23,625</u>
At December 31, 2015						
Cost.....	19,128	3,828	721	2,187	2,201	28,065
Accumulated depreciation.....	(1,999)	(1,637)	(191)	(613)	—	(4,440)
Net amount.....	<u>17,129</u>	<u>2,191</u>	<u>530</u>	<u>1,574</u>	<u>2,201</u>	<u>23,625</u>
Nine months ended 30 September 2016						
Opening net amount.....	17,129	2,191	530	1,574	2,201	23,625
Additions.....	—	411	—	354	1,926	2,691
Transfer upon completion.....	4,127	—	—	—	(4,127)	—
Depreciation charge.....	(1,234)	(966)	(102)	(409)	—	(2,711)
Closing net amount.....	<u>20,022</u>	<u>1,636</u>	<u>428</u>	<u>1,519</u>	<u>—</u>	<u>23,605</u>
At September 30, 2016						
Cost.....	23,255	4,239	721	2,541	—	30,756
Accumulated depreciation.....	(3,233)	(2,603)	(293)	(1,022)	—	(7,151)
Net amount.....	<u>20,022</u>	<u>1,636</u>	<u>428</u>	<u>1,519</u>	<u>—</u>	<u>23,605</u>

Depreciation expense of RMB505,000, RMB2,118,000, RMB1,575,000 and RMB1,696,000 has been charged in 'cost of revenue' and RMB483,000, RMB1,334,000, RMB1,008,000 and RMB1,015,000 in 'administrative expenses' for the period from February 21, 2014 to December 31, 2014 and the year ended December 31, 2015 and the nine months ended September 30, 2015 and 2016, respectively.

The Group's land and buildings have certain title defects. The Group does not hold the land use right certificates or building ownership certificates for the relevant properties, nor the construction work planning permits, commencement permits or completion inspection certificates. The Group has not yet obtained properties title certificates and is in the process of obtaining ownership certificates for all its properties.

Furthermore, PRC legal advisors of the Group have advised that the title defects on the land and buildings will not create any substantive legal obstacle for the Group to continue using the land and the buildings located on it or cause suspension to the operations of the Group. The management of the Group reasonably and firmly believes that the risk of the Group being required to suspend using the land and buildings is extremely remote. Moreover, the management has considered and assessed the feasibility of relocation and made a relocation plan accordingly. In addition, the controlling shareholders have confirmed to the management of the Group that they have sufficient financial resources (including capital commitments of the limited partners of Hony Fund V and assets of Hony Fund V) to fully indemnify the Group for any damages or costs incurred in relation to the title defects.

Based on the aforementioned facts, the directors of the Company are of the view that:

- (i) The title defects of the land and buildings did not have a significant impact on the operation and going concern issue related to the basis of preparation of the financial information of the Group during the periods; and
- (ii) Any damages or costs incurred in relation to the title defects of the land and building will be indemnified by the controlling shareholders of the Company, thus there will be no significant financial impact on the financial information of the Group.

The acquisition cost of buildings is comprising of the land and its building cost. According to an independent valuer, due to the title defects, it is infeasible and impractical to separately evaluate the fair value of the land and the buildings, which would be required to split the value between land and building cost. The directors of the Company consider as there is no reasonable basis to allocate the consideration to the land and the buildings located thereon, respectively, the total consideration has been recognized in the 'Property, Plant and Equipment' as buildings and depreciated over the estimated useful lives of 20 years. The directors of the Company is of the view that the reclassification of non-current assets in the balance sheet and the difference between depreciation and amortization charges resulting from different useful lives is immaterial.

7 INTANGIBLE ASSETS

	Goodwill	Contractual rights to provide management services	Medical licenses	Total
	RMB'000 (Note b)	RMB'000 (Note a)	RMB'000	RMB'000
Period ended December 31, 2014				
Opening net amount.....	—	—	—	—
Business combinations (Note 32)	958,864	116,000	15,000	1,089,864
Amortisation	—	(769)	(287)	(1,056)
Closing net amount	<u>958,864</u>	<u>115,231</u>	<u>14,713</u>	<u>1,088,808</u>
At December 31, 2014				
Cost	958,864	116,000	15,000	1,089,864
Accumulated amortisation	—	(769)	(287)	(1,056)
Net amount	<u>958,864</u>	<u>115,231</u>	<u>14,713</u>	<u>1,088,808</u>
Year ended December 31, 2015				
Opening net amount.....	958,864	115,231	14,713	1,088,808
Amortisation	—	(2,306)	(1,151)	(3,457)
Closing net amount	<u>958,864</u>	<u>112,925</u>	<u>13,562</u>	<u>1,085,351</u>
At December 31, 2015				
Cost	958,864	116,000	15,000	1,089,864
Accumulated amortisation	—	(3,075)	(1,438)	(4,513)
Net amount	<u>958,864</u>	<u>112,925</u>	<u>13,562</u>	<u>1,085,351</u>
Nine months ended September 30, 2016				
Opening net amount.....	958,864	112,925	13,562	1,085,351
Amortisation	—	(1,730)	(862)	(2,592)
Closing net amount	<u>958,864</u>	<u>111,195</u>	<u>12,700</u>	<u>1,082,759</u>
At September 30, 2016				
Cost	958,864	116,000	15,000	1,089,864
Accumulated amortisation	—	(4,805)	(2,300)	(7,105)
Net amount	<u>958,864</u>	<u>111,195</u>	<u>12,700</u>	<u>1,082,759</u>

(a) *Contractual rights to provide management services*

On January 1, 2013, Weikang Investment entered into a Hospital Management Framework Agreement (“HMFA”) arrangement with Yangsi Hospital. Pursuant to the HMFA arrangement, Weikang Investment provides management services to Yangsi Hospital for a period of 6 years from 2013 to 2018.

On September 23, 2014, the executive committee of Yangsi Hospital passed a resolution to extend the HMFA arrangement period to 2064. Accordingly, on October 8, 2014, Yangsi Hospital further signed a letter of intent with Weikang Investment pursuant to the resolution.

Amortisation expense of RMB769,000, RMB2,306,000, RMB1,730,000 and RMB1,730,000 was charged in ‘cost of revenue’ for the period from February 21, 2014 to December 31, 2014 and the year ended December 31, 2015 and the nine months ended September 30, 2015 and 2016, respectively.

The fair value of the contractual rights to provide management services between Weikang Investment and Yangsi Hospital (“Contractual Rights”) was established using a form of the income approach known as the excess earnings method. In the excess earnings method, value is estimated as the present value of the benefits anticipated from ownership of the subject intangible asset in excess of the returns required on the investment in the contributory assets necessary to realize those benefits. The key assumptions used when valuing the Contractual Rights as of the acquisition date were:

(i) Revenue compound growth rate of Yangsi Hospital

With consideration of reputation of Yangsi hospital, market demand for healthcare services and industry growth rate, the management of the Company estimated that the revenue of Yangsi Hospital would grow at a compound annual growth rate of 10.22% from 2014 to 2022 and 3.00% from 2022 to 2064.

(ii) Management fee ratio

The management of the Company estimated the ratio of management fee paid by Yangsi Hospital to Weikang Investment (“Management Fee Ratio”) would decrease gradually from 15.00% in 2015 to 1.00% in 2018 and 1.00% from 2018 to 2064.

(iii) Discount rate

The resulting excess earning was discounted at 14.4%. The discount rate was determined based on a market participant’s required rate of return for the risks of acquired business, as determined by the Capital Asset Pricing Model (“CAPM”), plus relative risk premium of the management service contract. The relative risk premium was determined with consideration of the risk profile of the management service contract, relative to the acquired business’s overall weighted average portfolio of the assets.

(b) *Impairment tests for goodwill*

Goodwill of RMB958,864,000 is resulted from acquisitions of subsidiaries in 2014 (Note 32). These subsidiaries are principally engaged in the provision of hospital management services and general hospital services in the PRC.

Management reviews the business performance of each operating segment. Goodwill is monitored by the management at the operating segment level.

The following is a summary of goodwill allocation for each operating segment:

	<u>Opening</u>	<u>Addition</u>	<u>Impairment</u>	<u>Closing</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Period ended December 31, 2014				
General hospital services segment.....	—	7,948	—	7,948
Hospital management services segment.....	—	950,916	—	950,916
	<u>—</u>	<u>958,864</u>	<u>—</u>	<u>958,864</u>
Year ended December 31, 2015				
General hospital services segment.....	7,948	—	—	7,948
Hospital management services segment.....	950,916	—	—	950,916
	<u>958,864</u>	<u>—</u>	<u>—</u>	<u>958,864</u>
Nine months ended September 30, 2016				
General hospital services segment.....	7,948	—	—	7,948
Hospital management services segment.....	950,916	—	—	950,916
	<u>958,864</u>	<u>—</u>	<u>—</u>	<u>958,864</u>

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.

General hospital services segment

For general hospital services segment with significant amount of goodwill, the key assumptions, long-term growth rate and discount rate used in the value-in-use calculations as of December 31, 2014 and 2015 and September 30, 2016, are as follows.

	General hospital services segment		
	2014	2015	2016
Revenue (% compound growth rate).....	16.87%	9.69%	9.69%
Costs and operating expenses (% of revenue)	88.00%	85.00%	85.00%
Long-term growth rate	3.00%	3.00%	3.00%
Pre-tax discount rate	15.78%	16.36%	16.63%
Recoverable amount of operating segment (RMB'000).....	36,981	36,522	39,637

These assumptions have been used for the analysis of general hospital services segment.

Revenue compound growth rate is for the eight-year forecast period. It is based on past performance and management's expectations of market development.

The percentage of costs and operating expenses of revenue is the average percentages over the eight-year forecast period. It is based on the current margin levels, with adjustments made to reflect the expected future price rises in labour, rental and relevant equipment, which management does not expect to be able to pass on to customers through price increases.

The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. By reference to relevant accounting standards, the future cash flows used in value-in-use calculations to assess the goodwill impairment of the general hospital services segment did not include income tax receipts or payments, and thus the management of the Company used the pre-tax discount rate to match the future cash flows when calculating the recoverable amount of the general hospital services segment.

The table below sets forth each key assumption for the eight-year forecast period as of each period/year end (estimates based on the operations for the periods indicated) used in goodwill impairment testing and the breakeven point of such key assumptions:

	Period ended December 31, 2014		Year ended December 31, 2015		Nine months ended September 30, 2016	
	Key assumption	Breakeven point	Key assumption	Breakeven point	Key assumption	Breakeven point
Percentage of the compound growth rate of revenue	16.87%	-1.50%	9.69%	-17.19%	9.69%	-19.72%
Percentage of costs and operating expenses over revenue.....	88.00%	94.32%	85.00%	91.65%	85.00%	91.89%
Percentage of the pre-tax discount rate*	15.78%	23.62%	16.36%	27.35%	16.63%	30.33%

Hospital Management Services Segment

For hospital management services segment with significant amount of goodwill, the key assumptions, long-term growth rate and discount rate used in the value-in-use calculations as of December 31, 2014 and 2015 and September 30, 2016, are as follows.

	Hospital management services segment		
	2014	2015	2016
Revenue (% compound growth rate).....	17.45%	9.59%	9.65%
Costs and operating expenses (% of revenue)	9.95%	9.95%	10.02%
Long-term growth rate	3.00%	3.00%	3.00%
Pre-tax discount rate	14.63%	14.67%	14.70%
Recoverable amount of operating segment (RMB'000).....	1,347,858	1,448,760	1,511,421

These assumptions have been used for the analysis of hospital management services segment.

Revenue compound growth rate is for the eight-year forecast period. It is based on past performance and management's expectations of market development.

* same for the eight-year forecast period and after that period

The percentage of costs and operating expenses of revenue is the average percentages over the eight-year forecast period. It is based on the current margin levels, with adjustments made to reflect the expected future price rises in labour, rental and relevant equipment, which management does not expect to be able to pass on to customers through price increases.

The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. By reference to relevant accounting standards, the future cash flows used in value-in-use calculations to assess the goodwill impairment of the hospital management services segment did not include income tax receipts or payments, and thus the management of the Company used the pre-tax discount rate to match the future cash flows when calculating the recoverable amount of the hospital management services segment.

The table below sets forth each key assumption for the eight-year forecast period as of each period/year end (estimates based on the operations for the periods indicated) used in goodwill impairment testing and the breakeven point of such key assumptions:

	Period ended December 31, 2014		Year ended December 31, 2015		Nine months ended September 30, 2016	
	Key assumption	Breakeven point	Key assumption	Breakeven point	Key assumption	Breakeven point
Percentage of the compound growth rate of revenue.....	17.45%	16.56%	9.59%	8.68%	9.65%	8.23%
Percentage of costs and operating expenses over revenue.....	9.95%	13.80%	9.95%	14.20%	10.02%	16.66%
Percentage of the pre-tax discount rate*	14.63%	15.10%	14.67%	15.21%	14.70%	15.62%

* Same for the eight-year forecast period and after that period.

No impairment was charged during the period ended December 31, 2014 and year ended December 31, 2015 and the nine months ended September 30, 2016, respectively.

8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at December 31,		As at
			September
	2014	2015	30,
	RMB'000	RMB'000	2016
			RMB'000
Opening balance	—	81,150	—
Addition	81,150	81,620	—
Disposal.....	—	(163,409)	—
Gains recognised in profit or loss	—	639	—
Ending balance	<u>81,150</u>	<u>—</u>	<u>—</u>

	As at December 31,		As at
			September
	2014	2015	30,
	RMB'000	RMB'000	2016
			RMB'000
Wealth management products:			
Wealth management products with floating rate and the date of maturity was January 14, 2015	72,830	—	—
Wealth management products with floating rate and the date of maturity was January 7, 2015	<u>8,320</u>	<u>—</u>	<u>—</u>
	<u>81,150</u>	<u>—</u>	<u>—</u>

The available-for-sale financial assets are denominated in RMB.

Available-for-sale financial assets are wealth management products held by the Group which started on December 5, 2014, December 5, 2014 and January 27, 2015, respectively and fell due on January 7, January 14 and February 12, 2015, respectively. The fair value of the wealth management products held by the Group is approximate to the book value and relevant fair value gain/loss and financial impact of changes in interest rate are minimal because of short term maturity while the duration of two contracts are ranging from 33 to 40 days.

9 INVENTORIES

	As at December 31,		As at September
			30,
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Pharmaceuticals	759	1,145	1,828
Medical consumables	92	35	133
	<u>851</u>	<u>1,180</u>	<u>1,961</u>

The cost of inventories recognised as expense and included in 'cost of revenue' amounted to RMB2,746,000, RMB12,836,000, RMB8,571,000 and RMB12,533,000 for the period ended December 31, 2014 and the year ended December 31, 2015 and the nine months ended September 30, 2015 and 2016, respectively.

10 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables		
	As at December 31,		As at September
	2014	2015	30,
	RMB'000	RMB'000	2016
	RMB'000	RMB'000	RMB'000
Assets as per consolidated balance sheets			
Trade receivables	1,563	7,490	6,588
Other receivables and deposits	544	585	607
Amounts due from related parties	79,787	166,861	37,725
Cash and cash equivalents.....	<u>5,145</u>	<u>13,104</u>	<u>133,135</u>
	<u>87,039</u>	<u>188,040</u>	<u>178,055</u>

	Available-for-sale financial asset		
	As at December 31,		As at September
	2014	2015	30,
	RMB'000	RMB'000	2016
	RMB'000	RMB'000	RMB'000
Assets as per consolidated balance sheets			
Available-for-sale financial asset.....	<u>81,150</u>	<u>—</u>	<u>—</u>

	Financial liabilities at amortised costs		
	As at December 31,		As at
	2014		September 30,
	RMB'000	2015	2016
	RMB'000	RMB'000	RMB'000
Liabilities as per consolidated balance sheets			
Trade payables	1,994	2,919	3,992
Accruals and other payables (excluding accrued employee benefits, other tax liabilities and advance from third parties)	53,916	55,816	19,824
Amounts due to related parties.....	103,998	51,296	22,278
	<u>159,908</u>	<u>110,031</u>	<u>46,094</u>

11 TRADE RECEIVABLES

	As at December 31,		As at
	2014		September 30,
	RMB'000		2016
	RMB'000	RMB'000	RMB'000
Trade receivables	1,563	8,484	7,582
Less: provision for impairment of trade receivables	—	(994)	(994)
Trade receivables — net	<u>1,563</u>	<u>7,490</u>	<u>6,588</u>

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

As at December 31, 2014 and 2015 and September 30, 2016, the ageing analysis based on invoice date of the trade receivables was as follows:

	As at December 31,		As at
	2014		September 30,
	RMB'000		2016
	RMB'000	RMB'000	RMB'000
1 - 60 days	1,563	4,463	4,624
61 - 180 days.....	—	4,021	864
181 days - 1 year.....	—	—	2,094
	<u>1,563</u>	<u>8,484</u>	<u>7,582</u>

The Group's trade receivables past due but not impaired were nil, RMB1,491,000 and RMB87,000 as at December 31, 2014 and 2015 and September 30, 2016. These mainly related to the amounts to be claimed from local social insurance bureau and similar government departments who are responsible for the reimbursement of medical expenses for patients who are covered by government medical insurance schemes. The management considers that based on past experience, the amounts can be recovered. The ageing analysis of these trade receivables was as follows:

	As at December 31,		As at
			September
	2014	2015	30,
	RMB'000	RMB'000	2016
			RMB'000
1 - 60 days	—	—	—
61 - 180 days.....	—	1,491	—
181 days - 1 year.....	—	—	87
	—	1,491	87

The Group's trade receivables impaired were nil, RMB994,000 and RMB994,000 as at December 31, 2014 and 2015 and September 30, 2016. The ageing analysis of the trade receivables was as follows:

	As at December 31,		As at
			September
	2014	2015	30,
	RMB'000	RMB'000	2016
			RMB'000
1 - 60 days	—	—	—
61 - 180 days.....	—	994	—
181 days - 1 year.....	—	—	994
	—	994	994

Movement on the Group's provision for impairment of trade receivables are as follows:

	RMB'000
Balance at February 21, 2014	—
Provision for receivables.....	—
Balance at December 31, 2014	—

	<u>RMB'000</u>
Balance at January 1, 2015	—
Provision for receivables.....	994
Balance at December 31, 2015	<u>994</u>
Balance at January 1, 2016	994
Provision for receivables	—
Balance at September 30, 2016	<u>994</u>

The provision for receivables impairment have been included in “administrative expenses” in the consolidated statements of comprehensive income. Amounts are generally written off, when there is no expectation of recovering additional cash.

12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group

	<u>As at December 31,</u>		<u>As at</u> <u>September</u>
	<u>2014</u>	<u>2015</u>	<u>30,</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>2016</u>
Other receivables	57	98	108
Prepayment for professional service fee in respect of listing preparation	—	2,876	8,928
Prepayments for rental	392	484	273
Other prepayment.....	20	224	237
Deposits.....	<u>487</u>	<u>487</u>	<u>499</u>
Total	<u>956</u>	<u>4,169</u>	<u>10,045</u>
Less: non-current portion	<u>487</u>	<u>487</u>	—
Current portion	<u>469</u>	<u>3,682</u>	<u>10,045</u>

Company

	As at December 31,		As at
			September
	2014	2015	30,
	RMB'000	RMB'000	2016
			RMB'000
Prepayments for professional service fee in respect of listing preparation	—	2,876	8,928
Total	—	2,876	8,928
Less: non-current portion	—	—	—
Current portion	—	2,876	8,928

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 December 31, 2014 and 2015 and September 30, 2016, the balances with related parties are unsecured, interest free, receivable/repayable on demand and are denominated in RMB.

Group

	As at December 31,		As at
			September 30
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Amounts due from related parties			
- Trade in nature			
Yangsi Hospital	79,782	166,827	37,424
- Others			
Yangsi Hospital	5	34	283
Grand Roc Holdings Limited	—	—	8
Midpoint Honour Limited	—	—	10
	<u>79,787</u>	<u>166,861</u>	<u>37,725</u>

As at December 31, 2014 and 2015 and September 30, 2016, the ageing analysis based on trading date of the trade receivables due from related party was as follows:

	As at December 31,		As at September 30,
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within 30 days	18,071	38,444	32,707
30 to 90 days	—	—	—
90 to 180 days	46,571	27,936	4,717
More than 180 days	15,140	100,447	—
	<u>79,782</u>	<u>166,827</u>	<u>37,424</u>

As at December 31, 2014 and 2015 and September 30, 2016, none of the relevant receivables was individually determined to be impaired.

	As at December 31,		As at September 30,
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Amounts due to related parties			
- Others			
Vanguard Glory Limited	162	6,789	7,923
Yangsi Hospital	92,662	24,419	12,876
Hony Capital Management (Tianjin) L.P.	9,819	18,650	—
Hony Capital Fund V, L.P.	1,355	1,438	1,479
	<u>103,998</u>	<u>51,296</u>	<u>22,278</u>

Amounts due to non-controlling shareholder of subsidiaries was recorded in other payables (Note 21).

Their carrying values due as at December 31, 2014 and 2015 and September 30, 2016, approximate their fair values.

14 CASH AND CASH EQUIVALENTS

	As at December 31,		As at September
			30,
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Cash at banks	5,097	12,919	133,082
Cash on hand	48	185	53
	<u>5,145</u>	<u>13,104</u>	<u>133,135</u>

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at December 31,		As at September
			30,
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
US dollars.....	—	6	14,638
Hong Kong dollars.....	1	1	5,633
RMB.....	<u>5,144</u>	<u>13,097</u>	<u>112,864</u>
	<u>5,145</u>	<u>13,104</u>	<u>133,135</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The Group's balances of cash at banks which are mainly denominated in RMB are deposited with banks in the PRC. The conversion of these RMB-denominated balances into foreign currencies and the remittance of funds out of the Mainland China are subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC.

15 SHARE CAPITAL AND SHARE PREMIUM

	Number of	Nominal
	shares	value of shares
		USD
Authorised		
Ordinary shares upon incorporation (a)	<u>50,000</u>	<u>50,000</u>

	Number of shares	Ordinary shares	Share premium	Total
		RMB'000	RMB'000	RMB'000
Issued and Paid				
As at February 21, 2014, December 31, 2014 and 2015	1	—	—	—
Issue of ordinary share to parent company (b) .	9,699	63	—	63
Proceeds from shares issued (b)	<u>300</u>	<u>2</u>	<u>31,150</u>	<u>31,152</u>
As at September 30, 2016	<u>10,000</u>	<u>65</u>	<u>31,150</u>	<u>31,215</u>

- (a) The Company was incorporated in the Cayman Islands on February 21, 2014 with an authorized share capital of USD\$50,000 divided into 50,000 ordinary shares of a par value of US\$1.00 each. On the same date, 1 ordinary share of the Company was transferred by the initial subscriber to Vanguard Glory Limited at a consideration of US\$1.00.
- (b) On February 2 and March 31, 2016, the Company issued 99 and 9,600 ordinary shares to Vanguard Glory at a consideration equal to the par value of US\$1.00 each, respectively. On March 31, 2016, the Company issued 300 ordinary shares of a par value of US\$1.00 each to Midpoint Honour Limited at a consideration of RMB31,152,000 (Note 16).
- (c) Ms. Xia Yuanqing (“Ms. Xia”) ceased to be a member of the senior management team of the Company for personal reason from August 2016. On September 14, 2016, Midpoint Honour Limited (“Midpoint Honour”) transferred 14 ordinary shares of the Company (which were then indirectly held by Ms. Xia through Han Prestige Limited and Midpoint Honour) to Vanguard Glory at a consideration of HK\$1,787,495.50. Pursuant to the subsequent amendments to the share subscription agreement, on December 4, 2016, the Company repurchased the 14 ordinary shares from Vanguard Glory at a price of HK\$1,787,495.50, and subsequently cancelled these shares. For the details of the amendments, please refer to Note 16(a).

16 SHARE-BASED PAYMENTS

(a) Share Subscription Agreement

On March 31, 2016, the Company entered into a share subscription agreement (the “Subscription Agreement”) with Mr. Zhang Xiaopeng (“Mr. Zhang”), Ms. Xia Yuanqing (“Ms. Xia”), Mr. Zang Chuanbo, Ms. Ding Yue, Ms. Kan Ruihan (Mr. Zhang, Ms. Xia, Mr. Zang Chuanbo, Ms. Ding Yue and Ms. Kan Ruihan collectively referred to as the “Management Subscribers”), the respective investment holding companies wholly owned by the Management Subscribers (collectively, the “Management SPVs”), Midpoint Honour which was collectively owned by the Management SPVs and Han Prestige Limited (“Han Prestige”), an investment holding company then wholly owned by Ms. Xia, Hony Capital 2008 Management Limited (“Hony Management”), a management company established by Hony Capital and an affiliate of the Company, and Vanguard Glory, the direct Shareholder of our Company.

Pursuant to the Subscription Agreement, the Company allotted and issued 300 new ordinary shares to Midpoint Honour (the "Subscription Shares"), representing 3% of the Company's then issued ordinary shares upon completion of the Subscription Agreement, for a total consideration of RMB31,152,000.

Pursuant to lock-up restrictions provided in the Subscription Agreement, Midpoint Honour undertakes that, unless obtaining a written consent from Vanguard Glory,

- (i) within the first 12 months following the listing date (the "First Year"), it shall not dispose of any of the Subscription Shares held by it;
- (ii) within the 12 months following expiration of the First Year (the "Second Year"), Midpoint Honour shall not dispose of more than 50% of the Subscription Shares held by it;
- (iii) after expiration of the Second Year, Midpoint Honour is free to dispose of any of the Subscription Shares held by it.

Pursuant to the exit mechanism provided in the Subscription Agreement, in the event that the Management Subscriber resigns with the Company's consent, the Management Subscribers shall put back the Subscription Shares to Hony Management, or a nominee designated by Hony Management with a consideration equal to the Subscription Consideration plus interests where applicable (the "Put Back Consideration").

Pursuant to both the lock-up restrictions and the exit mechanism, in accordance with relevant accounting standards the Subscription Agreement was accounted for as a share option scheme, under which the Management Subscribers were granted by 300 share options and the Group receives services from the Management Subscribers. The exercise price of the granted options is equal to Put Back Consideration at the end of the First Year and the Second Year. Options are conditional on the employees completing the First Year's and the Second Year's service (the vesting period). The options are exercisable starting 12 months (the "First Batch Share Options") or 24 months (the "Second Batch Share Options") from the listing date of the Company. In accordance with the Subscription Agreement, the Group had no legal or constructive obligation to repurchase or settle the options in cash. The granted share options were considered as equity-settled share-based payment to the Management Subscribers. The Subscription Consideration proceeded from the Management Subscribers was deemed as a loan to Hony Management.

Honghe Ruixin, the employer of the Management Subscribers, receives the services provided by the Management Subscribers.

The fair value of the First Batch Share Options and the Second Batch Share Options granted to the Management Subscribers on grant date, March 31, 2016, as determined by a professional valuation firm was RMB5,160,000 and RMB6,000,000, respectively.

The significant inputs into the Black-Scholes valuation model were listed as below:

	As at March 31, 2016	
	First Batch Share Options	Second Batch Share Options
Volatility	52%	52%
Dividend yield	0.0%	0.0%
Expected option life (month).....	19.5	31.5
Annual risk-free interest rate.....	0.43%	0.69%

The volatility factor estimated was based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise.

The share-based compensation expense related to the Subscription Agreement of RMB2,223,000 was recognised as 'cost of revenue' for the nine months ended September 30, 2016.

Along with the Subscription Agreement, Mr. Zhang further entered into two loan agreements (the "Loan Agreements") between Hony Management and Midpoint Honour, respectively, in which Hony Management agreed to grant Mr. Zhang a loan in the principal amount of US\$3,200,000 at a simple interest rate of 4% per annum and repayable on demand ("Hony Management's Loan"), and Mr. Zhang agreed to grant Midpoint Honour an interest-free loan in the principal amount of RMB25,960,000 for the purpose of subscription of the Subscription Shares by Midpoint Honour.

The Subscription Agreement was subsequently amended on December 4, 2016 and January 23, 2017 respectively by the amendments to the Subscription Agreement (the "Amendment Agreements"). In accordance with the Amendment Agreements, in the event that a Management Subscriber resigns with the Company's consent, the Company, instead of Hony Management or a nominee designated by it, shall have the right to repurchase all the shares indirectly held by the Management Subscriber through his or her respective Management SPV and Midpoint Honour at a price equal to monetary contribution made by such Management Subscriber plus interest where applicable. In other events, the Company, instead of Hony Management or a nominee designated by it, shall have the right to repurchase all the shares indirectly held by the Management Subscriber through his or her respective Management SPV and Midpoint Honour at a price equal to monetary contribution made by such Management Subscriber. Pursuant to the Amendment Agreements, the Subscription Shares will be treated as treasury shares. The fair value of the 300 share options granted to the Management Subscribers will not change due to the modification. Moreover, the Subscription Consideration proceed from the Management Subscribers of approximately RMB31.1 million will be recognized as financial liability in the financial information of the Group subsequently, instead of previously deemed as a loan from Management Subscribers to Hony Management.

(b) Pre-IPO Share Appreciation Rights Scheme

As the end of June 2016, the key terms and conditions of a Pre-IPO Share Appreciation Rights Scheme (the "Pre-IPO SARs Scheme") were discussed with all employees' concerned. The employees concerned were also informed that the Pre-IPO SARs Scheme was subject to board approval, which was obtained in November 2016.

On November 28, 2016, the Board of the Company approved the Pre-IPO SARs Scheme which enables the Company to grant share appreciation rights to Mr. Zhang Xiaopeng, Mr. Zang Chuanbo, Ms. Ding Yue, Ms. Kan Ruihan (collectively referred to as the "Pre-IPO SARs Grantees").

Pursuant to the Pre-IPO SARs Scheme, the Company granted 2,500,000 notional shares to the Pre-IPO SARs Grantees entitling them to receive cash payments based on the appreciation of the notional shares over a vesting period starting at June 30, 2016.

Honghe Ruixin, the employer of the Pre-IPO SARs Grantees, receives the services provided by the Pre-IPO SARs Grantees.

The fair value of the notional shares granted to the Pre-IPO SARs grantee as at September 30, 2016, as determined by a professional valuation firm was RMB15,556,000. The starting date of the vesting period of the Pre-IPO SARs Scheme is June 30, 2016.

The significant inputs in the valuation model were listed as below:

	As at September 30, 2016			
	First Batch	Second Batch	Third Batch	Fourth Batch
	Share	Share	Share	Share
	Options	Options	Options	Options
Volatility.....	47.6%	47.6%	47.6%	47.6%
Dividend yield.....	0.00%	0.00%	0.00%	0.00%
Expected option life (month).....	20.5	32.5	44.5	56.5
Annual risk-free interest rate.....	1.26%	1.26%	1.26%	1.26%

The volatility factor estimated was based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise.

Share-based compensation expense related to the Pre-IPO SARs Scheme of RMB1,388,000 was recognized as 'cost of revenue' for the nine months ended September 30, 2016.

(c) Service Contract with Mr. Lu Wenzuo

As the end of June 2016, the key terms and conditions of a service contract were discussed with Mr. Lu Wenzuo ("Mr. Lu"). Mr. Lu was also informed that the service contract was subject to board approval, which was obtained in December 2016.

Pursuant to the Board of Directors' resolution dated December 13, 2016, New Pride entered in to a service contract with Mr. Lu Wenzuo (the "Service Contract"). Pursuant to the Service Contract on December 13, 2016, New Pride conditionally granted the following awards to Mr. Lu if he could work for Weikang Investment and provide hospital management services to Yangsi Hospital as the hospital administrator till December 31, 2017:

- (i) Certain share awards (the "Share Awards") to acquire 1% equity interest in each of Weikang Investment and Honghe Ruixin from New Pride and Honghe Zhiyuan or receive a cash payment equivalent to the value of 1% equity interest in each of Weikang Investment and Honghe Ruixin for each of the three years ending December 31, 2017 and the Share Awards will be settled by New Pride at the end of Mr. Lu's tenure at one time;
- (ii) Share appreciation rights (the "Mr. Lu's SARs") to receive a cash payment based on the appreciation of 1% of the notional equity interest in Weikang Investment and Honghe Ruixin. The Mr. Lu's SARs will be settled by New Pride at the end of Mr. Lu's tenure;

Pursuant to the Service Contract, Weikang Investment receives the services provided by Mr. Lu and has no obligation to settle the Share Awards and the Mr. Lu's SARs.

The Share Awards are deemed as a compound financial instrument. The fair value of the debt component and the equity component of the Share Awards on the grant date, December 13, 2016, as determined by a professional valuation firm was RMB41,400,000 and RMB300,000, respectively. The fair value of Mr. Lu's SARs on the grant date of December 13, 2016, are determined by a professional valuation firm was RMB8,600,000. The starting date of the vesting period is June 30, 2016.

The significant inputs in the valuation model related to the Share Awards were listed as below:

	<u>As at December 13, 2016</u>
Discount for lack of marketability.....	20%
Length of the vesting period (month).....	18

The significant inputs in the valuation model related to Mr. Lu's SARs were listed as below:

	<u>As at December 13, 2016</u>
Volatility.....	43.2%
Length of the vesting period (month).....	18
Annual risk-free interest rate	0.661%

The volatility factor estimated was based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise.

Share-based compensation expenses related to the Share Awards of RMB6,950,000 and share-based compensation expenses related to the Mr. Lu's SARs of RMB1,433,000 was recognized as 'cost of revenue' for the nine months ended September 30, 2016.

The Service Contract with Mr. Lu has no impact on the Company's separate financial statements as the Company is not a party to the transactions.

Other than the Subscription Agreement, the Pre-IPO SARs Scheme, the Share Awards and the Mr. Lu's SARs mentioned above, there is no other share-based payments plan.

17 RESERVES

	Capital reserve	Other reserve	Total
	RMB'000	RMB'000	RMB'000
At February 21, 2014.....	—	—	—
Deemed distribution to shareholder	(1,365)	—	(1,365)
Others	—	10	10
Capital contribution by shareholder (a)	<u>1,038,400</u>	<u>—</u>	<u>1,038,400</u>
At December 31, 2014	<u>1,037,035</u>	<u>10</u>	<u>1,037,045</u>
At January 1, 2015	1,037,035	10	1,037,045
Transfer of reserves (b).....	<u>—</u>	<u>7,802</u>	<u>7,802</u>
At December 31, 2015	<u>1,037,035</u>	<u>7,812</u>	<u>1,044,847</u>
At January 1, 2016	1,037,035	7,812	1,044,847
Share-based payments (Note 16)	<u>—</u>	<u>2,272</u>	<u>2,272</u>
At September 30, 2016	<u>1,037,035</u>	<u>10,084</u>	<u>1,047,119</u>
(Unaudited)			
At January 1, 2015	<u>1,037,035</u>	<u>10</u>	<u>1,037,045</u>
At September 30, 2015	<u>1,037,035</u>	<u>10</u>	<u>1,037,045</u>

(a) The shareholder paid RMB1,038,400,000 to acquire 80% of interests of Weikang Investment (Note 32), and did not require the Company to pay any interest nor repay the funds, which are accounted for as capital contribution.

(b) Statutory surplus reserve

In accordance with the PRC regulations and the articles of association of the companies now comprising the Group, before distributing the net profit of each year, companies registered in the PRC are required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional.

18 DIVIDEND

Pursuant to a resolution of the board of directors' meeting of Weikang Investment on September 12, 2016, a dividend of RMB25,493,000 to its majority shareholders and RMB6,373,000 to its minority shareholders was declared. The dividend payable to its minority shareholders, amounting to RMB6,373,000, has been recognised as a liability in the financial information of the Group as of September 30, 2016.

19 DEFERRED INCOME TAX

	As at December 31,		As at September 30,
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Deferred income tax assets:			
- Deferred income tax assets to be recovered after more than 12 months	—	—	—
- Deferred income tax assets to be recovered within 12 months.....	—	249	397
	<u>—</u>	<u>249</u>	<u>397</u>
Deferred income tax liabilities:			
- Deferred income tax liabilities to be settled after more than 12 months	(31,622)	(36,205)	(37,447)
- Deferred income tax liabilities to be settled within 12 months.....	(864)	(864)	(864)
	<u>(32,486)</u>	<u>(37,069)</u>	<u>(38,311)</u>
Deferred income tax liabilities — net	<u>(32,486)</u>	<u>(36,820)</u>	<u>(37,914)</u>

Deferred income tax assets

	Provisions	Recognized tax losses assets	Total
	RMB'000	RMB'000	RMB'000
Balance at January 1, 2014	—	—	—
Credited to profit or loss	—	—	—
Balance at December 31, 2014	<u>—</u>	<u>—</u>	<u>—</u>
Balance at January 1, 2015	—	—	—
Credited to profit or loss	249	—	249
Balance at December 31, 2015	<u>249</u>	<u>—</u>	<u>249</u>
Balance at January 1, 2016	249	—	249
Credited to profit or loss	—	148	148
Balance at September 30, 2016	<u>249</u>	<u>148</u>	<u>397</u>

Deferred income tax liabilities

	Intangible assets	Withholding Tax	Total
	RMB'000	RMB'000	RMB'000
Balance at January 1, 2014	—	—	—
Business combination (Note 32)	(32,750)	—	(32,750)
Credited to profit or loss	264	—	264
Balance at December 31, 2014	<u>(32,486)</u>	<u>—</u>	<u>(32,486)</u>
Balance at January 1, 2015	(32,486)	—	(32,486)
Credited/(charged) to profit or loss	864	(5,447)	(4,583)
Balance at December 31, 2015	<u>(31,622)</u>	<u>(5,447)</u>	<u>(37,069)</u>
Balance at January 1, 2016	(31,622)	(5,447)	(37,069)
Credited/(charged) to profit or loss	648	(4,439)	(3,791)
Dividend Distribution (Note 18)	—	2,549	2,549
Balance at September 30, 2016	<u>(30,974)</u>	<u>(7,337)</u>	<u>(38,311)</u>

Deferred income tax asset is recognised for provision for impairment of trade receivables to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The unrecognised deferred income tax assets of Honghe Zhiyuan were RMB591,000, RMB308,000 and RMB82,000 in respect of losses amounting to RMB6,563,000, RMB3,422,000 and RMB914,000 that can be carried forward against future taxable income for the period from February 21, 2014 to December 31, 2014 and the year ended December 31, 2015 and the nine months ended September 30, 2016, respectively. There is no material tax losses of other entities in the Group carried forward in respect of which deferred tax assets have not been accounted for.

The recognized deferred tax liabilities by the Group were nil, RMB5,447,000 and RMB7,337,000 as at the years ended December 31, 2014 and 2015, and for the nine months ended September 30, 2016, respectively, in respect of the PRC dividend withholding tax on temporary differences relating to the undistributed profits of the PRC entities attributable to the Company amounting to nil, RMB54,469,000 and RMB73,367,000, respectively, as it was considered probable that these profits would be distributed in the foreseeable future.

20 TRADE PAYABLES

An ageing analysis, based on invoice date, of trade payables as at the combined statements of financial position dates are as follows:

	As at December 31,		As at September 30,
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Less than 60 days	1,804	2,892	3,965
61 to 180 days	—	—	—
181 days to 1 year	190	—	—
Over 1 year.....	—	27	27
	<u>1,994</u>	<u>2,919</u>	<u>3,992</u>

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

21 ACCRUALS, OTHER PAYABLES AND PROVISIONS

Group

	As at December 31,		As at
			September
	2014	2015	30,
	RMB'000	RMB'000	2016
			RMB'000
Accrued employee benefits	386	1,588	6,619
Share-based payments	—	—	9,721
Accrued professional service fee in respect of listing preparation	—	1,534	9,558
Advance from third parties	113	151	151
Other payables to suppliers of plant and equipment	582	363	380
Duty and tax payable other than corporate income tax	5,295	6,198	3,054
Payable to non-controlling shareholders of subsidiaries	53,000	53,000	6,373
Others	334	919	3,513
Total accruals, other payables and provisions	59,710	63,753	39,369
Less: non-current portion	—	—	9,721
Current portion	59,710	63,753	29,648

Company

	As at December 31,		As at
			September
	2014	2015	30,
	RMB'000	RMB'000	2016
			RMB'000
Accrued professional service fee in respect of listing preparation	—	1,534	9,558
Share-based payments	—	—	1,388
Total accruals, other payables and provisions	—	1,534	10,946
Less: non-current portion	—	—	1,388
Current portion	—	1,534	9,558

Before the acquisition, dividends of RMB53,000,000 were declared to the then shareholders which are the non-controlling shareholders of the Group and the dividend was fully paid in February, 2016.

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

22 REVENUE

	For the		Nine months ended	
	period from February 21, to December 31, 2014	Year ended December 31, 2015	September 30,	
	RMB'000	RMB'000	2015	2016
General hospital services			(Unaudited)	
- Pharmaceutical sales	3,033	15,207	9,917	14,504
- Treatments and general healthcare services	2,242	8,240	5,958	6,585
Hospital management services				
- Management services fee (a)	18,071	117,847	81,123	93,285
- Other services fee	307	1,230	897	993
	<u>23,653</u>	<u>142,524</u>	<u>97,895</u>	<u>115,367</u>

All revenue are generated in the PRC. For its general hospital services, the Group has a highly diversified patient portfolio, no single patient or client contributed 1% or more of the Group's revenue during the Relevant Periods. For its hospital management services, there is a single client, Yangsi Hospital, contributed to the Group's revenue during the Relevant Periods.

(a) Management services fee

On January 1, 2013, Weikang Investment entered into a hospital management framework agreement ("HMFA") arrangement with Yangsi Hospital. Pursuant to the HMFA arrangement, Weikang Investment provides management and consultancy services to Yangsi Hospital with a period of 6 years from 2013 to 2018 and the detailed service content and pricing are concluded and effective in separate hospital management agreement ("HMA") on an annually basis.

On September 23, 2014, the executive committee of Yangsi Hospital passed a resolution to extend the HMFA arrangement period to 2064. Accordingly, on October 8, 2014, Yangsi Hospital further signed a letter of intent with Weikang Investment pursuant to the resolution.

On January 1, 2016, Weikang Investment and Honghe Ruixin further entered into a long-term hospital management agreement ("LTHMA") arrangement with Yangsi Hospital. Pursuant to the LTHMA arrangement, Weikang Investment and Honghe Ruixin will provide management and consultancy services to Yangsi Hospital with a period of 10 years from 2016 to 2025.

On January 1, 2014, 2015 and 2016, Weikang Investment signed annual HMA with Yangsi Hospital respectively and derives management fee based on pre-set formulas set out in these annual HMA respectively. On January 1, 2015 and 2016, Honghe Ruixin signed the annual HMA with Yangsi Hospital and derives management fee based on pre-set formulas set out in this annual HMA.

As set out in the 2014 HMAs, the management fee is based on the revenue of Yangsi Hospital and a predetermined fixed rate. As set out in the 2015 HMA, the management fees are based on the revenue of Yangsi Hospital and the assessment result of predetermined comprehensive performance indicators.

23 EXPENSES BY NATURE

	For the	Year ended	Nine months ended	
	period from		September 30,	
	February 21,	December 31,	2015	2016
	to December	December 31,		
	31, 2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Advertising and marketing expenses.....	—	1	1	3
Amortisation and depreciation.....	2,044	6,909	5,175	5,303
Business tax and other transaction taxes	983	3,903	2,710	1,254
Cost of pharmaceuticals, consumables and				
inspection fees.....	2,746	12,874	8,599	12,636
Employee benefits expenses	5,629	17,274	12,180	30,068
Operating lease rental expenses.....	1,805	4,127	3,058	3,044
Utilities and office expenses	152	1,003	738	1,365
Travelling and entertainment expenses	691	702	464	732
Expenses in relation to the listing.....	—	5,041	2,521	14,887
Provision for impairment of trade receivables ..	—	994	680	—
Other expenses.....	1,660	1,771	1,044	1,791
	<u>15,710</u>	<u>54,599</u>	<u>37,170</u>	<u>71,083</u>

24 OTHER (LOSSES)/GAINS — NET

	For the	Year ended	Nine months ended	
	period from		September 30,	
	February 21,	December 31,	2015	2016
	to December	December 31,		
	31, 2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Foreign exchange gains/(losses)	21	(231)	—	850
Medical compensation.....	—	(90)	(9)	—
Others.....	(68)	(21)	(22)	21
	<u>(47)</u>	<u>(342)</u>	<u>(31)</u>	<u>871</u>

25 OTHER INCOME

	For the		Nine months ended	
	period from February 21, to December 31, 2014	Year ended December 31, 2015	September 30,	
	RMB'000	RMB'000	2015	2016
			(Unaudited)	
Government grants and subsidies	—	1,838	338	1,081
Interest income on wealth management products.....	—	639	639	—
	<u>—</u>	<u>2,477</u>	<u>977</u>	<u>1,081</u>

The Government grants and subsidies are granted by the People's Government of Sanlin Town in Shanghai for the year ended December 31, 2015 in consideration of the taxation contribution of Weikang Investment.

The Government grants and subsidies are granted by the Finance Bureau of Dazi County in Tibet Autonomous Region for the nine months ended September 30, 2016 in consideration of the taxation contribution of Honghe Ruixin.

26 EMPLOYEE BENEFIT EXPENSES

	For the		Nine months ended	
	period from February 21, to December 31, 2014	Year ended December 31, 2015	September 30,	
	RMB'000	RMB'000	2015	2016
			(Unaudited)	
Wages, salaries and bonuses.....	4,897	15,511	11,017	16,270
Share-based compensation expenses	—	—	—	11,994
Contribution to pension plans and other expenses	732	1,763	1,163	1,804
	<u>5,629</u>	<u>17,274</u>	<u>12,180</u>	<u>30,068</u>

Employee benefit expenses of RMB1,676,000, RMB15,749,000, RMB10,905,000 and RMB27,935,000 has been charged in 'cost of revenue', RMB3,953,000, RMB1,525,000, RMB1,275,000 and RMB2,133,000 has been charged in 'administrative expenses' for the period from February 21, 2014 to December 31, 2014 and the year ended December 31, 2015 and nine months ended September 30, 2015 and 2016 respectively.

The employees of the Group in the PRC are members of a state-managed pension obligations operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective 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 contributions under the scheme.

(a) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the period from February 21, 2014 to December 31, 2014 and the year ended December 31, 2015 and nine months ended September 30, 2015 and 2016 include one, two, two and two directors whose emoluments are reflected in the analysis shown in Note 36.

The emoluments payable to the remaining four individuals for the period from February 21, 2014 to December 31, 2014, three individuals for the year ended December 31, 2015, three individuals for the nine months ended September 30, 2015, three individuals for the nine months ended September 30, 2016 are as follows:

	For the period from February 21, to December 31, 2014	Year ended December 31, 2015	Nine months ended September 30,	
	RMB'000	RMB'000	2015	2016
			(Unaudited)	
			RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	1,160	1,206	924	1,486
Bonuses	382	1,160	870	689
Share-based compensation expenses	—	—	—	757
	<u>1,542</u>	<u>2,366</u>	<u>1,794</u>	<u>2,932</u>

The number of highest paid non-director individuals whose remunerations for each of the Relevant Periods fell within the following band is as follows:

	For the	Year ended	Nine months ended	
	period from		September 30,	
	February 21,	December 31,	2015	2016
	to December	December 31,	(Unaudited)	
	31, 2014	2015	2015	2016
	no. of	no. of	no. of	no. of
	individuals	individuals	individuals	individuals
Emolument bands				
Nil - HKD500,000	2	—	—	—
HKD500,000 - HKD1,000,000.....	2	3	3	3
	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>

During Relevant Periods, no emoluments have been paid to the five highest individuals of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

27 FINANCE INCOME

	For the	Year ended	Nine months ended	
	period from		September 30,	
	February 21,	December 31,	2015	2016
	to December	December 31,	(Unaudited)	
	31, 2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Finance income				
Interest income on short-term bank deposit	8	35	28	119
Interest income on short-term fixed deposits	<u>576</u>	<u>18</u>	<u>18</u>	<u>—</u>
	<u>584</u>	<u>53</u>	<u>46</u>	<u>119</u>
Finance income - net	<u>584</u>	<u>53</u>	<u>46</u>	<u>119</u>

28 INCOME TAX EXPENSE

Subsidiaries in Mainland China are subject to the PRC corporate income tax at the rates of 9% and 25% for the Relevant Periods.

	For the period from February 21, to December 31, 2014	Year ended December 31, 2015	Nine months ended September 30,	
	RMB'000	RMB'000	2015	2016
			(Unaudited)	
Current income taxation:				
- PRC corporate income tax	4,449	18,454	12,532	14,487
- Deferred income tax (credit)/charge (Note 19).....	(264)	4,334	3,330	1,094
	<u>4,185</u>	<u>22,788</u>	<u>15,862</u>	<u>15,581</u>

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

	For the period from February 21, to December 31, 2014	Year ended December 31, 2015	Nine months ended September 30,	
	RMB'000	RMB'000	2015	2016
			(Unaudited)	
Profit before income tax	8,480	90,113	61,717	46,355
Calculated at taxation rate of 25%	2,120	22,528	15,429	11,589
Effect of different tax rates available to different subsidiaries of the Group.....	—	(7,525)	(5,114)	(6,800)
Expenses not tax deductible	371	1,396	671	6,985
Tax effect of unrecognized tax losses.....	1,694	942	728	46
Utilization of tax losses in previous years.....	—	—	—	(678)
Withholding tax	—	5,447	4,148	4,439
Income tax expense.....	<u>4,185</u>	<u>22,788</u>	<u>15,862</u>	<u>15,581</u>

(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 December 31, 2014 and 2015 and nine months ended September 30, 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.

(c) PRC Corporate Income Tax ("CIT")

The income tax rate of Weikang Investment, Fuhua Hospital and Honghe Yixin was 25% for each of the Relevant Periods. The income tax rate of Honghe Zhiyuan and Honghe Ruixin was 9% for each of the Relevant Periods.

Honghe Zhiyuan and Honghe Ruixin are eligible for a preferential 9% income tax rate for the period from January 1, 2015 to December 31, 2017, in accordance with the Measures for the Implementation of Preferential Enterprise Income Tax Policies of Tibet Autonomous Region (西藏自治區企業所得稅政策實施辦法) promulgated by the Tibet Autonomous Regional Government on May 1, 2014.

(d) Withholding Tax

The withholding tax rate of Bliss Success and New Pride is 10% pursuant to the PRC Enterprise Income Tax based on the remittance of dividends from Honghe Ruixin and Weikang Investment in the foreseeable future respectively.

29 SUBSIDIARIES**(a) Investment in subsidiaries**

Investment in subsidiaries is recorded at cost, which is the fair value of the consideration paid.

(b) Material non-controlling interests

The total non-controlling interest is RMB22,102,000, RMB38,492,000 and RMB44,752,000 for the period from February 21, 2014 to December 31, 2014 and for the year ended December 31, 2015 and the nine months ended September 30, 2016, of which RMB22,112,000, RMB29,973,000 and RMB28,530,000 is for Weikang Investment and RMB10,000 (deficit) and RMB8,519,000 and RMB16,222,000 is attributed to Honghe Ruixin for the period from February 21, 2014 to December 31, 2014 and for the year ended December 31, 2015 and the nine months ended September 30, 2016, respectively.

Significant restrictions

Cash of RMB5,134,000, RMB13,086,000 and RMB112,855,000 are held in China and are subject to local exchange control regulations as at December 31, 2014 and 2015 and the nine months ended September 30, 2016, respectively. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the group.

Summarised balance sheet

	Weikang Investment			Honghe Ruixin		
	As at December 31,		As at September 30,	As at December 31,		As at September 30,
	2014	2015	2016	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current						
Assets	168,648	132,609	85,117	—	56,785	87,228
Liabilities	(176,498)	(99,724)	(58,436)	(50)	(14,188)	(6,201)
Total current net (liabilities)/assets.....	(7,850)	32,885	26,681	(50)	42,597	81,027
Non-current						
Assets	150,898	148,600	146,944	—	—	80
Liabilities	(32,486)	(31,622)	(30,974)	—	—	—
Total non-current net assets .	118,412	116,978	115,970	—	—	80
Net assets/(liabilities)	110,562	149,863	142,651	(50)	42,597	81,107

Summarised income statement

	Weikang Investment				Honghe Ruixin			
	For the period from February 21, to December 31, 2014*	Year ended December 31, 2015	Nine months ended September 30, 2015		For the period from February 21, to December 31, 2014	Year ended December 31, 2015	Nine months ended September 30, 2015	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)				(Unaudited)	
Revenue.....	23,653	89,234	61,643	63,807	—	53,290	36,252	51,560
Profit before income tax.....	15,327	52,409	35,331	31,973	(50)	46,881	31,961	42,333
Income tax expense..	(4,185)	(13,108)	(8,838)	(7,318)	—	(4,233)	(2,876)	(3,825)
Profit for the period/year	11,142	39,301	26,493	24,655	(50)	42,648	29,085	38,508
Other comprehensive income.....	—	—	—	—	—	—	—	—
Total comprehensive income.....	11,142	39,301	26,493	24,655	(50)	42,648	29,085	38,508
Total comprehensive income allocated to Non-Controlling Interests.....	2,228	7,860	5,299	4,931	—	8,530	5,817	7,702
Dividends paid to Non-Controlling Interests.....	—	—	—	53,000	—	—	—	—

30 EARNINGS PER SHARE**(a) Basic Earnings Per Share**

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.

	For the period from February 21, to December 31, 2014	Year ended December 31, 2015	Nine months ended September 30,	
			2015	2016
			(Unaudited)	
Total profit attributable to owners of the company (RMB'000)	2,067	50,935	34,739	18,141
Weighted average number of ordinary shares in issue.....	<u>9,700</u>	<u>9,700</u>	<u>9,700</u>	<u>9,900</u>
Basic earnings per share (in RMB)	<u>213</u>	<u>5,251</u>	<u>3,581</u>	<u>1,832</u>

The earnings per share as presented above is calculated using the weighted average number of ordinary shares of 9,700, 9,700, 9,700 and 9,900 shares for the period from February 21, 2014 to December 31, 2014 and the period ended September 30, 2015, the year ended December 31, 2015 and the period ended September 30, 2016. In determining the weighted average number of ordinary shares, the one share issued upon incorporation and 9,699 shares issued in 2016 were treated as if they have been in issue since February 21, 2014. In addition, the weighted average number of ordinary shares in issue was adjusted by additional 300 shares which were issued to Midpoint Honour on March 31, 2016.

(b) Diluted Earnings Per Share

The Company did not have any potential dilutive shares throughout the entire Relevant Periods. Accordingly, diluted earnings per share are the same as the basic earnings per share.

31 CASH GENERATED FROM OPERATIONS

	For the	Year ended	Nine months ended	
	period from		September 30,	
	February 21,	December 31,	2015	2016
	to December	December 31,	(Unaudited)	
	31, 2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	8,480	90,113	61,717	46,355
Adjustments for:				
— Foreign exchange (gain)/loss	(21)	231	—	(850)
— Interests received	(584)	(53)	(46)	(186)
— Amortisation of intangible assets (Note 7)...	1,056	3,457	2,592	2,592
— Depreciation of property, plant and equipment (Note 6)	988	3,452	2,583	2,711
— Gain on disposal of available-for-sale financial asset	—	(639)	(639)	—
— Provision for impairment of trade receivables	—	994	680	—
— Share-based compensation expenses	—	—	—	11,994
Changes in working capital:				
— Inventories	201	(329)	(769)	(781)
— Trade receivable	(206)	(6,921)	(3,454)	902
— Other receivable, deposits and prepayments.	(791)	(3,213)	(947)	(5,523)
— Amounts due from related parties	(18,072)	(87,074)	(55,315)	129,136
— Amounts due to related parties	9,405	25,293	8,552	(20,519)
— Trade payable	823	925	142	1,073
— Accruals, other payables and provision	1,170	3,812	8,536	13,069
Cash generated from operations	<u>2,449</u>	<u>30,048</u>	<u>23,632</u>	<u>179,973</u>

32 BUSINESS COMBINATIONS

On September 30, 2014, the Group acquired 80% of the share capital of Weikang Investment and its subsidiary for RMB1,038,400,000 and obtained the control of Weikang Investment, a management services provider operating in the PRC.

As a result of the acquisition, the Group is expected to increase its presence in healthcare industry. The goodwill of RMB958,864,000 arising from the acquisition is attributable to entering into the healthcare industry, potential contractual relationships and the management team and management process which can be replicated in the future. None of the goodwill recognised is expected to be deductible for income tax purpose.

The following table summarises the consideration paid for Weikang Investment and its subsidiaries, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	RMB'000
Consideration	
At September 30, 2014	
- Cash paid or payable	1,038,400
Total consideration	<u>1,038,400</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	84,146
Property, plant and equipment (Note 6)	21,424
Medical license (included in intangible assets) (Note 7)	15,000
Contractual rights to provide management services (included in intangible assets) (Note 7)	116,000
Inventories	1,052
Amounts due from related parties	61,715
Trade receivables	1,357
Other receivables, deposits and prepayments	165
Amounts due to related parties	(90,750)
Trade payables	(1,171)
Accruals, other payables and provisions	(58,561)
Current income tax liabilities	(18,207)
Deferred income tax liabilities (Note 19)	<u>(32,750)</u>
Total net identifiable assets	99,420
Non-controlling interest	(19,884)
Goodwill (Note 7)	<u>958,864</u>
	<u>1,038,400</u>

The revenue included in the consolidated income statement for the period from September 30, 2014 to December 31, 2014 contributed by Weikang Investment was RMB23,653,000. Weikang Investment also contributed net profit of RMB11,784,000 over the same period.

If Weikang Investment had been consolidated from January 1, 2014, the revenue and net profit contributed by Weikang investment would be RMB80,409,000 and RMB41,045,000, respectively.

33 COMMITMENTS

(a) Operating lease commitments

The Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	For the period from February 21, to December 31, 2014	Year ended December 31, 2015	Nine months ended September 30,	
	RMB'000	RMB'000	2015 (Unaudited)	2016
Not later than one year	4,059	4,140	4,120	2,908
Later than one year and not later than five years	10,178	8,025	8,745	7,868
Later than five years	<u>5,071</u>	<u>3,084</u>	<u>3,588</u>	<u>1,557</u>
	<u>19,308</u>	<u>15,249</u>	<u>16,453</u>	<u>12,333</u>

34 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. As a result, Yangsi Hospital is considered to be related as the Group has participated internal governance body of Yangsi Hospital. Other parties are also considered to be related if they are subject to common control, common significant influence or joint control. 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
Shanghai Yangsi Hospital	Certain employees or directors of the Group are Yangsi Hospital's internal governance body members
Vanguard Glory Limited.....	Parent company
Hony Capital Fund V, L.P.	Ultimate controlling shareholder
Hony Capital Management (Tianjin) L.P.....	Related party of ultimate controlling shareholder

- (i) As set out in 4.2, the Group has exercised significant judgements in determining whether the Group has control over Yangsi Hospital. After assessment, the management concluded that the Group does not obtain the decision making power over the internal governance body to direct the relevant activities of Yangsi Hospital, so the Group does not control and thus does not consolidate Yangsi Hospital.

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) **Transactions with related parties**

	For the period from February 21 to December 31, 2014	Year ended December 31, 2015	Nine months ended September 30,	
	RMB'000	RMB'000	2015 RMB'000	2016 RMB'000
(Unaudited)				
Continuing transactions				
Management Service fee				
— Yangsi Hospital	<u>18,071</u>	<u>117,847</u>	<u>81,123</u>	<u>93,285</u>

(b) **Balances with related parties**

Balances with related parties as at December 31, 2014 and 2015 and September 30, 2016 were disclosed in Note 13.

(c) **Key management compensation**

Key management includes directors (Note 36) and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,		Nine months ended September 30,	
	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
(Unaudited)				
Wages, salaries and bonuses.....	2,704	6,374	4,611	7,898
Share-based compensation expenses	—	—	—	11,777
Contributions to pension plans and other expenses	<u>313</u>	<u>493</u>	<u>361</u>	<u>450</u>
	<u>3,017</u>	<u>6,867</u>	<u>4,971</u>	<u>20,125</u>

35 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at December 31, 2014 and 2015 and September 30, 2016.

36 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director and the chief executive for the period ended December 31, 2014 and the year ended December 31, 2015 and the nine months ended September 30, 2016 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking							
Fees	Salaries	Discretionary bonuses	Employer's contribution to pension scheme	Share-based compensation expenses	Estimated money value of other benefits	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
For the period ended December 31, 2014							
Executive directors							
Mr. Zhang Xiaopeng.....	—	1,500	—	40	—	141	1,681
Non-executive directors							
Mr. Zhao John Huan.....	—	—	—	—	—	—	—
Mr. Wang Shunlong*.....	—	—	—	—	—	—	—
Mr. Lin Sheng.....	—	—	—	—	—	—	—
Mr. So Wai Yin*.....	—	—	—	—	—	—	—
	—	1,500	—	40	—	141	1,681
Year ended December 31, 2015							
Executive directors							
Mr. Zhang Xiaopeng.....	—	1,500	—	44	—	145	1,689
Mr. Lu Wenzuo*.....	—	218	650	—	—	—	868
Non-executive directors							
Mr. Zhao John Huan.....	—	—	—	—	—	—	—
Mr. Yuan Bing*.....	—	—	—	—	—	—	—
Mr. Lin Sheng.....	—	—	—	—	—	—	—
Mr. Lin Tun*.....	—	—	—	—	—	—	—
	—	1,718	650	44	—	145	2,557

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking

	Fees	Salaries	Discretionary bonuses	Employer's	Share-based	Estimated	Total
				contribution to pension scheme	compensation expenses	money value of other benefits	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Nine months ended September 30, 2016							
Executive directors							
Mr. Zhang Xiaopeng	—	1,875	975	35	2,637	105	5,627
Mr. Lu Wenzuo*	—	168	1,370	—	8,383	—	9,921
Non-executive directors							
Mr. Zhao John Huan	—	—	—	—	—	—	—
Mr. Yuan Bing*	—	—	—	—	—	—	—
Mr. Lin Sheng	—	—	—	—	—	—	—
Mr. Lin Tun*	—	—	—	—	—	—	—
	—	2,043	2,345	35	11,020	105	15,548
Nine months ended September 30, 2015 (Unaudited)							
Executive directors							
Mr. Zhang Xiaopeng	—	1,125	—	32	—	108	1,265
Mr. Lu Wenzuo*	—	165	488	—	—	—	653
Non-executive directors							
Mr. Zhao John Huan	—	—	—	—	—	—	—
Mr. Wang Shun Long*	—	—	—	—	—	—	—
Mr. Lin Sheng	—	—	—	—	—	—	—
Mr. So Wai Yin*	—	—	—	—	—	—	—
	—	1,290	488	32	—	108	1,918

Note:

- * Mr. Wang Shunlong retired on June 30, 2015.
 Mr. Lu Wenzuo was appointed as the Company's executive director on December 16, 2015.
 Mr. Yuan Bing was appointed as the Company's non-executive director on December 16, 2015.
 Mr. So Wai Yin resigned on December 10, 2015.
 Mr. Lin Tun was appointed as the Company's non-executive director on June 30, 2015.

No directors waived or agreed to waive any emoluments during the Relevant Periods. No emoluments were paid to directors as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

(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 period ended December 31, 2014 and the year ended December 31, 2015 and the nine months ended September 30, 2016.

37 EVENTS AFTER THE BALANCE SHEET DATE

Other than the subsequent amendments on the Subscription Agreement disclosed in Note 15 and 16, the events after the balance sheet date are disclosed as follows:

Dividend distribution

Pursuant to the board of directors' resolution dated November 25, 2016, Honghe Ruixin declared a dividend of RMB30,661,000 to Honghe Zhiyuan, an indirect subsidiary of the Company and RMB 7,655,000 to its minority shareholders.

III. 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 September 30, 2016 and up to the date of this report. Except for the dividends declared on November 25, 2016 by Honghe Ruixin as described in Note 37 of Section II above, no 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 September 30, 2016.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

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 Hospital Corporation of China Limited and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

February 28, 2017

The Directors
Hospital Corporation of China Limited

China International Capital Corporation Hong Kong Securities Limited

Dear Sirs,

We report on the financial information of Shanghai Weikang Investment Management Co., Ltd. ("Weikang Investment") and its subsidiary (together, the "Weikang Investment Group"), which comprises the consolidated balance sheets as at December 31, 2013, 2014 and 2015, September 30, 2014 and 2016, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31, 2013, 2014 and 2015, the nine months ended September 30, 2014 and 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 Hospital Corporation of China Limited (formerly known as "Grand Accordia Healthcare Group Co., Limited") and is set out in Sections I to II below for inclusion in Appendix IB to the prospectus of Hospital Corporation of China Limited dated February 28, 2017 (the "Prospectus") in connection with the initial listing of shares of Hospital Corporation of China Limited on the Main Board of The Stock Exchange of Hong Kong Limited.

Weikang Investment was incorporated in the People's Republic of China (the "PRC") on April 15, 2002. As described in Note 1 of Section II below, Weikang Investment was acquired by Hospital Corporation of China Limited on September 30, 2014. Immediately following the acquisition, Hospital Corporation of China Limited became the holding company of Weikang Investment Group.

As at the date of this report, Weikang Investment had direct interests in a subsidiary as set out in Note 1 of Section II below. Weikang Investment and this subsidiary has substantially the same characteristics as a Hong Kong incorporated private company.

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

The audited financial statements of Weikang Investment and other company comprising Weikang Investment Group during the Relevant Periods for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1 of Section II.

For the purpose of this report, the directors of Hospital Corporation of China Limited have prepared the consolidated financial statements of Weikang Investment Group for the Relevant Periods, in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “Underlying Financial Statements”). The directors of Hospital Corporation of China Limited are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRSs. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the “ISAs”) issued by the International Auditing and Assurance Standards Board (“IAASB”) pursuant to separate terms of engagement with Hospital Corporation of China Limited.

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 Hospital Corporation of China Limited are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs, 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 Hong Kong Institute of Certified Public Accountants.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the consolidated financial position of Weikang Investment Group as at December 31, 2013, 2014 and 2015, September 30, 2014 and 2016, and of Weikang Investment Group’s consolidated 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 IB 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 September 30, 2015 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of Hospital Corporation of China Limited 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 International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the IAASB. 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 the ISAs 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 WEIKANG INVESTMENT GROUP

The following is the financial information of Weikang Investment Group prepared by the directors of Hospital Corporation of China Limited (“HCCL”), as at December 31, 2013, 2014 and 2015, September 30, 2014 and 2016 and for the years ended December 31, 2013, 2014 and 2015, for the nine months ended September 30, 2014, 2015 and 2016 (the “Financial Information”).

The Financial Information is presented in Renminbi (“RMB”) and all amounts are rounded to the nearest thousand yuan (RMB’000), unless otherwise stated.

CONSOLIDATED BALANCE SHEETS

	Note	As at	As at	As at	As at	As at
		December 31, 2013	September 30, 2014	December 31, 2014	December 31, 2015	September 30, 2016
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
ASSETS						
Non-current assets						
Property, plant and equipment	6	21,086	21,424	20,954	21,864	22,653
Intangible assets	7	—	18,348	18,148	17,348	16,748
Deferred income tax assets	18	—	—	—	249	397
Total non-current assets.		<u>21,086</u>	<u>39,772</u>	<u>39,102</u>	<u>39,461</u>	<u>39,798</u>
Current assets						
Available-for-sale financial assets	8	—	—	81,150	—	—
Inventories	9	—	1,052	851	1,180	1,961
Trade receivables	11	—	1,357	1,563	7,490	6,588
Other receivables, deposits and prepayments	12	78	165	163	480	223
Amounts due from a related party	13	34,637	61,715	79,787	110,373	19,491
Cash and cash equivalents	14	<u>9,020</u>	<u>84,146</u>	<u>5,134</u>	<u>13,086</u>	<u>56,854</u>
Total current assets		<u>43,735</u>	<u>148,435</u>	<u>168,648</u>	<u>132,609</u>	<u>85,117</u>
Total assets		<u>64,821</u>	<u>188,207</u>	<u>207,750</u>	<u>172,070</u>	<u>124,915</u>

	Note	As at December 31, 2013 RMB'000	As at September 30, 2014 RMB'000	As at December 31, 2014 RMB'000	As at December 31, 2015 RMB'000	As at September 30, 2016 RMB'000
EQUITY						
Equity attributable to owners of Weikang Investment						
Paid in capital	15	30,000	30,000	30,000	30,000	30,000
Reserves	17	783	3,877	3,877	7,420	15,803
Retained earnings/ (Accumulated losses)....		<u>9,874</u>	<u>(16,959)</u>	<u>(5,175)</u>	<u>32,576</u>	<u>18,476</u>
Total equity		<u>40,657</u>	<u>16,918</u>	<u>28,702</u>	<u>69,996</u>	<u>64,279</u>
LIABILITIES						
Non-current liabilities						
Deferred income tax liabilities.....	18	<u>—</u>	<u>2,600</u>	<u>2,550</u>	<u>2,350</u>	<u>2,200</u>
Total non-current liabilities		<u>—</u>	<u>2,600</u>	<u>2,550</u>	<u>2,350</u>	<u>2,200</u>
Current liabilities						
Amounts due to related parties	13	7,721	90,750	92,662	24,419	12,876
Trade payables.....	19	—	1,171	1,994	2,919	3,992
Accruals, other payables and provisions	20	6,414	58,561	59,186	58,166	37,597
Current income tax liabilities.....		<u>10,029</u>	<u>18,207</u>	<u>22,656</u>	<u>14,220</u>	<u>3,971</u>
Total current liabilities ..		<u>24,164</u>	<u>168,689</u>	<u>176,498</u>	<u>99,724</u>	<u>58,436</u>
Total liabilities		<u>24,164</u>	<u>171,289</u>	<u>179,048</u>	<u>102,074</u>	<u>60,636</u>
Total equity and liabilities		<u>64,821</u>	<u>188,207</u>	<u>207,750</u>	<u>172,070</u>	<u>124,915</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Nine months		Nine months		Nine months	
		Year ended December 31, 2013	ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	ended September 30, 2015	ended September 30, 2016
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)	
Revenue	21	46,443	56,756	80,409	89,234	61,643	63,807
Cost of revenue	22	(6,170)	(16,260)	(23,166)	(32,831)	(22,683)	(35,160)
Gross profit		<u>40,273</u>	<u>40,496</u>	<u>57,243</u>	<u>56,403</u>	<u>38,960</u>	<u>28,647</u>
Selling expenses	22	—	(18)	(18)	(1)	(1)	(3)
Administrative expenses	22	(1,238)	(1,768)	(2,848)	(3,755)	(2,627)	(3,196)
Other (losses)/gain - net	23	—	(3)	(71)	(111)	(31)	21
Other income	24	<u>54</u>	<u>137</u>	<u>137</u>	<u>2,477</u>	<u>977</u>	<u>57</u>
Operating profit		<u>39,089</u>	<u>38,844</u>	<u>54,443</u>	<u>55,013</u>	<u>37,278</u>	<u>25,526</u>
Finance income	26	<u>29</u>	<u>583</u>	<u>1,167</u>	<u>53</u>	<u>46</u>	<u>56</u>
Profit before income tax		<u>39,118</u>	<u>39,427</u>	<u>55,610</u>	<u>55,066</u>	<u>37,324</u>	<u>25,582</u>
Income tax expense ...	27	<u>(10,029)</u>	<u>(10,166)</u>	<u>(14,565)</u>	<u>(13,772)</u>	<u>(9,336)</u>	<u>(7,816)</u>
Profit for the year/period		29,089	29,261	41,045	41,294	27,988	17,766
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income		<u>29,089</u>	<u>29,261</u>	<u>41,045</u>	<u>41,294</u>	<u>27,988</u>	<u>17,766</u>
Profit and total comprehensive income attributable to owners of Weikang Investment		<u>29,089</u>	<u>29,261</u>	<u>41,045</u>	<u>41,294</u>	<u>27,988</u>	<u>17,766</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Reserves (Note 17)	(Accumulated losses)/ Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2013	<u>30,000</u>	<u>—</u>	<u>(18,432)</u>	<u>11,568</u>
Comprehensive income				
- Profit for the year.....	—	—	29,089	29,089
Transfer of reserves	—	783	(783)	—
Balance at December 31, 2013	<u>30,000</u>	<u>783</u>	<u>9,874</u>	<u>40,657</u>
Balance at January 1, 2014	<u>30,000</u>	<u>783</u>	<u>9,874</u>	<u>40,657</u>
Comprehensive income				
- Profit for the period.....	—	—	29,261	29,261
Dividends (Note 28).....	—	—	(53,000)	(53,000)
Transfer of reserves	—	3,094	(3,094)	—
Balance at September 30, 2014	<u>30,000</u>	<u>3,877</u>	<u>(16,959)</u>	<u>16,918</u>
Balance at January 1, 2014	<u>30,000</u>	<u>783</u>	<u>9,874</u>	<u>40,657</u>
Comprehensive Income				
- Profit for the year.....	—	—	41,045	41,045
Dividends (Note 28).....	—	—	(53,000)	(53,000)
Transfer of reserves	—	3,094	(3,094)	—
Balance at December 31, 2014	<u>30,000</u>	<u>3,877</u>	<u>(5,175)</u>	<u>28,702</u>
Balance at January 1, 2015	<u>30,000</u>	<u>3,877</u>	<u>(5,175)</u>	<u>28,702</u>
Comprehensive Income				
- Profit for the year.....	—	—	41,294	41,294
Transfer of reserves	—	3,543	(3,543)	—
Balance at December 31, 2015	<u>30,000</u>	<u>7,420</u>	<u>32,576</u>	<u>69,996</u>
Balance at January 1, 2016	<u>30,000</u>	<u>7,420</u>	<u>32,576</u>	<u>69,996</u>
Comprehensive income				
- Profit for the period.....	—	—	17,766	17,766
Share-based payments	—	8,383	—	8,383
Dividend (Note 28).....	—	—	(31,866)	(31,866)
Balance at September 30, 2016	<u>30,000</u>	<u>15,803</u>	<u>18,476</u>	<u>64,279</u>
(Unaudited)				
Balance at January 1, 2015	<u>30,000</u>	<u>3,877</u>	<u>(5,175)</u>	<u>28,702</u>
Comprehensive income				
- Profit for the period.....	—	—	27,988	27,988
Balance at September 30, 2015	<u>30,000</u>	<u>3,877</u>	<u>22,813</u>	<u>56,690</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Nine months			Nine months		Nine months
		Year ended December 31, 2013	ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	ended September 30, 2015	ended September 30, 2016
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities							
Cash generated from operations	30	9,357	18,332	20,461	29,934	23,581	122,589
Income tax paid		—	(2,137)	(2,137)	(22,656)	(22,656)	(18,363)
Interests received		29	583	1,167	53	46	56
Net cash generated from operating activities		<u>9,386</u>	<u>16,778</u>	<u>19,491</u>	<u>7,331</u>	<u>971</u>	<u>104,282</u>
Cash flows from investing activities							
Net cash used in business combinations	31	—	(16,393)	(16,393)	—	—	—
Purchase of property, plant and equipment		(716)	(5,259)	(5,834)	(1,168)	(976)	(7,514)
Purchase of available-for-sale financial assets		—	—	(81,150)	(81,620)	(81,620)	—
Proceeds from disposal of available-for-sale financial assets		—	—	—	163,409	163,409	—
Net cash (used in)/generated from investing activities		<u>(716)</u>	<u>(21,652)</u>	<u>(103,377)</u>	<u>80,621</u>	<u>80,813</u>	<u>(7,514)</u>
Cash flows from financing activities							
Proceeds from related parties		—	80,000	80,000	—	—	—
Repayment to related parties		—	—	—	(80,000)	(80,000)	—
Dividend paid		—	—	—	—	—	(53,000)
Net cash generated from/(used in) financing activities		<u>—</u>	<u>80,000</u>	<u>80,000</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>(53,000)</u>
Net increase/(decrease) in cash		<u>8,670</u>	<u>75,126</u>	<u>(3,886)</u>	<u>7,952</u>	<u>1,784</u>	<u>43,768</u>
Cash and cash equivalents at beginning of year/period		<u>350</u>	<u>9,020</u>	<u>9,020</u>	<u>5,134</u>	<u>5,134</u>	<u>13,086</u>
Cash and cash equivalents at end of year/period		<u>9,020</u>	<u>84,146</u>	<u>5,134</u>	<u>13,086</u>	<u>6,918</u>	<u>56,854</u>

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Weikang Investment was incorporated in the People's Republic of China (the "PRC") on April 15, 2002 as a limited liability company. The address of Weikang Investment's registered office is Room 1, Ground Floor, Building No.35, Lane 3651, Shangnan Road, Pudong New District, Shanghai, the PRC.

During the Relevant Periods, Weikang Investment is a management services company. Weikang Investment, together with its subsidiary listed as follows, are principally engaged in (i) operation and management of its privately owned hospital, Shanghai Fuhua Hospital Co., Ltd. ("Fuhua Hospital") and (ii) provision of management and consultation services to a not-for-profit hospital, Shanghai Yangsi Hospital ("Yangsi Hospital") in the PRC.

On September 30, 2014, New Pride Holdings Limited ("New Pride"), an indirectly wholly-owned subsidiary of Hospital Corporation of China Limited, acquired the 80% interests in Weikang Investment at a consideration of RMB1,038,400,000. Upon completion of this acquisition, Weikang Investment and its subsidiary have been controlled by HCCL.

Weikang Investment had direct interests in the following subsidiary:

Company name	Place and date of incorporation/ establishment	Issued and paid-in capital	Attributable equity interest of Weikang Investment Group					Principal activities/ place of operation
			December 31, 2013	September 30, 2014	December 31, 2014	December 31, 2015	September 30, 2016	
Directly owned:								
Shanghai Fuhua Hospital Co., Ltd. (上海福華醫院有限公司)* (a)	The PRC, on October 17, 2007	RMB1,000,000	N/A	100%	100%	100%	100%	General hospital services, the PRC

*: English translation is for identification purpose only. The English names of companies incorporated in the PRC represent the best efforts by management of HCCL in translation their Chinese names as they do not have official English names.

(a) Shanghai Fuhua Hospital Co., Ltd. ("Fuhua Hospital") was established by two independent third party individuals as a limited liability company on October 17, 2007. Weikang Investment acquired the entire equity interests in Fuhua Hospital on January 15, 2014. No statutory financial statements have been prepared for Fuhua Hospital for the financial year ended December 31, 2014. The statutory auditor of Fuhua Hospital for the financial year ended December 31, 2015 is Shanghai HDDY Certified Public Accountants Co., Ltd.

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 and periods presented, unless otherwise stated.

2.1 Basis of preparation

As described in Note 1, 80% interests of Weikang Investment was acquired by HCCL on September 30, 2014. For the purpose of this accountant's report, the Financial Information includes the consolidated balance sheets as at December 31, 2013, 2014 and 2015 and September 30, 2014 and 2016, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2014, 2015 and 2016, and a summary of significant accounting policies and other explanatory information. The financial results for the nine months ended 30 September 2013 which is not relevant has not been presented.

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB") are set out below. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of the Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Weikang Investment 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 Weikang Investment 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 which are applicable to Weikang Investment Group and have not been early adopted by Weikang Investment Group:

		<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 7	Disclosure Initiative	1 January 2017
Amendments to IAS 12	Recognition of deferred tax	1 January 2017
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Lease	1 January 2019
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendment to IFRS 10 and IAS 28	Sale or Contribution of assets between an investor and its associate or joint venture	Deferred

Amendments to IAS 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 IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. An entity shall apply those amendments to IAS 7 for annual periods beginning on or after 1 January 2017.

Amendments to IAS 12 on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. An entity shall apply those amendments to IAS 12 for annual periods beginning on or after 1 January 2017.

IFRS 9 'Financial Instruments'. IFRS 9 (2014), 'Financial instruments' replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised 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: amortised 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. IFRS 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 IAS 39. IFRS 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 amortised 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. IFRS 9 also applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk.

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition. The directors of HCCL has performed a preliminary assessment. Based on this assessment it is noted that IFRS 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 Weikang Investment 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. IFRS 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 IFRS 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.

IFRS 16 'Lease'. The Weikang Investment Group is a lessee of various properties which are currently classified as operating leases. The Weikang Investment Group's current accounting policy for such leases is set out in note 2.21 with the Weikang Investment Group's future operating lease commitments, which are not reflected in the consolidated balance sheet. As at 30 September 2016, the Weikang Investment Group's total non-cancellable operating lease commitments amounted to RMB11,600,000 (Note 32). IFRS 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 Weikang Investment 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 base. 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. It is expected that certain portion of lease commitments will be required to be recognized in the consolidated balance sheet as right-of-use assets and lease liabilities.

The Weikang Investment 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 Weikang Investment Group's operation. According to the assessment made by the directors of HCCL, except as described above, the directors of HCCL do not expect the application of the new and revised IFRSs in issue but not yet effective will have significant impact on the financial performance and positions of the Weikang Investment Group.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which Weikang Investment has control. Weikang Investment controls an entity when Weikang Investment 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 Weikang Investment. They are deconsolidated from the date that control ceases.

(a) Business combination

Weikang Investment Group applies the acquisition method to account for business combinations. 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 Weikang Investment Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with Weikang Investment Group's accounting policies.

(b) *Disposal of subsidiaries*

When Weikang Investment Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if Weikang Investment Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of Weikang Investment 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 operations of the Weikang Investment Group are located in the PRC, the consolidated financial statements are presented in RMB, which is Weikang Investment's functional and Weikang Investment 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 recognised in the income statement.

2.5 Property, plant and equipment

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

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

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

—	Buildings	20 years
—	Medical equipment	5 years
—	Vehicles	5 years
—	Leasehold improvements	Shorter of remaining lease term vs. estimated useful lives
—	Office equipment and furniture	3-10 years

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other losses — net' in the income statement.

Construction-in-progress (the "CIP") represents buildings under construction is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the cost are transferred to buildings and depreciated 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 recognised immediately as an expense and is not subsequently reversed.

(b) *Medical licences*

Medical licences acquired in a business combination are recognised at fair value at the acquisition date. These medical licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives of 13.75 years.

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 amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash 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

2.8.1 Classification

Weikang Investment Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

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. Weikang Investment 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 balance sheet (Notes 11, 12, 13 and 14).

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.8.2 Recognition and measurement

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

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as “gains and losses from investment securities”.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income.

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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of Weikang Investment or the counterparty.

2.10 Impairment of financial assets

(a) *Assets carried at amortised cost*

Weikang Investment 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 reorganisation, 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 recognised in the consolidated income statement. If a loan or held-to-maturity investment 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, Weikang Investment 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 recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) *Assets classified as available for sale*

Weikang Investment Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted-average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.12 Trade and other receivables

Trade receivables are amounts due from patients and governments' social insurance schemes rendered 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows and consolidated balance sheets, 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 Paid-in capital

Paid-in capital is classified as equity.

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

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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 payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised 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 Weikang Investment's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 realised or the deferred income tax liability is settled.

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by Weikang Investment Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally Weikang Investment Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives Weikang Investment Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements 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 utilised.

(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.

2.17 Employee benefits

(a) *Pension obligations*

Weikang Investment Group companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and Weikang Investment 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 Weikang Investment Group.

(b) *Share-based payments*

Share-based payment transactions among group entities

For share-based payment transactions among group entities, in its separate or individual financial statements, the entity receiving the goods or services shall measure the goods or services received as either an equity-settled or a cash-settled share-based payment transaction by assessing:

- (a) the nature of the awards granted, and;
- (b) its own rights and obligations.

The entity receiving the goods or services shall measure the goods or services received as an equity-settled share-based payment transaction when:

- (a) the awards granted are settled with its own equity instruments, or;
- (b) the entity has no obligation to settle the share-based payment transaction.

In all other circumstances, the entity receiving the goods or services shall measure the goods or services received as a cash-settled share-based payment transaction.

2.18 Provisions

Provisions are recognised when Weikang Investment 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 recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of 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 recognised as interest expense.

2.19 Revenue recognition

Weikang Investment Group's revenue is primarily derived from rendering hospital management services to a hospital, general hospital services and sales of pharmaceuticals.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the goods sold and services rendered in the ordinary course of Weikang Investment Group's activities, stated net of discounts and sales related taxes. Weikang Investment Group recognises 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 Weikang Investment Group's activities, as described below. Weikang Investment Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) *Hospital Management Services*

Hospital management services fee is recognised when services are rendered and when it is probable that the economic benefits from the service rendered will flow to Weikang Investment Group and such benefit could be reliably measured.

(b) *General Hospital Services*

Revenues from general Hospital services are recognised when the related services are rendered and when it is probable that the economic benefits from the service rendered will flow to Weikang Investment Group and such benefit could be reliably measured. Transactions are settled by payment of social security card or cash.

(c) *Pharmaceutical Sales*

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

2.20 **Interest income**

Interest income is recognised using the effective interest method.

2.21 **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.

2.22 **Dividend distribution**

Dividend distribution to Weikang Investment's shareholders is recognised as a liability in Weikang Investment Group's and Weikang Investment's financial statements in the period in which the dividends are approved by Weikang Investment's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 **Financial risk factors**

Weikang Investment Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Weikang Investment Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Weikang Investment Group's financial performance. Risk management is carried out by the senior management of Weikang Investment and approved by the executive directors.

(a) *Market Risk*

(i) *Foreign exchange risk*

Weikang Investment Group runs its business inside the PRC, from which country Weikang Investment Group gain its revenue. Weikang Investment Group's presentation and functional currency is RMB. As a result, the foreign exchange risk to Weikang Investment Group's financial performance is low.

(ii) Price risk

Weikang Investment Group is not exposed to significant commodity price risk. The wealth management products investments held by Weikang Investment Group are classified as available-for-sale financial asset on the consolidated balance sheet. In consideration of the short maturity and relative stable price of the wealth management products involved, the directors of Weikang Investment Group believe that the price risk is immaterial.

(iii) Cash flow and fair value interest rate risk

Borrowings obtained at variable rates expose the group to cash flow interest rate risk which is partially offset by cash and wealth management products held at variable rates. Borrowings obtained at fixed rates expose the group to fair value interest rate risk. Weikang Investment Group is not exposed to significant interest rate risk as Weikang Investment Group has no borrowings.

The directors of the HCCL do not anticipate any significant impact to the wealth management products as a result from changes in interest rates because of its short term maturity.

(b) Credit Risk

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

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

Weikang Investment Group mainly engages in providing management services to a hospital and its largest customer is Yangsi Hospital which comprised 98%, 80%, 72%, 82%, 73% and 65% of total revenue for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2014, 2015 and 2016, respectively. The settlement of management fee from Yangsi Hospital may take three to six months. Management makes periodic collective assessments as well as individual assessment on the recoverability of trade and other receivables, including management fee based on historical settlement records and past experience. The directors of Weikang Investment believe that there is no material credit risk inherent in Weikang Investment Group's outstanding balance of trade and other receivables of management fee.

Management of the Weikang Investment Group makes individual assessment on the recoverability of amounts due from related parties based on historical settlement records and past experience. The directors of Weikang Investment believe that there is no material credit risk inherent in the Weikang Investment Group's outstanding balance of amounts due from related parties.

(c) Liquidity Risk

Weikang Investment Group aims to maintain sufficient cash and cash equivalents to meet operating capital requirements.

The table below analyses Weikang Investment 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	After 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2013					
Accruals and other payables (excluding accrued employee benefits, other taxes and advance from third parties) .	4,386	—	—	—	4,386
Amounts due to related parties.....	7,721	—	—	—	7,721
	<u>12,107</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,107</u>
At 30 September 2014					
Trade payables	1,171	—	—	—	1,171
Accruals and other payables (excluding accrued employee benefits, other taxes and advance from third parties) .	54,364	—	—	—	54,364
Amounts due to related parties.....	90,750	—	—	—	90,750
	<u>146,285</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>146,285</u>
At 31 December 2014					
Trade payables	1,994	—	—	—	1,994
Accruals and other payables (excluding accrued employee benefits, other taxes and advance from third parties) .	53,392	—	—	—	53,392
Amounts due to related parties.....	92,662	—	—	—	92,662
	<u>148,048</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>148,048</u>
At 31 December 2015					
Trade payables	2,919	—	—	—	2,919
Accruals and other payables (excluding accrued employee benefits, other taxes and advance from third parties) .	53,810	—	—	—	53,810
Amounts due to related parties.....	24,419	—	—	—	24,419
	<u>81,148</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>81,148</u>
At September 30 2016					
Trade payables	3,992	—	—	—	3,992
Accruals and other payables (excluding accrued employee benefits, other taxes and advance from third parties) .	32,988	—	—	—	32,988
Amounts due to related parties.....	12,876	—	—	—	12,876
	<u>49,856</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>49,856</u>

3.2 Capital Risk Management

Weikang Investment Group's primary objectives when managing capital are to safeguard Weikang Investment 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.

Weikang Investment Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

In order to maintain or adjust the capital structure, Weikang Investment Group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

Weikang Investment 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 Weikang Investment Group as at December 31, 2013, 2014 and 2015 and September 30, 2014 and 2016 was as follows:

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
The liability-to-asset ratio	<u>37%</u>	<u>91%</u>	<u>86%</u>	<u>59%</u>	<u>49%</u>

There were no changes in Weikang Investment Group's approach to capital management during the Relevant Periods.

Neither Weikang Investment nor any of its subsidiaries are subject to externally imposed capital requirements.

3.3 Fair value estimation

The table below analyses Weikang Investment Group's financial instruments carried at fair value as at 31 December 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised 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).

The following table presents Weikang Investment Group's assets that are measured at fair value at December 31, 2014.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Available-for-sale financial assets				
Wealth management products				
- Wealth management products with floating rates.	—	—	81,150	81,150
Total assets	<u>—</u>	<u>—</u>	<u>81,150</u>	<u>81,150</u>

There were no transfers between levels 1, 2 and 3 during the year.

At December 31, 2013 and 2015, September 30, 2014 and 2016, there is no financial instruments of Weikang Investment Group is required to be measured at fair value.

(a) *Financial instruments in level 3*

The following table presents the changes in level 3 instruments for the years ended December 31, 2013, 2014, 2015 and the nine months ended September 30, 2014 and 2016.

	Wealth management products with floating rates					
	Year ended	Nine months ended		Year ended	Nine months ended	
	December	September	December	December	September	September
	31, 2013	30, 2014	31, 2014	31, 2015	30, 2016	30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance	—	—	—	81,150	—	—
Addition	—	—	81,150	81,620	—	—
Settlements	—	—	—	(163,409)	—	—
Gains recognised in profit or loss	—	—	—	639	—	—
Closing balance	<u>—</u>	<u>—</u>	<u>81,150</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total gains for the year/period included in profit or loss under "Other gains - net"	—	—	—	639	—	—
Changes in unrealised gains or losses for the year included in profit or loss at the end of the year/period ...	—	—	—	—	—	—

Available-for-sale financial assets are wealth management products held by Weikang Investment Group which were effective on December 5, 2014, December 5, 2014 and January 27, 2015, respectively and fell due on January 7, January 14 and February 12, 2015, respectively. The fair value of the wealth management products held by the Group is approximate to the book value and relevant fair value gain/loss and financial impact of changes in interest rate are minimal because of short term maturity while the duration of two contracts are ranging from 33 to 40 days.

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.

Weikang Investment Group makes estimates and judgements 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*

Weikang Investment 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. These calculations require the use of estimates. When applying valuation technique, Weikang Investment Group relies on a number of factors and judgements, including, among others, historical results, forecasts, market data and the success of business plans.

The basis for the key assumptions used in the impairment testing as of September 30, 2016 (estimates based on the operations during the nine months ended September 30, 2016) are as follows:

(i) *Revenue (% compound growth rates)*

The revenue compound growth rates for the eight-year projection period is based on the Weikang Investment Group's forecast of its average revenue growth rate from 2016 to 2023. In particular, the Weikang Investment Group's management has estimated that the compound growth rate of its general hospital services segment revenue will be 9.69% during the period. Frost and Sullivan has forecasted that the market size of Shanghai non-public hospitals will experience rapid growth with a Compound Annual Growth Rate ("CAGR") of 10.7%, starting from 2016 to 2023. In addition to the existing hospitals, the Weikang Investment Group considers the CAGR, its business transition strategy and other market forecasts in estimating these growth rates.

(ii) *Cost and operation expenses (% of revenue)*

The cost and operation expenses (% of revenue) for its general hospital services segment for the eight-year forecast period are determined on the basis of management's past experience.

(iii) *Long-term growth rate*

The 3% long-term growth rate after the eight-year forecast period is estimated on the basis of the inflation rate of China. 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.

(iv) *Discount rates*

The discount rates for the eight-year forecast period and after that period are determined by reference to discount rates provided by an independent valuer. Discount rates were estimated based on the weighted average cost of capital ("WACCs") with reference to the industry risk premium and the debt to equity ratio of some guideline companies in China healthcare sector.

Changes in the conditions for these estimates and assumptions can significantly affect the assessed result of goodwill impairment test.

For the sensitivity analysis and other details, please refer to Note 7 to financial information in Accountant's report.

No impairment was charged during the years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016.

(b) *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 judgment is required from Weikang Investment Group 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 income tax and deferred tax provisions in the period in which such determination is made.

Weikang Investment Group recognises deferred tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable profits of the companies who had tax losses.

(c) Purchase price allocation

The application of business combination accounting requires the use of significant estimates and assumptions. The purchase method of accounting for business combinations requires Weikang Investment Group to estimate the fair value of identifiable assets acquired and liabilities assumed. This exercise requires the use of management's assumptions and judgement, which would not reflect unanticipated events and circumstances that may occur.

An asset is identifiable if it either:

- (a) is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- (b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Allocation of the purchase price affects the results of Weikang Investment Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

(d) Consolidation*Not-for-profit hospital founded by Weikang Investment*

Yangsi Hospital, a not-for-profit hospital, was founded by Weikang Investment, a subsidiary acquired by HCCL in September 2014. Despite the fact that Weikang Investment founded the hospital, Weikang Investment is not entitled to the dividend of the hospital in accordance with relevant PRC rules and regulation. Weikang Investment and its affiliate have entered into agreements with the hospital in which Weikang Investment Group obtains contractual rights to provide management services of the not-for-profit hospital for certain periods and is entitled to receive performance-based management fees during the periods.

Weikang Investment Group has exercised significant judgments in determining whether Weikang Investment Group has control over hospital. In exercising such judgment, Weikang Investment Group considers the purpose and design of the hospital, what the relevant activities are and how decisions about those activities are made, whether the rights of Weikang Investment Group gives the current ability to direct the relevant activities, whether rights exercisable by other parties as internal governance body members are substantive, whether Weikang Investment Group is exposed, or has rights, to variable returns from its involvement with the hospital, and whether Weikang Investment Group has the ability to use its power over the hospital to affect the amount of Weikang Investment Group's returns.

After assessment, the management has concluded that Weikang Investment Group does not have the decision making power over internal governance body to direct the relevant activities of the not-for-profit hospital, so Weikang Investment Group does not control and thus does not consolidate the not-for-profit hospital. Instead, agreements are considered as management contracts to generate management service income.

5 SEGMENT INFORMATION

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

The CODM considers the business from both the service and product perspective. When the group companies have similar economic characteristics, and the segments are similar in each of the following respects: (i) the nature of the products and services; (ii) the nature of the production processes; (iii) the type or class of customer 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, Weikang Investment Group’s operating segments are aggregated. In the view of CODM, Weikang Investment Group is principally engaged in two different segments which are subject to different business risks and different economic characteristics and Weikang Investment Group’s operating and reportable segments for segment reporting purpose are as follows:

Weikang Investment Group assesses the performance of the operating segments based on a measure of earnings before interests, income tax, depreciation and amortisation (“EBITDA”).

(a) ***General hospital services***

Revenue from this segment is derived from hospital services provided at Fuhua Hospital.

(b) ***Hospital management services***

Weikang Investment Group provides comprehensive management services to Yangsi Hospital under hospital management agreements and receives management service fee.

Segment information about Weikang Investment Group's reportable segment is presented below.

	General hospital services	Hospital management services	Total
	RMB'000	RMB'000	RMB'000
Year ended December 31, 2013			
Revenue from external customers.....	—	46,443	46,443
EBITDA	—	40,619	40,619
Depreciation	—	(1,530)	(1,530)
Finance income - net	—	29	29
Profit before tax	—	39,118	39,118
As at December 31, 2013			
Total assets	—	64,821	64,821
Total liabilities.....	—	24,164	24,164
Other Segment information for the year ended December 31, 2013			
Depreciation, amortization and impairment	—	(1,530)	(1,530)
Additions of non-current assets except for goodwill.....	—	2,145	2,145
Nine months ended September 30, 2014			
Revenue from external customers.....	9,400	47,356	56,756
EBITDA	(1,058)	42,027	40,969
Depreciation	(167)	(1,358)	(1,525)
Amortization.....	(600)	—	(600)
Finance income - net	1	582	583
Profit before tax	(1,824)	41,251	39,427
As at September 30, 2014			
Segment assets.....	15,294	164,965	180,259
Goodwill.....	7,948	—	7,948
Total assets	23,242	164,965	188,207
Total liabilities.....	7,916	163,373	171,289
Other Segment information for the nine months ended September 30, 2014			
Depreciation, amortization and impairment	(767)	(1,358)	(2,125)
Additions of non-current assets except for goodwill.....	12,768	95	12,863

	General hospital services	Hospital management services	Total
	RMB'000	RMB'000	RMB'000
Year ended December 31, 2014			
Revenue from external customers.....	14,675	65,734	80,409
EBITDA	(974)	58,288	57,314
Depreciation	(261)	(1,810)	(2,071)
Amortization.....	(800)	—	(800)
Finance income - net	1	1,166	1,167
Profit before tax	(2,034)	57,644	55,610
As at December 31, 2014			
Segment assets.....	16,326	183,476	199,802
Goodwill.....	7,948	—	7,948
Total assets	24,274	183,476	207,750
Total liabilities.....	9,109	169,939	179,048
Other Segment information for the year ended December 31, 2014			
Depreciation, amortization and impairment	(1,061)	(1,810)	(2,871)
Additions of non-current assets except for goodwill.....	12,844	95	12,939
Year ended December 31, 2015			
Revenue from external customers.....	23,447	65,787	89,234
EBITDA	923	57,177	58,100
Depreciation	(531)	(1,756)	(2,287)
Amortization.....	(800)	—	(800)
Finance income - net	4	49	53
Profit before tax	(404)	55,470	55,066
As at December 31, 2015			
Segment assets.....	22,611	141,511	164,122
Goodwill.....	7,948	—	7,948
Total assets	30,559	141,511	172,070
Total liabilities.....	15,703	86,371	102,074
Other Segment information for the year ended December 31, 2015			
Depreciation, amortization and impairment	(2,325)	(1,756)	(4,081)
Additions of non-current assets except for goodwill.....	984	2,213	3,197

	General hospital services	Hospital management services	Total
	RMB'000	RMB'000	RMB'000
Nine months ended September 30, 2016			
Revenue from external customers.....	<u>21,089</u>	<u>42,718</u>	<u>63,807</u>
EBITDA	1,145	26,793	27,938
Depreciation	(458)	(1,354)	(1,812)
Amortization.....	(600)	—	(600)
Finance income - net	<u>9</u>	<u>47</u>	<u>56</u>
Profit before tax	<u>96</u>	<u>25,486</u>	<u>25,582</u>
As at September 30, 2016			
Segment assets.....	24,493	92,474	116,967
Goodwill.....	<u>7,948</u>	—	<u>7,948</u>
Total assets	<u>32,441</u>	<u>92,474</u>	<u>124,915</u>
Total liabilities.....	<u>16,835</u>	<u>43,801</u>	<u>60,636</u>
Other Segment information for the nine months ended September 30, 2016			
Depreciation, amortization and impairment	<u>(1,058)</u>	<u>(1,354)</u>	<u>(2,412)</u>
Addition of non-current assets except for goodwill	<u>661</u>	<u>1,940</u>	<u>2,601</u>
Nine months ended September 30, 2015 (Unaudited)			
Revenue from external customers.....	<u>15,875</u>	<u>45,768</u>	<u>61,643</u>
EBITDA	424	39,159	39,583
Depreciation	(388)	(1,317)	(1,705)
Amortization.....	(600)	—	(600)
Finance income - net	<u>4</u>	<u>42</u>	<u>46</u>
Profit before tax	<u>(560)</u>	<u>37,884</u>	<u>37,324</u>
Other Segment information for the nine months ended September 30, 2015 (Unaudited)			
Depreciation, amortization and impairment	<u>(1,668)</u>	<u>(1,317)</u>	<u>(2,985)</u>
Addition of non-current assets except for goodwill	<u>905</u>	<u>1,647</u>	<u>2,552</u>

6 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Medical equipment	Office equipment, furniture and motor vehicles	Construction- in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2013						
Cost	30,460	—	—	—	1,435	31,895
Accumulated depreciation...	(11,424)	—	—	—	—	(11,424)
Net book amount	<u>19,036</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,435</u>	<u>20,471</u>
Year ended December 31, 2013						
Opening net book amount...	19,036	—	—	—	1,435	20,471
Additions.....	—	—	—	715	1,430	2,145
Transfer upon completion ...	2,865	—	—	—	(2,865)	—
Depreciation charge.....	(1,519)	—	—	(11)	—	(1,530)
Closing net book amount....	<u>20,382</u>	<u>—</u>	<u>—</u>	<u>704</u>	<u>—</u>	<u>21,086</u>
At December 31, 2013						
Cost	33,325	—	—	715	—	34,040
Accumulated depreciation...	(12,943)	—	—	(11)	—	(12,954)
Net book amount	<u>20,382</u>	<u>—</u>	<u>—</u>	<u>704</u>	<u>—</u>	<u>21,086</u>
Nine months ended September 30, 2014						
Opening net book amount...	20,382	—	—	704	—	21,086
Additions.....	—	—	510	819	—	1,329
Business combinations (Note 31)	—	414	60	60	—	534
Depreciation charge.....	(1,254)	(62)	(18)	(191)	—	(1,525)
Closing net book amount....	<u>19,128</u>	<u>352</u>	<u>552</u>	<u>1,392</u>	<u>—</u>	<u>21,424</u>
At September 30, 2014						
Cost	33,325	414	570	1,594	—	35,903
Accumulated depreciation...	(14,197)	(62)	(18)	(202)	—	(14,479)
Net book amount	<u>19,128</u>	<u>352</u>	<u>552</u>	<u>1,392</u>	<u>—</u>	<u>21,424</u>

	Buildings	Leasehold improvements	Medical equipment	Office equipment, furniture and motor vehicles	Construction- in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2014						
Opening net book amount...	20,382	—	—	704	—	21,086
Additions.....	—	—	585	820	—	1,405
Business combinations (Note 31)	—	414	60	60	—	534
Depreciation charge.....	(1,666)	(83)	(47)	(275)	—	(2,071)
Closing net book amount....	<u>18,716</u>	<u>331</u>	<u>598</u>	<u>1,309</u>	<u>—</u>	<u>20,954</u>
At December 31, 2014						
Cost	33,325	414	645	1,595	—	35,979
Accumulated depreciation...	(14,609)	(83)	(47)	(286)	—	(15,025)
Net book amount.....	<u>18,716</u>	<u>331</u>	<u>598</u>	<u>1,309</u>	<u>—</u>	<u>20,954</u>
Year ended December 31, 2015						
Opening net book amount...	18,716	331	598	1,309	—	20,954
Additions.....	—	840	94	62	2,201	3,197
Depreciation charge.....	(1,587)	(223)	(162)	(315)	—	(2,287)
Closing net book amount....	<u>17,129</u>	<u>948</u>	<u>530</u>	<u>1,056</u>	<u>2,201</u>	<u>21,864</u>
At December 31, 2015						
Cost	33,325	1,254	739	1,657	2,201	39,176
Accumulated depreciation...	(16,196)	(306)	(209)	(601)	—	(17,312)
Net book amount.....	<u>17,129</u>	<u>948</u>	<u>530</u>	<u>1,056</u>	<u>2,201</u>	<u>21,864</u>
Nine months ended September 30, 2016						
Opening net book amount...	17,129	948	530	1,056	2,201	21,864
Additions.....	—	339	—	336	1,926	2,601
Transfer upon completion ..	4,127	—	—	—	(4,127)	—
Depreciation charge.....	(1,234)	(205)	(102)	(271)	—	(1,812)
Closing net book amount....	<u>20,022</u>	<u>1,082</u>	<u>428</u>	<u>1,121</u>	<u>—</u>	<u>22,653</u>
At September 30, 2016						
Cost	37,452	1,593	739	1,993	—	41,777
Accumulated depreciation...	(17,430)	(511)	(311)	(872)	—	(19,124)
Net book amount.....	<u>20,022</u>	<u>1,082</u>	<u>428</u>	<u>1,121</u>	<u>—</u>	<u>22,653</u>

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

	Year ended December 31, 2013	Nine months ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	Nine months ended September 30, 2015	Nine months ended September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of revenue.....	1,519	1,421	1,927	2,119	1,575	1,696
Administrative expenses	11	104	144	168	130	116
	<u>1,530</u>	<u>1,525</u>	<u>2,071</u>	<u>2,287</u>	<u>1,705</u>	<u>1,812</u>

During the years ended December 31, 2013, 2014 and 2015 and for the nine months ended September 30, 2014, 2015 and 2016, Weikang Investment Group has no capitalised borrowing costs on qualifying assets.

Weikang Investment Group's land and buildings have certain title defects. Weikang Investment Group does not hold the land use right certificates or building ownership certificates for the relevant properties, nor the construction work planning permits, commencement permits or completion inspection certificates. Weikang Investment Group has not yet obtained properties title certificates and is in the process of obtaining ownership certificates for all its properties.

Furthermore, PRC legal advisors of HCCL have advised that the title defects on the land and buildings will not create any substantive legal obstacle for the Weikang Investment Group to continue using the land and the buildings located on it or cause suspension to the operations of Weikang Investment Group. The management of Weikang Investment Group reasonably and firmly believes that the risk of Weikang Investment Group being required to suspend using the land and buildings is extremely remote. Moreover, the management has considered and assessed the feasibility of relocation and made a relocation plan accordingly. In addition, the controlling shareholders have confirmed to the management of Weikang Investment Group that they have sufficient financial resources (including capital commitments of the limited partners of Hony Fund V and assets of Hony Fund V) to fully indemnify Weikang Investment Group for any damages or costs incurred in relation to the title defects.

Based on the aforementioned facts, the directors of HCCL are of the view that:

- (i) The title defects of the land and buildings did not have a significant impact on the operation and going concern issue related to the basis of preparation of the financial information of Weikang Investment Group during the periods; and
- (ii) Any damages or costs incurred in relation to the title defects of the land and buildings will be indemnified by the controlling shareholders, thus there will be no significant financial impact on the financial information of Weikang Investment Group.

The acquisition cost of buildings is comprising of the land and its building cost. According to an independent valuer, due to the title defects, it is infeasible and impractical to separately evaluate the fair value of the land and the buildings, which would be required to split the value between land and building cost. The directors of the HCCL consider as there is no reasonable basis to allocate the consideration to the land and the buildings located thereon, respectively, the total consideration has been recognized in the 'Property, Plant and Equipment' as buildings and depreciated over the estimated useful lives of 20 years. The directors of the HCCL is of the view that the reclassification of non-current assets in the balance sheet and the difference between depreciation and amortization charges resulting from different useful lives is immaterial.

7 INTANGIBLE ASSETS

	<u>Goodwill</u>	<u>Medical licenses</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
	(Note a)		
At January 1, 2013			
Cost	—	—	—
Accumulated amortisation	—	—	—
Net book amount	<u>—</u>	<u>—</u>	<u>—</u>
Year ended December 31, 2013			
Opening net book amount	—	—	—
Additions	—	—	—
Amortisation	—	—	—
Closing net book amount	<u>—</u>	<u>—</u>	<u>—</u>
At December 31, 2013			
Cost	—	—	—
Accumulated amortisation	—	—	—
Net book amount	<u>—</u>	<u>—</u>	<u>—</u>
Nine months ended September 30, 2014			
Opening net book amount	—	—	—
Additions	—	—	—
Business combinations (Note 31)	7,948	11,000	18,948
Amortisation	—	(600)	(600)
Closing net book amount	<u>7,948</u>	<u>10,400</u>	<u>18,348</u>

	<u>Goodwill</u>	<u>Medical licenses</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
	(Note a)		
At September 30, 2014			
Cost.....	7,948	11,000	18,948
Accumulated amortisation	—	(600)	(600)
Net book amount	<u>7,948</u>	<u>10,400</u>	<u>18,348</u>
Year ended December 31, 2014			
Opening net book amount	—	—	—
Additions	—	—	—
Business combinations (Note 31)	7,948	11,000	18,948
Amortisation	—	(800)	(800)
Closing net book amount	<u>7,948</u>	<u>10,200</u>	<u>18,148</u>
At December 31, 2014			
Cost.....	7,948	11,000	18,948
Accumulated amortisation	—	(800)	(800)
Net book amount	<u>7,948</u>	<u>10,200</u>	<u>18,148</u>
Year ended December 31, 2015			
Opening net book amount	7,948	10,200	18,148
Additions	—	—	—
Amortisation	—	(800)	(800)
Closing net book amount	<u>7,948</u>	<u>9,400</u>	<u>17,348</u>
At December 31, 2015			
Cost.....	7,948	11,000	18,948
Accumulated amortisation	—	(1,600)	(1,600)
Net book amount	<u>7,948</u>	<u>9,400</u>	<u>17,348</u>
Nine months ended September 30, 2016			
Opening net book amount	7,948	9,400	17,348
Additions	—	—	—
Amortisation	—	(600)	(600)
Closing net book amount	<u>7,948</u>	<u>8,800</u>	<u>16,748</u>
At September 30, 2016			
Cost.....	7,948	11,000	18,948
Accumulated amortisation	—	(2,200)	(2,200)
Net book amount	<u>7,948</u>	<u>8,800</u>	<u>16,748</u>

(a) Impairment tests for goodwill

Goodwill of RMB 7,948,000 is resulted from acquisitions of Fuhua Hospital in 2014 (Note 31). Fuhua Hospital is principally engaged in the provision of general hospital services in the PRC.

Management reviews the business performance of each operating segment. Goodwill is allocated to general hospital services operating segment and monitored by the management at the operating segment level.

The recoverable amount of an operating segment is determined based on value-in-use calculations. These calculations use pre-tax 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 main business in which the operating segment operates.

The key assumptions, long-term growth rate and discount rate used in the value-in-use calculations are as follows.

	General Hospital Services Segment		
	as of December 31, 2014	as of December 31, 2015	as of September 30, 2016
Revenue (% compound growth rate).....	16.87%	9.69%	9.69%
Costs and operating expenses (% of revenue).....	88.00%	85.00%	85.00%
Long-term growth rate	3.00%	3.00%	3.00%
Pre-tax discount rate	15.78%	16.36%	16.63%
Recoverable amount of operating segment (RMB'000)	36,981	36,522	39,637

These assumptions have been used for the analysis of the general hospital services segment.

Revenue compound growth rate is for the eight-year forecast period. It is based on past performance and management's expectations of market development.

The percentage of costs and operating expenses of revenue is the average percentages over the eight-year forecast period. It is based on the current margin levels, with adjustments made to reflect the expected future price rises in labour, rental and relevant equipment, which management does not expect to be able to pass on to customers through price increases.

The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. By reference to relevant accounting standards, the future cash flows used in value-in-use calculations to assess the goodwill impairment of the general hospital services segment did not include income tax receipts or payments, and thus the management of the Weikang Investment Group used the pre-tax discount rate to match the future cash flows when calculating the recoverable amount of the general hospital services segment.

The table below sets forth each key assumption for the eight-year forecast period as of each period/year end (estimates based on the operations for the periods indicated) used in goodwill impairment testing and the breakeven point of such key assumptions:

	Year ended December 31, 2014		Year ended December 31, 2015		Nine months ended September 30, 2016	
	Key assumption	Breakeven point	Key assumption	Breakeven point	Key assumption	Breakeven point
Percentage of the compound growth rate of revenue	16.87%	-1.50%	9.69%	-17.19%	9.69%	-19.72%
Percentage of costs and operating expenses over revenue.....	88.00%	94.32%	85.00%	91.65%	85.00%	91.89%
Percentage of the pre-tax discount rate*	15.78%	23.62%	16.36%	27.35%	16.63%	30.33%

No impairments were charged during the years ended December 31, 2014 and 2015 and the nine months ended September 30, 2016.

8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance	—	—	—	81,150	—
Additions.....	—	—	81,150	81,620	—
Disposals	—	—	—	(163,409)	—
Gains and losses recognised in profit or loss	—	—	—	639	—
Ending balance	—	—	81,150	—	—

* Same for the eight-year forecast period and after that period.

Available-for-sale financial assets include the following:

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products:					
- Wealth management products with floating rate and the date of maturity was January 14, 2015.....	—	—	72,830	—	—
- Wealth management products with floating rate and the date of maturity was January 7, 2015.....	—	—	8,320	—	—
	<u>—</u>	<u>—</u>	<u>81,150</u>	<u>—</u>	<u>—</u>

Available-for-sale financial assets are denominated in RMB.

Available-for-sale financial assets are wealth management products held by Weikang Investment Group which started on December 5, 2014, December 5, 2014 and January 27, 2015, respectively and fell due on January 7, January 14 and February 12, 2015, respectively. The fair value of the wealth management products held by the Weikang Investment Group is approximate to the book value and relevant fair value gain/loss and financial impact of changes in interest rate are minimal because of short term maturity while the duration of two contracts are ranging from 33 to 40 days.

9 INVENTORIES

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Pharmaceuticals	—	904	759	1,145	1,828
Medical consumables	—	148	92	35	133
	<u>—</u>	<u>1,052</u>	<u>851</u>	<u>1,180</u>	<u>1,961</u>

The analysis of the amount of inventories recognized as an expense and included in 'cost of revenue' is as follow:

	Nine months			Nine months		
	Year ended	ended	Year ended	Year ended	Nine months	
	December 31,	September 30,	December 31,	December 31,	ended	
2013	2014	2014	2015	September	ended	
	RMB'000	RMB'000	RMB'000	RMB'000	30, 2015	September
					RMB'000	30, 2016
					(Unaudited)	RMB'000
Cost of inventories sold	<u>—</u>	<u>4,519</u>	<u>7,265</u>	<u>12,836</u>	<u>8,571</u>	<u>12,533</u>

10 FINANCIAL INSTRUMENTS BY CATEGORY

	As at	As at	As at	As at	As at
	December	September	December	December	September 30,
	31, 2013	30, 2014	31, 2014	31, 2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans and receivables					
Trade receivables.....	—	1,357	1,563	7,490	6,588
Other receivables and deposits.....	—	17	56	78	18
Amounts due from related parties	34,637	61,715	79,787	110,373	19,491
Cash and cash equivalents	<u>9,020</u>	<u>84,146</u>	<u>5,134</u>	<u>13,086</u>	<u>56,854</u>
	<u>43,657</u>	<u>147,235</u>	<u>86,540</u>	<u>131,027</u>	<u>82,951</u>
Available-for-sale financial asset					
Available-for-sale financial asset	<u>—</u>	<u>—</u>	<u>81,150</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>81,150</u>	<u>—</u>	<u>—</u>
Financial liabilities at amortised costs					
Trade payables.....	—	1,171	1,994	2,919	3,992
Accruals and other payables (excluding accrued employee benefits, other tax liabilities and advance from third parties)	4,386	54,364	53,392	53,810	32,988
Amounts due to related parties	<u>7,721</u>	<u>90,750</u>	<u>92,662</u>	<u>24,419</u>	<u>12,876</u>
	<u>12,107</u>	<u>146,285</u>	<u>148,048</u>	<u>81,148</u>	<u>49,856</u>

11 TRADE RECEIVABLES

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables.....	—	1,357	1,563	8,484	7,582
Less: provision for impairment of trade receivables	—	—	—	(994)	(994)
Trade receivables — net	—	1,357	1,563	7,490	6,588

The carrying amounts of Weikang Investment Group's trade receivables are denominated in RMB and approximate their fair values.

As at December 31, 2013, 2014 and 2015, September 30, 2014 and 2016, the ageing analysis based on invoice date of the trade receivables was as follows:

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1 - 60 days	—	1,357	1,563	4,463	4,624
61 - 180 days	—	—	—	4,021	864
181 days - 1 year	—	—	—	—	2,094
	—	1,357	1,563	8,484	7,582

As at December 31, 2013, 2014 and 2015, September 30, 2014 and 2016, Weikang Investment Group's trade receivables past due but not impaired were nil, nil, RMB 1,491,000, nil and RMB87,000, respectively. These mainly related to the amounts to be claimed from local social insurance bureau and similar government departments who are responsible for the reimbursement of medical expenses for patients who are covered by government medical insurance schemes. The management considers that based on past experience, the amounts can be recovered in reasonable time. The ageing analysis of these trade receivables was as follow:

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1 - 60 days	—	—	—	—	—
61 - 180 days	—	—	—	1,491	—
181 days - 1 year	—	—	—	—	87
	—	—	—	1,491	87

As at December 31, 2015 and September 30, 2016, Weikang Investment Group's trade receivables impaired were RMB994,000 and RMB994,000 (December 31, 2013 and 2014: nil; September 30, 2014: nil). The ageing analysis of the trade receivables was as follow:

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1 - 60 days	—	—	—	—	—
61 - 180 days	—	—	—	994	—
181 days - 1 year	—	—	—	—	994
	<u>—</u>	<u>—</u>	<u>—</u>	<u>994</u>	<u>994</u>

Movement on Weikang Investment Group's provision for impairment of trade receivables was as follows:

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1	—	—	—	—	994
Provision for receivables	—	—	—	994	—
As at December 31	<u>—</u>	<u>—</u>	<u>—</u>	<u>994</u>	<u>994</u>

The provision for receivables impairment have been included in "administrative expenses" in the consolidated statements of comprehensive income. Amounts are generally written off, when there is no expectation of recovering additional cash.

12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current					
Other receivables	—	17	56	78	18
Prepayments	<u>78</u>	<u>148</u>	<u>107</u>	<u>402</u>	<u>205</u>
Total	<u>78</u>	<u>165</u>	<u>163</u>	<u>480</u>	<u>223</u>

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 December 31, 2013, 2014, 2015, September 30, 2014 and 2016, the balances with related parties are unsecured, interest-free, receivable/repayable on demand and are denominated in RMB.

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from a related party, Yangsi Hospital					
- Trade in nature	34,590	61,711	79,782	110,339	19,208
- Others	47	4	5	34	283
	<u>34,637</u>	<u>61,715</u>	<u>79,787</u>	<u>110,373</u>	<u>19,491</u>

As at December 31, 2013, 2014 and 2015, September 30, 2014 and 2016, the ageing analysis based on trading date of the trade receivables was as follows:

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 30 days	34,590	46,571	18,071	20,062	14,491
30 to 90 days	—	—	—	—	—
90 to 180 days	—	—	46,571	15,048	4,717
More than 180 days	—	15,140	15,140	75,229	—
	<u>34,590</u>	<u>61,711</u>	<u>79,782</u>	<u>110,339</u>	<u>19,208</u>

As at December 31, 2013, 2014 and 2015, September 30, 2014 and 2016, none of relevant receivables was individually determined to be impaired.

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties					
- Others					
Yangsi Hospital	7,392	90,644	92,662	24,419	12,876
Mr. Wang Zhejun	329	106	—	—	—
	<u>7,721</u>	<u>90,750</u>	<u>92,662</u>	<u>24,419</u>	<u>12,876</u>

Their carrying values due as at December 31, 2013, 2014 and 2015, September 30, 2014 and 2016 approximate their fair values.

14 CASH AND CASH EQUIVALENTS

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks	8,942	84,136	5,087	12,901	56,801
Cash on hand.....	<u>78</u>	<u>10</u>	<u>47</u>	<u>185</u>	<u>53</u>
	<u>9,020</u>	<u>84,146</u>	<u>5,134</u>	<u>13,086</u>	<u>56,854</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Weikang Investment Group's balances of cash at banks which are mainly denominated in RMB are deposited with banks in the PRC.

15 PAID-IN CAPITAL

	Amount
	RMB'000
As at January 1, 2013, December 31, 2013, September 30, 2014, December 31, 2014, December 31, 2015 and September 30, 2016	<u>30,000</u>

16 SHARE-BASED PAYMENTS

Service Contract with Mr. Lu Wenzuo

As the end of June 2016, the key terms and conditions of a service contract were discussed with Mr. Lu Wenzuo ("Mr. Lu"). Mr. Lu was also informed that the service contract was subject to board approval, which was obtained in December 2016.

Pursuant to the Board of Directors' resolution dated December 13, 2016, New Pride entered into a service contract with Mr. Lu (the "Service Contract"). Pursuant to the Service Contract on December 13, 2016, New Pride conditionally granted the following awards to Mr. Lu if he can work for Weikang Investment and provide hospital management services to Yangsi Hospital as the hospital administrator till December 31, 2017:

- (i) Certain share awards (the "Share Awards") to acquire 1% equity interest in each of Weikang Investment and Honghe Ruixin from New Pride and Honghe Zhiyuan or receive a cash payment equivalent to the value of 1% equity interest in each of Weikang Investment and Honghe Ruixin for each of the three years ending December 31, 2017 and the Share Awards will be settled by New Pride at the end of Mr. Lu's tenure at one time;
- (ii) Share appreciation rights (the "Mr. Lu's SARs") to receive a cash payment based on the appreciation of 1% of the notional equity interest in Weikang Investment and Honghe Ruixin. The Mr. Lu's SARs will be settled by New Pride at the end of Mr. Lu's tenure;

Pursuant to the Service Contract, Weikang Investment receives the services provided by Mr. Lu and has no obligation to settle the Share Awards and the Mr. Lu's SARs. Accordingly, Weikang Investment measures the services received as an equity-settled share-based payment transaction.

The fair value of the Share Awards and the Mr. Lu's SARs, as equity-settled share-based payment transactions, on the grant date of December 13, 2016, are determined by a professional valuation firm was RMB41,700,000 and RMB8,600,000, respectively. The starting date of the vesting period is June 30, 2016.

The significant inputs in the valuation model related to the Share Awards were listed as below:

	<u>As at December 13, 2016</u>
Discount for lack of marketability.....	20%
Length of the vesting period (month).....	18

The significant inputs in the valuation model related to the Mr. Lu's SARs were listed as below:

	<u>As at December 13, 2016</u>
Volatility.....	43.2%
Length of the vesting period (month).....	18
Annual risk-free interest rate	0.661%

The volatility factor estimated was based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise.

Share-based compensation expenses related to the Share Awards of RMB6,950,000 and the Mr. Lu's SARs of RMB1,433,000 was recognized as 'cost of revenue' for the nine months ended September 30, 2016.

Other than the Share Awards and the Mr. Lu's SARs mentioned above, there is no other share-based payments plan related to Weikang Investment.

17 RESERVES

	Statutory surplus reserve
	RMB'000
	Note (a)
At January 1, 2013	—
Transfer of reserves	783
At December 31, 2013	<u>783</u>
At January 1, 2014	783
Transfer of reserves	3,094
At September 30, 2014	<u>3,877</u>
At January 1, 2014	783
Transfer of reserves	3,094
At December 31, 2014	<u>3,877</u>
At January 1, 2015	3,877
Transfer of reserves	3,543
At December 31, 2015	<u>7,420</u>
At January 1, 2016	7,420
Share-based payments (Note 16)	8,383
At September 30, 2016	<u>15,803</u>
(Unaudited)	
At January 1, 2015	3,877
Transfer of reserves	—
At September 30, 2015	<u>3,877</u>

(a) Statutory surplus reserve

In accordance with the PRC regulations and the articles of association of the companies now comprising Weikang Investment 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. Weikang Investment didn't appropriate 10% of its after-tax profit to reserves in the fourth quarter of 2014 as a result of accumulated loss.

18 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The balances shown in the statements of financial position were, after appropriate offsetting, as follows:

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:					
- Deferred income tax assets to be recovered after more than 12 months	—	—	—	—	—
- Deferred income tax assets to be recovered within 12 months	—	—	—	249	397
	<u>—</u>	<u>—</u>	<u>—</u>	<u>249</u>	<u>397</u>
Deferred income tax liabilities:					
- Deferred income tax liabilities to be settled after more than 12 months	—	(2,400)	(2,350)	(2,150)	(2,000)
- Deferred income tax liabilities to be settled within 12 months	—	(200)	(200)	(200)	(200)
	<u>—</u>	<u>(2,600)</u>	<u>(2,550)</u>	<u>(2,350)</u>	<u>(2,200)</u>
Deferred income tax liabilities — net.....	<u>—</u>	<u>(2,600)</u>	<u>(2,550)</u>	<u>(2,101)</u>	<u>(1,803)</u>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

Deferred income tax assets

	Provisions	Recognized tax losses assets	Total
	RMB'000	RMB'000	RMB'000
Balance at January 1, 2013	—	—	—
Credited to profit or loss	—	—	—
Balance at December 31, 2013	—	—	—
Balance at January 1, 2014	—	—	—
Credited to profit or loss	—	—	—
Balance at September 30, 2014	—	—	—
Balance at January 1, 2014	—	—	—
Credited to profit or loss	—	—	—
Balance at December 31, 2014	—	—	—
Balance at January 1, 2015	—	—	—
Credited to profit or loss	249	—	249
Balance at December 31, 2015	249	—	249
Balance at January 1, 2016	249	—	249
Credited to profit or loss	—	148	148
Balance at September 30, 2016	249	148	397

Deferred income tax liabilities

	Provisions	Intangible assets	Total
	RMB'000	RMB'000	RMB'000
Balance at January 1, 2013	—	—	—
Credited to profit or loss	—	—	—
Balance at December 31, 2013	<u>—</u>	<u>—</u>	<u>—</u>
Balance at January 1, 2014	—	—	—
Business combinations (Note 31)	—	(2,750)	(2,750)
Credited to profit or loss	—	150	150
Balance at September 30, 2014	<u>—</u>	<u>(2,600)</u>	<u>(2,600)</u>
Balance at January 1, 2014	—	—	—
Business combinations (Note 31)	—	(2,750)	(2,750)
Credited to profit or loss	—	200	200
Balance at December 31, 2014	<u>—</u>	<u>(2,550)</u>	<u>(2,550)</u>
Balance at January 1, 2015	—	(2,550)	(2,550)
Credited to profit or loss	—	200	200
Balance at December 31, 2015	<u>—</u>	<u>(2,350)</u>	<u>(2,350)</u>
Balance at January 1, 2016	—	(2,350)	(2,350)
Credited to profit or loss	—	150	150
Balance at September 30, 2016	<u>—</u>	<u>(2,200)</u>	<u>(2,200)</u>

Deferred income tax asset is recognised for provision for impairment of trade receivables to the extent that the realisation of the related tax benefit through future taxable profits is probable. There is no material tax losses of Fuhua Hospital carried forward in respect of which deferred tax assets have not been accounted for.

19 TRADE PAYABLES

An ageing analysis, based on invoice date, of trade payables as at the combined statements of financial position dates was as follows:

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Less than 60 days.....	—	832	1,804	2,892	3,965
61 to 180 days.....	—	149	—	—	—
181 days to 1 year.....	—	190	190	—	—
Over 1 year	—	—	—	27	27
	<u>—</u>	<u>1,171</u>	<u>1,994</u>	<u>2,919</u>	<u>3,992</u>

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

20 ACCRUALS, OTHER PAYABLES AND PROVISIONS

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accrued employee benefits	—	287	386	1,588	3,093
Advance from third parties	—	87	113	151	151
Duty and tax payable other than corporate income tax	2,028	3,823	5,295	2,617	1,365
Other payables to suppliers of plant and equipment	4,382	733	233	63	232
Dividends payable to shareholders	—	53,000	53,000	53,000	31,866
Others	4	631	159	747	890
Total accruals, other payables and provisions	<u>6,414</u>	<u>58,561</u>	<u>59,186</u>	<u>58,166</u>	<u>37,597</u>
Less: non-current portion.....	—	—	—	—	—
Current portion	<u>6,414</u>	<u>58,561</u>	<u>59,186</u>	<u>58,166</u>	<u>37,597</u>

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

During the nine months ended September 30, 2014, Weikang Investment Group declared dividends of RMB 53 million to the then shareholders and the dividend was fully paid in February 2016.

21 REVENUE

	Nine months			Nine months		Nine months
	Year ended December 31, 2013	ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	ended September 30, 2015	ended September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
General hospital services						
- Pharmaceutical sales ..	—	5,096	8,129	15,207	9,917	14,504
- Treatments and general healthcare services	—	4,304	6,546	8,240	5,958	6,585
Hospital management services						
- Management services fee (a)	45,540	46,571	64,642	64,557	44,871	41,725
- Other service fee	903	785	1,092	1,230	897	993
	<u>46,443</u>	<u>56,756</u>	<u>80,409</u>	<u>89,234</u>	<u>61,643</u>	<u>63,807</u>

All revenues are generated in the PRC. For its general hospital services, Weikang Investment Group has a highly diversified patient portfolio, no single patient or client contributed 1% or more of Weikang Investment Group's revenue during the Relevant Periods. For its hospital management services, there is a single client, Yangsi Hospital, contributed to Weikang Investment Group's revenue during the Relevant Periods.

(a) Management services fee

On January 1, 2013, Weikang Investment entered into a hospital management framework agreement ("HMFA") arrangement with Yangsi Hospital. Pursuant to the HMFA arrangement, Weikang Investment provides management and consultancy services to Yangsi Hospital with a period of 6 years from 2013 to 2018 and the detailed service content and pricing are concluded and effective in separate hospital management agreement ("HMA") on an annually basis.

On September 23, 2014, Yangsi Hospital executive committee passed a resolution to extend the HMFA arrangement period to 2064. Accordingly, on October 8, 2014, Yangsi Hospital further signed a letter of intent with Weikang Investment.

23 OTHER (LOSSES)/GAIN — NET

	Nine months			Nine months		Nine months
	Year ended December 31, 2013	ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	ended September 30, 2015	ended September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Medical compensation.....	—	—	—	(90)	(9)	—
Others.....	—	(3)	(71)	(21)	(22)	21
	<u>—</u>	<u>(3)</u>	<u>(71)</u>	<u>(111)</u>	<u>(31)</u>	<u>21</u>

24 OTHER INCOME

	Nine months			Nine months		Nine months
	Year ended December 31, 2013	ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	ended September 30, 2015	ended September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Government grants and subsidies	54	86	86	1,838	338	57
Write off of account payables	—	51	51	—	—	—
Interest income on wealth management products....	—	—	—	639	639	—
	<u>54</u>	<u>137</u>	<u>137</u>	<u>2,477</u>	<u>977</u>	<u>57</u>

The government grants and subsidies in 2015 were granted by the People's Government of Sanlin Town in Shanghai in consideration of the taxation contribution of Weikang Investment.

25 EMPLOYEE BENEFIT EXPENSES

	Nine months			Nine months		Nine months
	Year ended December 31, 2013	ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	ended September 30, 2015	ended September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Wages, salaries and bonuses	1,902	4,352	6,112	10,700	7,489	8,914
Share-based compensation expenses	—	—	—	—	—	8,383
Contributions to pension plans and other expenses	385	546	716	906	574	857
	<u>2,287</u>	<u>4,898</u>	<u>6,828</u>	<u>11,606</u>	<u>8,063</u>	<u>18,154</u>

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

	Nine months			Nine months		Nine months
	Year ended December 31, 2013	ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	ended September 30, 2015	ended September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Cost of revenue.....	2,167	4,116	5,791	10,224	7,101	16,608
Administrative expense	120	782	1,037	1,382	962	1,546
	<u>2,287</u>	<u>4,898</u>	<u>6,828</u>	<u>11,606</u>	<u>8,063</u>	<u>18,154</u>

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

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in Weikang Investment Group for the years ended December 31, 2013, 2014 and 2015, the nine months ended September 30, 2014, 2015 and 2016 include one, one, one, one, one and one director whose emoluments are reflected in the analysis shown in Note 35.

The emoluments payable to the remaining four individuals for the years ended December 31, 2013, 2014 and 2015, the nine months ended September 30, 2014, 2015 and 2016 are as follows:

	Year ended December 31, 2013	Nine months ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	Nine months ended September 30, 2015	Nine months ended September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Basic salaries, housing allowances, other allowances and benefits in kind.....	542	414	561	741	558	586
Bonuses	—	—	—	1,390	1,043	1,043
	<u>542</u>	<u>414</u>	<u>561</u>	<u>2,131</u>	<u>1,601</u>	<u>1,629</u>

The number of highest paid non-director individuals whose remunerations for each of the Relevant Periods fell within the following band is as follows:

	Year ended December 31, 2013	Nine months ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	Nine months ended September 30, 2015	Nine months ended September 30, 2016
	no. of individuals	no. of individuals	no. of individuals	no. of individuals	no. of individuals	no. of individuals
					(Unaudited)	
Emolument bands						
Nil - HKD1,500,000.....	4	4	4	4	4	4
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Relevant Periods, no emoluments have been paid to the five highest individuals of Weikang Investment as an inducement to join or upon joining Weikang Investment Group or as compensation for loss of office.

26 FINANCE INCOME

	Year ended December 31, 2013	Nine months ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	Nine months ended September 30, 2015	Nine months ended September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance income						
Interest income on						
short-term bank deposit	29	11	19	35	28	56
Interest income on						
short-term fixed deposits ..	—	572	1,148	18	18	—
	<u>29</u>	<u>583</u>	<u>1,167</u>	<u>53</u>	<u>46</u>	<u>56</u>

(Unaudited)

27 INCOME TAX EXPENSE

Subsidiaries in Mainland China are subject to PRC corporate income tax at the rate of 25% for the Relevant Periods.

	Year ended December 31, 2013	Nine months ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	Nine months ended September 30, 2015	Nine months ended September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current income taxation:						
- PRC corporate income tax .	10,029	10,316	14,765	14,221	9,656	8,114
- Deferred income tax credit (Note 18)	—	(150)	(200)	(449)	(320)	(298)
	<u>10,029</u>	<u>10,166</u>	<u>14,565</u>	<u>13,772</u>	<u>9,336</u>	<u>7,816</u>

(Unaudited)

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

	Year ended December 31, 2013	Nine months ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	Nine months ended September 30, 2015	Nine months ended September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Profit before income tax	39,118	39,427	55,610	55,066	37,324	25,582
Calculated at a taxation rate of 25%	9,780	9,857	13,903	13,767	9,331	6,396
Expenses not tax deductible .	249	309	662	5	5	2,098
Utilization of tax losses in previous years	—	—	—	—	—	(678)
Income tax expense.....	10,029	10,166	14,565	13,772	9,336	7,816

(a) PRC Corporate Income Tax ("CIT")

The income tax rate of Weikang Investment, Fuhua Hospital was 25% for each of the Relevant Periods.

28 DIVIDEND

Pursuant to a resolution of the board of directors' meeting in 2015, a dividend of RMB53,000,000 to the five individuals was declared by Weikang Investment. The proposed dividend was approved by the shareholder's meeting in 2015. This dividend payable, amounting to RMB53,000,000, has been recognised as a liability in the financial information of Weikang Investment Group as of September 30, 2014, December 31, 2014 and December 31, 2015 and it was fully settled in February 2016.

Pursuant to a resolution of the board of directors' meeting on September 12, 2016, a dividend of RMB25,493,000 to New Pride, an indirect subsidiary of HCCL, and RMB6,373,000 to its minority shareholders was declared by Weikang Investment. This dividend payable, amounting to RMB31,866,000, has been recognised as a liability in the financial information of Weikang Investment Group as of September 30, 2016.

29 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to its presentation of consolidated results of Weikang Investment Group for the Relevant Periods and Weikang Investment is not a joint stock company with limited liability.

30 CASH GENERATED FROM OPERATIONS

	Year ended December 31, 2013	Nine months ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	Nine months ended September 30, 2015	Nine months ended September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	39,118	39,427	55,610	55,066	37,324	25,582
Adjustments for:					(Unaudited)	
— Amortisation of intangible assets (Note 7).....	—	600	800	800	600	600
— Depreciation of property, plant and equipment (Note 6).....	1,530	1,525	2,071	2,287	1,705	1,812
— Provision for impairment of trade receivables (Note 22)...	—	—	—	994	680	—
— Interests received (Note 26).....	(29)	(583)	(1,167)	(53)	(46)	(56)
— Gain on disposal of available-for-sale financial asset.....	—	—	—	(639)	(639)	—
— Equity-settled share-based compensation expenses (Note 25)	—	—	—	—	—	8,383
Changes in working capital:						
— Inventories.....	—	(778)	(577)	(329)	(769)	(781)
— Trade receivables	—	(351)	(557)	(6,921)	(3,454)	902
— Other receivables, deposits and prepayments.....	—	(64)	(62)	(317)	4	257
— Amounts due from related parties.....	(34,610)	(27,078)	(45,150)	(30,586)	(16,888)	90,882
— Amounts due to related parties.....	(843)	6,895	9,306	9,727	6,400	(6,630)
— Trade payables.....	—	(315)	508	925	142	1,073
— Accruals, other payables and provisions	4,191	(946)	(321)	(1,020)	(1,478)	565
Cash generated from operations.....	<u>9,357</u>	<u>18,332</u>	<u>20,461</u>	<u>29,934</u>	<u>23,581</u>	<u>122,589</u>

31 BUSINESS COMBINATIONS

On January 15, 2014, Weikang Investment acquired 100% of the share capital of Shanghai Fuhua Hospital Limited for RMB17,000,000 and obtained the control of Fuhua Hospital, a general hospital services provider operating in the PRC.

As a result of the acquisition, Weikang Investment Group is expected to increase its presence in healthcare industry. The goodwill of RMB7,948,000 arising from the acquisition is attributable to Fuhua Hospital's regional advantages and possible profitability in general hospital services business in the future. None of the goodwill recognised is expected to be deductible for income tax purpose.

The following table summarises the consideration paid for Fuhua Hospital, the fair value of assets acquired, liabilities assumed at the acquisition date.

Consideration	RMB'000
At January 15, 2014	
- Cash paid	<u>17,000</u>
Total consideration	<u>17,000</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash	607
Property, plant and equipment (Note 6)	534
Medical license (included in intangible assets) (Note 7).....	11,000
Inventories	274
Amounts due from related parties	—
Trade receivables	1,006
Other receivables, deposits and prepayments.....	101
Amounts due to related parties.....	—
Trade payables	(1,486)
Accruals, other payables and provisions	(234)
Current income tax liabilities	—
Deferred income tax liabilities (Note 18)	<u>(2,750)</u>
Total net identifiable assets	<u>9,052</u>
Goodwill (Note 7).....	<u>7,948</u>
	<u><u>17,000</u></u>

The revenue included in the consolidated income statement for the period from January 15, 2014 to December 31, 2014 contributed by Fuhua Hospital was RMB14,675,000. Fuhua Hospital also suffered a loss of RMB1,234,000 over the same period.

32 COMMITMENTS**Operating lease commitments**

Weikang Investment Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	Year ended December 31, 2013	Nine months ended September 30, 2014	Year ended December 31, 2014	Year ended December 31, 2015	Nine months ended September 30, 2015	Nine months ended September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Not later than one year	2,034	2,071	2,084	2,135	2,122	2,174
Later than one year and not later than five years.....	8,094	8,069	7,939	7,791	8,012	7,868
Later than five years.....	6,999	5,560	5,071	3,084	3,588	1,557
	<u>17,127</u>	<u>15,700</u>	<u>15,094</u>	<u>13,010</u>	<u>13,722</u>	<u>11,599</u>

33 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. As a result, Yangsi Hospital is considered to be related as the Group has participated internal governance body of Yangsi Hospital. Other parties are also considered to be related if they are subject to common control, common significant influence or joint control. Members of key management and their close family member of the Group are also considered as related parties.

The executive directors are of the view that the following parties that had transactions or balances with Weikang Investment Group are related parties:

Name	Relationship with Weikang Investment Group
Shanghai Yangsi Hospital	Certain employees or directors of Weikang Investment are Yangsi Hospital's internal governance body members

- (i) As set out in Note 4(d), Weikang Investment has exercised significant judgements in determining whether Weikang Investment has control over Yangsi Hospital. After assessment, the management concluded that Weikang Investment does not obtain the decision making power over the internal governance body to direct the relevant activities of Yangsi Hospital, so Weikang Investment does not control and thus does not consolidate Yangsi Hospital.

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

(a) Transactions with related parties

	Nine months				Nine months	Nine months
	Year ended	ended	Year ended	Year ended	ended	ended
	December	September	December 31,	December 31,	September	September
	31, 2013	30, 2014	2014	2015	30, 2015	30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Continuing transactions						
Management Service fee						
— Yangsi Hospital	<u>45,540</u>	<u>46,571</u>	<u>64,642</u>	<u>64,557</u>	<u>44,871</u>	<u>41,725</u>

(b) Balances with related parties

Balance with related parties as at December 31, 2013, 2014 and 2015, September 30, 2014 and 2016 were disclosed in Note 13.

(c) Key management compensation

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

	Nine months				Nine months	Nine months
	Year ended	ended	Year ended	Year ended	ended	ended
	December	September	December	December	September	September
	31, 2013	30, 2014	31, 2014	31, 2015	30, 2015	30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Wages, salaries and bonuses.	700	527	719	3,149	2,361	2,239
Share-based compensation expenses	—	—	—	—	—	8,383
Others	<u>92</u>	<u>66</u>	<u>88</u>	<u>80</u>	<u>68</u>	<u>62</u>
	<u>792</u>	<u>593</u>	<u>807</u>	<u>3,229</u>	<u>2,429</u>	<u>10,684</u>

34 CONTINGENCIES

Weikang Investment Group had no material contingent liabilities outstanding as at December 31, 2013, 2014 and 2015 and September 30, 2014 and 2016.

35 BENEFITS AND INTERESTS OF DIRECTORS**(a) Director's emoluments**

The remuneration of every director and the chief executive for the years ended December 31, 2013, 2014, 2015, the nine months ended September 30, 2014, 2015 and 2016 were set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking						Total RMB'000
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Employer's	Share-	Estimated	
				contribution to pension scheme RMB'000	based compensation expenses RMB'000	money value of other benefits RMB'000	
For the year ended December 31, 2013							
Executive directors							
Mr. Lu Wenzuo*	—	155	—	—	—	—	155
Mr. Jiang Zhenlin*	—	—	—	—	—	—	—
Mr. Chen Zhixiong*	—	—	—	—	—	—	—
Ms. Lu Jingping*	—	—	—	—	—	—	—
Mr. Wang Jianjun*	—	—	—	—	—	—	—
	—	155	—	—	—	—	155
For the nine months ended September 30, 2014							
Executive directors							
Mr. Lu Wenzuo*	—	115	—	—	—	—	115
Mr. Zhang Xiaopeng*	—	—	—	—	—	—	—
Mr. Wang Shunlong*	—	—	—	—	—	—	—
Mr. Lin Sheng*	—	—	—	—	—	—	—
Mr. Sheng Li*	—	—	—	—	—	—	—
	—	115	—	—	—	—	115

Note:

* Mr. Jiang Zhenlin resigned on May 20, 2014.

Mr. Chen Zhixiong, Mr. Wang Jianjun and Ms. Lu Jingping resigned on August 1, 2014.

Mr. Lu Wenzuo, Mr. Zhang Xiaopeng, Mr. Wang Shunlong, Mr. Lin Sheng and Mr. Sheng Li were appointed on August 1, 2014.

Emoluments paid or receivable in respect of a person's services as a director, whether
of the company or its subsidiary undertaking

	Fees	Salaries	Discretionary bonuses	Employer's contribution to pension scheme	Share- based compensation expenses	Estimated money value of other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2014							
Executive directors							
Mr. Lu Wenzuo	—	161	—	—	—	—	161
Mr. Zhang Xiaopeng	—	—	—	—	—	—	—
Mr. Wang Shunlong	—	—	—	—	—	—	—
Mr. Lin Sheng.....	—	—	—	—	—	—	—
Mr. Sheng Li.....	—	—	—	—	—	—	—
	<u>—</u>	<u>161</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>161</u>
For the year ended December 31, 2015							
Executive directors							
Mr. Lu Wenzuo	—	218	650	—	—	—	868
Mr. Zhang Xiaopeng	—	—	—	—	—	—	—
Mr. Wang Shunlong.....	—	—	—	—	—	—	—
Mr. Lin Sheng.....	—	—	—	—	—	—	—
Mr. Sheng Li.....	—	—	—	—	—	—	—
	<u>—</u>	<u>218</u>	<u>650</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>868</u>
For the nine months ended September 30, 2016							
Executive directors							
Mr. Lu Wenzuo	—	168	488	—	8,383	—	9,039
Mr. Zhang Xiaopeng	—	—	—	—	—	—	—
Mr. Luan Yizheng	—	—	—	—	—	—	—
Mr. Lin Sheng.....	—	—	—	—	—	—	—
Mr. Yuan Bing.....	—	—	—	—	—	—	—
	<u>—</u>	<u>168</u>	<u>488</u>	<u>—</u>	<u>8,383</u>	<u>—</u>	<u>9,039</u>
For the nine months ended September 30, 2015 (Unaudited)							
Executive directors							
Mr. Lu Wenzuo	—	165	488	—	—	—	653
Mr. Zhang Xiaopeng	—	—	—	—	—	—	—
Mr. Wang Shunlong	—	—	—	—	—	—	—
Mr. Lin Sheng.....	—	—	—	—	—	—	—
Mr. Sheng Li.....	—	—	—	—	—	—	—
	<u>—</u>	<u>165</u>	<u>488</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>653</u>

No directors waived or agreed to waive any emoluments during the Relevant Periods. No emoluments were paid to directors as an inducement to join or upon joining Weikang Investment Group or as compensation for loss of office during the Relevant Periods.

(b) **Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to Weikang Investment Group's business to which Weikang Investment was a party and in which a director of Weikang Investment had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended December 31, 2013, 2014, 2015, the nine months ended September 30, 2014 and 2016.

36. BALANCE SHEETS OF WEIKANG INVESTMENT

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment.....	21,086	19,823	19,372	19,830	20,415
Investments in subsidiaries	—	17,000	17,000	17,000	17,000
Total non-current assets.....	21,086	36,823	36,372	36,830	37,415
Current assets					
Available-for-sale financial asset .	—	—	81,150	—	—
Other receivables, deposits and prepayments	78	—	—	150	—
Amounts due from a related party	34,637	61,715	79,787	110,373	19,491
Cash and cash equivalents	9,020	83,427	3,167	11,158	52,568
Total current assets.....	43,735	145,142	164,104	121,681	72,059
Total assets.....	64,821	181,965	200,476	158,511	109,474
EQUITY					
Equity attributable to owners of Weikang Investment					
Paid in capital	30,000	30,000	30,000	30,000	30,000
Reserves	783	3,877	3,877	7,420	15,803
Retained earnings/(Accumulated losses).....	9,874	(15,285)	(3,340)	34,720	19,870
Total equity	40,657	18,592	30,537	72,140	65,673

	As at December 31, 2013	As at September 30, 2014	As at December 31, 2014	As at December 31, 2015	As at September 30, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Current liabilities					
Amounts due to related parties	7,721	88,087	88,740	15,687	3,832
Accruals, other payables and provisions	6,414	57,079	58,543	56,817	35,998
Current income tax liabilities.....	10,029	18,207	22,656	13,867	3,971
Total current liabilities	24,164	163,373	169,939	86,371	43,801
Total liabilities	24,164	163,373	169,939	86,371	43,801
Total equity and liabilities	64,821	181,965	200,476	158,511	109,474

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX IIA UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountant's Reports received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set forth in Appendices IA and IB 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 IA 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 IA to this prospectus, and adjusted as described below.

This unaudited pro forma statement of 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		Unaudited pro		
	consolidated net		forma adjusted		
	tangible assets	Estimated net	consolidated net		
	attributable to the	proceeds	tangible assets		
	owners of the	from the	attributable to the		
	Company as at	Global	owners of the		
	September 30,	Offering⁽²⁾	Company		
	2016⁽¹⁾				
	RMB('000)	RMB('000)	RMB('000)	Unaudited pro forma	adjusted consolidated net
				RMB⁽³⁾	tangible assets per Share
					HK\$⁽⁵⁾
Based on the Offer Price					
of HK\$12.80 per Share.	83,695	329,224	412,919	3.10	3.51
Based on the Offer Price					
of HK\$15.00 per Share.	83,695	393,915	477,610	3.59	4.07

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 IA 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 RMB1,141.7 million less intangible assets attributable to the owners of the Company as at September 30, 2016 of RMB1,058.0 million.

APPENDIX IIA UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$12.80 and HK\$15.00 per share, being the lower end to 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 RMB 5.0 million and RMB14.9 million which were charged to profit and loss in the year ended December 31, 2015 and the nine months ended September 30, 2016, respectively, and do not take 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 133,194,000 Shares were in issue, assuming the Global Offering had been completed on September 30, 2016 but do not take account of any Shares which may 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 amendments to the Subscription Agreement dated December 4, 2016 and January 23, 2017 which reclassified the proceeds from the Management Subscribers of RMB31,152,000 from equity to financial liability. Had the amendment to the Subscription Agreement been taken into account for, the unaudited pro forma adjusted consolidated net tangible asset value per Share would be decreased.
- (5) For the purpose of the 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 RMB0.8822. 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.

APPENDIX IIA UNAUDITED PRO FORMA FINANCIAL INFORMATION

(B) UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated earnings per Share for the year ended December 31, 2016 has been prepared in accordance with paragraph 29(8) of Chapter 4 of the Listing Rules and on the basis set out in the note below for the purpose of illustrating the effect of the Global Offering and Capitalization Issue as if they had taken place on January 1, 2016. The unaudited pro forma estimated earnings per Share has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering and Capitalization Issue or for any future periods.

Profit estimate for the year ended December 31, 2016

Estimated consolidated profit attributable
to owners of the Company for the year
ended December 31, 2016 ⁽¹⁾⁽³⁾ Not less than RMB19.3 million
(approximately HK\$21.9 million)

Unaudited pro forma estimated earnings per share
for the year ended December 31, 2016 ⁽²⁾⁽³⁾ Not less than RMB0.15
(approximately HK\$0.17)

Notes:

1. The bases on which the above profit estimate has been prepared are summarised in Part A of Appendix IIB to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2016 based on the audited consolidated results for the nine months ended September 30, 2016, the unaudited consolidated results based on management accounts of our Group for the two months ended November 30, 2016 and an estimate of the consolidated results of our Group for the remaining one month ended December 31, 2016.
2. The unaudited pro forma estimated earnings per Share is calculated by dividing the estimated consolidated profit for the year ended December 31, 2016 attributable to owners of the Company by the weighted average number of 132,577,770 shares that had been assumed in issue for the year ended December 31, 2016, assuming that a total of 33,334,000 shares under the Global Offering and shares under the Capitalization Issue had been in issue as at January 1, 2016. The calculation of the estimated earnings per Share does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The estimated consolidated profit attributable to owners of the Company and the unaudited pro forma estimated earnings per Share are converted into HK\$ at the exchange rate of RMB 0.8822 to HK\$1.00.

C. 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.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Hospital Corporation of China Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hospital Corporation of China 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 June 30, 2016 and the pro forma estimated earnings per share for the year ended December 31, 2016, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IIA-1 to IIA-3 of the Company's prospectus dated February 28, 2017, 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 are described on pages IIA-1 to IIA-3.

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 and the Group's estimated earnings per share for the year ended December 31, 2016 as if the proposed initial public offering had taken place at September 30, 2016 and January 1, 2016, respectively. 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, and the Group's profit estimate for the year ended December 31, 2016, respectively.

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").

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

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 behaviour.

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 or January 1, 2016 would have been as presented.

APPENDIX IIA UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers*Certified Public Accountants*

Hong Kong, February 28, 2017

The estimate of the consolidated profit attributable to the owners of the Company for the year ended December 31, 2016 is set out in the paragraph headed “Profit Estimate” under the section headed “Financial Information”.

(A) BASES

The Directors have prepared the estimate of the consolidated profit attributable to owners of the Company for the year ended December 31, 2016 based on the audited consolidated results of the Group for the nine months ended September 30, 2016, the unaudited consolidated results of the Group for the two months ended November 30, 2016 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2016.

The estimate has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in the Accountant’s Report, the text of which is set forth in Appendix IA to this prospectus.

(B) LETTER FROM THE REPORTING ACCOUNTANT

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



羅兵咸永道

The Board of Directors
Hospital Corporation of China Limited

China International Capital Corporation Hong Kong Securities Limited

February 28, 2017

Dear Sirs,

Hospital Corporation of China Limited (the “Company”)

Profit Estimate for Year Ended December 31, 2016

We refer to the estimate of the consolidated profit attributable to owners of the Company for the year ended December 31, 2016 (the “Profit Estimate”) set forth in the subsection headed “Profit Estimate for the Year Ended December 31, 2016” in the section headed “Financial Information” in the prospectus of the Company dated February 28, 2017 (the “Prospectus”).

Directors’ Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended September 30, 2016, the unaudited consolidated results based on the management accounts of the Group for the two months ended November 30, 2016 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2016.

The Company’s directors are solely responsible for the Profit Estimate.

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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 on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix IIB of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountant’s report dated February 28, 2017, the text of which is set out in Appendix IA of the Prospectus.

Yours faithfully,

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

The estimate of our consolidated profit attributable to the owners of the Company for the year ended December 31, 2016 is set out in the paragraph headed “Profit Estimate for the year ended December 31, 2016” under the section “Financial Information”.

C. LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus by the Sole Sponsor, in connection with the estimate of the consolidated profit and total comprehensive income of our Company for the year ended December 31, 2016.

February 28, 2017

The Directors
Hospital Corporation of China Limited

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to owners of Hospital Corporation of China Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended December 31, 2016 (the “**Profit Estimate**”) as set out in the prospectus issued by the Company dated February 28, 2017 (the “**Prospectus**”).

The Profit Estimate, for which you as the directors of the Company (the “**Directors**”) are solely responsible, has been prepared based on the audited consolidated results of the Group for the 9 months ended September 30, 2016, the unaudited consolidated results based on the management accounts of the Group for the 2 months ended November 30, 2016 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2016.

We have discussed with you the bases made by the Directors as set out in Appendix IIB to the Prospectus upon which the Profit Estimate has been made. We have also considered the letter dated February 28, 2017 addressed to yourselves and ourselves from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
China International Capital Corporation
Hong Kong Securities Limited
Raymond Pak
Executive Director

This Appendix contains a summary of our Memorandum and Articles of Association. As the information set out below is in a summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V to this prospectus, a copy of our Memorandum and Articles of Association is available for inspection.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on December 13, 2016 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection—2. Documents Available for Inspection”.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on December 13, 2016 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK\$500,000 divided into 500,000,000 shares of HK\$0.001 each.

2.2 *Directors*

(a) *Power to allot and issue Shares*

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have

attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Cayman Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any 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 entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity 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;
- (ii) 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) 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 any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both 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 any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, 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 amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. 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.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from Board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. 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.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Law, be varied 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 meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 *Alteration of capital*

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing 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 subject to the provisions of the Cayman Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine

that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Companies Law.

2.6 *Special resolution—majority required*

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised 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 and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where 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.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one

of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 *Annual general meetings*

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 *Accounts and audit*

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 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 shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) 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, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the SFC. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. 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.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months

from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, 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 Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 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, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be 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 of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period

of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2014 under the Cayman Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is 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 size of its authorised share capital.

3 Share Capital

The Cayman Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by a 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:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law);

- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

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.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised 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 shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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 member of the company holding shares. 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Cayman Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Cayman Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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.

10 Inspection of Books and Records

Members of a company will have no general right under the Cayman Companies Law 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.

11 Special Resolutions

The Cayman Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person 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, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Cayman Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Cayman Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is 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 shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 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 the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice

objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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 shareholders.

16 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, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 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:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the 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 is for a period of twenty years from 11 March 2014.

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 certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection—2. Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

We were incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on February 21, 2014. We have established a principal place of business in Hong Kong at Suite 2701, One Exchange Square, Central, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 25, 2016 under the same address. Ms. Kwong Yin Ping Yvonne and Mr. Lin Tun have been appointed as our authorized representatives for the acceptance of service of process and notices on our behalf in Hong Kong.

As we are incorporated in the Cayman Islands, our operations are subject to the Cayman Companies Law and to our constitution comprising of our Memorandum and Articles of Association. A summary of certain provisions of our constitution and relevant aspects of the Cayman Companies Law is set out in Appendix III to this prospectus.

2. Changes in our share capital

As at the date of incorporation of our Company, our authorized share capital was US\$50,000 divided into 50,000 Shares of US\$1.00 each. The following sets out the changes in our Company's share capital within the two years immediately preceding the issue of this prospectus.

On February 2, 2016, we allotted and issued 99 ordinary shares of a par value of US\$1.00 each to Vanguard Glory. As a result, as at such date, Vanguard Glory held 100 ordinary shares of a par value of US\$1.00 each of our Company.

On March 31, 2016, we allotted and issued 9,600 ordinary shares at a par value of US\$1.00 to Vanguard Glory and 300 ordinary shares at a consideration of RMB31,152,000 to Midpoint Honour.

On December 4, 2016, we repurchased 14 ordinary shares from Vanguard Glory and cancelled such shares. As a result, as at such date, the issued share capital of our Company was US\$9,986 divided into 9,986 shares of US\$1.00 each.

Pursuant to the resolutions in writing of all our Shareholders passed on December 13, 2016, the authorized share capital of our Company was increased from US\$50,000 divided into 50,000 ordinary shares of a par value of US\$1.00 each to the aggregate of US\$50,000 and HK\$500,000 divided into (i) 50,000 ordinary shares of a par value of US\$1.00 each and (ii) 500,000,000 Shares of a par value of HK\$0.001 each by the creation of 500,000,000 Shares of a par value of HK\$0.001 each.

On January 3, 2017, 9,986 Shares were allotted and issued to the then existing Shareholders in proportion to their respective shareholdings in our Company and credited as fully paid.

On January 3, 2017, 9,986 ordinary shares of a par value of US\$1.00 each of our Company were repurchased and cancelled and our authorized share capital was reduced by cancellation of the 50,000 authorized but unissued ordinary shares of a par value of US\$1.00 each, following which, the authorized share capital of our Company was HK\$500,000 divided into 500,000,000 Shares of a par value of HK\$0.001 each.

Immediately following the Capitalization Issue and before the Global Offering, the issued share capital of our Company will be HK\$99,860 divided into 99,860,000 Shares of a par value of HK\$0.001 each, all fully paid or credited as fully paid and 400,140,000 Shares of a par value of HK\$0.001 each will remain unissued.

Immediately following the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), our issued share capital will be HK\$133,194 divided into 133,194,000 Shares, all fully paid or credited as fully paid and 366,806,000 Shares will remain unissued.

Save as disclosed above and as mentioned in the paragraph headed “—A. Further Information About Our Group—4. Resolutions in writing of our Shareholders” below, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

Our subsidiaries are set out in the Accountant’s Report set out in Appendix IA to this prospectus. There has been no alteration in the share capital or registered capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. Resolutions in writing of our Shareholders

Pursuant to written shareholders’ resolutions of our Company dated December 13, 2016:

- (a) the Memorandum and Articles of Association were approved and adopted conditional upon Listing;
- (b) increase in authorized share capital from US\$50,000 divided into 50,000 ordinary shares of a par value of US\$1.00 each to the aggregate of US\$50,000 and HK\$500,000 divided into (i) 50,000 ordinary shares of a par value of US\$1.00 each and (ii) 500,000,000 Shares of a par value of HK\$0.001 each by the creation of 500,000,000 Shares of a par value of HK\$0.001 each was approved;
- (c) subject to the repurchase of 9,986 ordinary shares of a par value of US\$1.00 each of our Company, the reduction of authorized share capital to HK\$500,000 divided into 500,000,000 Shares of a par value of HK\$0.001 each, by cancellation of the 50,000 authorized but unissued ordinary shares of a par value of US\$1.00 each was approved;
- (d) following the change in authorized share capital of our Company as referred to in paragraphs (b) and (c) above and conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, the Directors were authorized to capitalize HK\$99,850.014 standing to the credit of the share premium account of our Company by applying such sum to pay up in full 99,850,014 Shares at par for allotment and issue to the persons whose names appear on the register of members of our Company at the

- close of business on the date immediately preceding the date on which the Global Offering becoming unconditional in proportion to their respective shareholdings (as nearly as possible without involving fractions) in our Company or in accordance with the direction of such member;
- (e) conditional upon all the conditions set out in the section headed “Structure and Conditions of the Global Offering—Conditions of the Global Offering” in this prospectus being fulfilled:
- (i) the Global Offering and the Over-allotment Option were approved and the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to make or effect such modifications as it thinks fit;
 - (ii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to allot, issue and approve the transfer of such number of Shares in connection with the Global Offering; and
 - (iii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to agree to the Offer price per Offer Share with the Sole Bookrunner.
- (f) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted, issued or dealt with, otherwise than pursuant to the Global Offering, a right issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting pursuant to any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend of Shares in accordance with our Articles of Association or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, in the amount not exceeding 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever is the earliest;
- (g) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares will not exceed 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, such mandate to remain in

effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first; and

- (h) the general unconditional mandate mentioned in paragraph (f) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (g) above.

5. Repurchases of our 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 securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of shares (which must be fully paid up) 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 in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written resolution passed by our then Shareholders on December 13, 2016, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by our Company of Shares on the Hong Kong Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, of not exceeding 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by our Articles of Association or any other applicable laws to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the laws 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 from time to time. Under the Cayman Companies Law, the par value of any Shares repurchased by our Company may be provided for out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorized by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital.

(iii) *Trading restrictions*

The total number of Shares which we may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option). We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Hong Kong Stock Exchange. We are also prohibited from repurchasing Shares on the Hong Kong Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. We are required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 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.

(iv) *Status of repurchased Shares*

All repurchased Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically cancelled and the certificates for those Shares must be cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase. Under Cayman Companies Law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate par value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

(v) *Suspension of repurchase*

Pursuant to the Listing Rules, we may not make any repurchases of Shares after inside information has come to our knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) 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 our results for any year,

half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

- (ii) the deadline for our Company to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, we may not repurchase Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(vi) *Procedural and reporting requirements*

As required by the Listing Rules, repurchases of Shares 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 Hong Kong Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of Shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) *Connected parties*

A company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of us and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit us and our Shareholders.

(c) *Funding of repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or

gearing position as compared with the position disclosed in this prospectus. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 133,194,000 Shares in issue immediately following the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), could accordingly result in 13,319,400 Shares being repurchased by our Company during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or (3) the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the “**Relevant Period**”).

(d) *General*

None of the Directors or, 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 or our subsidiaries.

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 and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder’s proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the 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 which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Hong Kong Stock Exchange 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 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 the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) the subscription agreement dated March 31, 2016 entered into among our Company, Midpoint Honour Limited, Grand Roc Holdings Limited, Han Prestige Limited, Hope Yield Global Limited, Upright Delight Limited, Glamorous Idea Limited, Mr. Zhang Xiaopeng (張曉鵬), Ms. Xia Yuanqing (夏遠青), Mr. Zang Chuanbo (臧傳波), Ms. Ding Yue (丁玥), Ms. Kan Ruihan (闕睿涵), Vanguard Glory Limited and Hony Capital 2008 Management Limited regarding the allotment and issuance of 300 ordinary shares of our Company at an aggregate subscription price of RMB31,152,000 (or other equivalent currencies), the details of which are set out in the section headed “History, Development and Corporate Structure—Management Subscription” in this prospectus;
- (b) the amendment agreement to the subscription agreement dated December 4, 2016 entered into among our Company, Midpoint Honour Limited, Grand Roc Holdings Limited, Han Prestige Limited, Hope Yield Global Limited, Upright Delight Limited, Glamorous Idea Limited, Mr. Zhang Xiaopeng (張曉鵬), Ms. Xia Yuanqing (夏遠青), Mr. Zang Chuanbo (臧傳波), Ms. Ding Yue (丁玥), Ms. Kan Ruihan (闕睿涵), Vanguard Glory Limited and Hony Capital 2008 Management Limited, the details of which are set out in the section headed “History, Development and Corporate Structure—Management Subscription” in this prospectus;
- (c) the second amendment agreement to the subscription agreement dated January 23, 2017 entered into among our Company, Midpoint Honour Limited, Grand Roc Holdings Limited, Han Prestige Limited, Hope Yield Global Limited, Upright Delight Limited, Glamorous Idea Limited, Mr. Zhang Xiaopeng (張曉鵬), Ms. Xia Yuanqing (夏遠青), Mr. Zang Chuanbo (臧傳波), Ms. Ding Yue (丁玥), Ms. Kan Ruihan (闕睿涵), Vanguard Glory Limited and Hony Capital 2008 Management Limited, the details of which are set out in the section headed “History, Development and Corporate Structure—Management Subscription” in this prospectus;
- (d) the deed of non-competition dated December 13, 2016 entered into between Vanguard Glory Limited, Hony Capital Fund V, L.P., Hony Capital Fund V GP, L.P. and Hony Capital Fund V GP Limited and our Company regarding non-competition undertakings given by each of Vanguard Glory Limited, Hony Capital Fund V, L.P., Hony Capital Fund V GP, L.P. and Hony Capital Fund V GP Limited, the details of which are set out in the section headed “Relationship with Our Controlling Shareholders—Non-competition Undertakings” in this prospectus;
- (e) the deed of indemnity dated December 13, 2016 entered into between Vanguard Glory Limited, Hony Capital Fund V, L.P., Hony Capital Fund V GP, L.P. and Hony Capital Fund V GP Limited and our Company pursuant to which each of Vanguard Glory Limited, Hony Capital Fund V, L.P., Hony Capital Fund V GP, L.P. and Hony Capital Fund V GP Limited agreed to give certain indemnities in our favor;
- (f) the amended and restated deed of indemnity dated January 23, 2017 entered into between Vanguard Glory Limited, Hony Capital Fund V, L.P., Hony Capital Fund V GP, L.P. and Hony Capital Fund V GP Limited and our Company pursuant to which each of Vanguard Glory Limited, Hony Capital Fund V, L.P., Hony Capital Fund V GP, L.P. and Hony Capital Fund V GP Limited agreed to give certain indemnities in our favor, the details of which are set out in the paragraph headed “—F. Other Information—2. Indemnities” below;




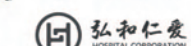
- (g) the cornerstone investment agreement dated February 27, 2017 entered into among our Company, Anhui Zhong'an Health Elderly Care Services Industry Investment Partnership (Limited Partnership) (安徽省中安健康養老服務產業投資合夥企業(有限合夥)) and China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司), details of which are included in the section headed "Cornerstone Investor" of this prospectus; and
- (h) the underwriting agreement dated February 27, 2017 relating to the Hong Kong Public Offering and entered into by our Company, Vanguard Glory Limited, Hony Capital Fund V, L.P., Hony Capital Fund V GP, L.P., Hony Capital Fund V GP Limited, China International Capital Corporation Hong Kong Securities Limited and the Hong Kong Underwriter.

2. Intellectual Property Rights of our Group

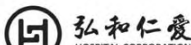


As of the Latest Practicable Date, we have registered the following intellectual property rights which, in the opinion of our Directors, are material to our Group's business.

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademark(s) which we consider to be material to the business of our Group:

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Expiry Date
1.	 A. 弘和仁愛 HOSPITAL CORPORATION	303725659	the Company	16, 44	Hong Kong	March 28, 2026
	 B. 弘和仁愛 HOSPITAL CORPORATION					
	 C. 弘和仁愛 HOSPITAL CORPORATION					
	 D. 弘和仁愛 HOSPITAL CORPORATION					

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be material to the business of our Group:

No.	Trademark	Application Number	Name of Applicant	Class	Place of Application	Date of Application
1.	 弘和仁愛 HOSPITAL CORPORATION	19330858	the Company	44	PRC	March 16, 2016
2.	 弘和仁愛 HOSPITAL CORPORATION	19330712	the Company	43	PRC	March 16, 2016
3.	 弘和仁愛 HOSPITAL CORPORATION	19330591	the Company	36	PRC	March 16, 2016

No.	Trademark	Application Number	Name of Applicant	Class	Place of Application	Date of Application
4.....	 弘和仁爱 HOSPITAL CORPORATION	19330588	the Company	35	PRC	March 16, 2016
5.....	 弘和仁爱 HOSPITAL CORPORATION	19330401	the Company	16	PRC	March 16, 2016
6.....	弘和志远	18632757	the Company	44	PRC	December 17, 2015
7.....		18632721	the Company	44	PRC	December 17, 2015
8.....	弘和志远	18632555	the Company	43	PRC	December 17, 2015
9.....		18632487	the Company	43	PRC	December 17, 2015
10....	弘和志远	18632266	the Company	36	PRC	December 17, 2015
11....		18631590	the Company	36	PRC	December 17, 2015
12....	弘和志远	18631223	the Company	35	PRC	December 17, 2015
13....		18631061	the Company	35	PRC	December 17, 2015

(b) *Domain Names*

As of the Latest Practicable Date, we have registered the following domain name which we consider to be material to the business of our Group:

No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
1.....	www.hcclhealthcare.com	Honghe Yixin	January 19, 2016	January 19, 2018

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations*

Immediately following the completion of the Global Offering (without taking into account the Shares to be issued upon the exercise of the Over-allotment Option), the interests or short positions of our Directors or chief executives in the Shares, underlying Shares and debentures of the 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 (“**Model Code**”) to be notified to our Company and the Hong Kong Stock Exchange, once the Shares are listed will be as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest
Mr. Zhao John Huan	Interest in controlled corporation Deemed interest ⁽¹⁾	97,000,000 2,500,000	72.83% 1.88%
Mr. Zhang Xiaopeng	Interest in controlled corporation ⁽²⁾	2,860,000	2.15%

Notes:

(1) The Shares held by Midpoint Honour and pledged in favor of Hony Capital 2008 Management Limited.

(2) Including the Shares held by Midpoint Honour and pledged in favor of Hony Capital 2008 Management Limited.

(b) *Interests and short positions of the Substantial Shareholders in the Shares and Underlying Shares of the Company*

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any interest or short position in the Shares and underlying Shares of our

Company which, once the Shares are listed, would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who 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 our Company.

(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 Global Offering, no persons 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).

2. **Particulars of Service Contracts**

(a) *Executive Directors*

Each of the executive Directors has entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) *Non-executive Director and Independent Non-executive Directors*

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with our Company for a term of three years with effect from the Listing Date or their respective date of appointment until three years after the Listing Date. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) *Others*

- (i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
- (ii) During the year ended December 31, 2015 and the nine months ended September 30, 2016, the aggregate of the remuneration and benefits in kind paid to the Directors was approximately RMB2.6 million and RMB2.2 million. Details of the Directors' remuneration

are also set out in note 36 of the Accountant's Report set out in Appendix IA to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the year ended December 31, 2015 and the nine months ended September 30, 2016 by our Company to the Directors.

- (iii) Under the arrangement currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2017 is estimated to be approximately RMB7.0 million.
- (iv) None of the Directors or any past Directors of any members of our Group has been paid any sum of money for the three years ended December 31, 2015 and for the nine months ended September 30, 2016 (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended December 31, 2015 and for the nine months ended September 30, 2016.
- (vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company.

3. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under the paragraph headed “—F. Other Information—9. Consents of Experts” below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. 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 the Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us 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 and Listed Companies to be notified to us 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 the paragraph headed “—F. Other Information—8. Qualification of Experts” below is interested in our promotion, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (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 the paragraph headed “—F. Other Information—8. Qualification of Experts” below 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) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “—F. Other Information—8. Qualification of Experts” below: (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 close 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 customers.

D. SHARE APPRECIATION RIGHTS SCHEMES

1. Pre-IPO Share Appreciation Rights Scheme

(a) Introduction

The purpose of the Pre-IPO Share Appreciation Rights Scheme (the “**Pre-IPO SARs Scheme**”) is to enable the Company to grant share appreciation rights to the Pre-IPO SARs Eligible Participants (as defined below) as rewards or returns for their contribution or potential contribution to the Company and/or any of the subsidiaries. Pursuant to the Pre-IPO SARs Scheme, the Pre-IPO SARs Eligible Participants (as defined below) will be entitled to receive cash payments determined based on the appreciation of the notional Shares over a specified period. No Shares will be issued under the Pre-IPO SARs Scheme, and accordingly, the shareholding of our Shareholders will not be diluted by the implementation of the Pre-IPO SARs Scheme and the Pre-IPO SARs Grantee (as defined below) do not have any voting rights and rights to dividends entitled by the Shareholders. The principal terms of the Pre-IPO SARs Scheme were approved by the Board on November 28, 2016. The Pre-IPO SARs

Scheme was also effective on the same date (the “**Adoption Date**”). The following summary does not form, nor is intended to be part of the Pre-IPO SARs Scheme nor should it be taken as affecting the interpretation of the rules of the Pre-IPO SARs Scheme.

(b) **Summary of the major terms of the Pre-IPO SARs Scheme**

(i) *Term*

Our Board shall be entitled (but shall not be bound) at any time from the Adoption Date to the day immediately prior to the Listing Date (both dates inclusive) to make an offer to any eligible Pre-IPO SARs Grantee (as defined below) under the Pre-IPO SARs Scheme. All pre-IPO share appreciation rights (the “**Pre-IPO SARs**”) which are granted under the Pre-IPO SARs Scheme on any day prior to the Listing Date will continue to be subject to the terms and conditions under the Pre-IPO SARs Scheme after the Listing Date.

(ii) *Grantees*

The Pre-IPO SARs Scheme is available to the Directors, employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture partners and service providers of the Company or any of the subsidiaries who, in the sole opinion of the Board, have contributed to the Company and/or any of the subsidiaries (the “**Pre-IPO SARs Eligible Participants**” and each a “**Pre-IPO SARs Eligible Participant**”).

Grantees means any Pre-IPO SARs Eligible Participant who accepts the offer of a grant of an SAR in accordance with the rules of the Pre-IPO SARs Scheme (the “**Pre-IPO SARs Grantees**” and each a “**Pre-IPO SARs Grantee**”). The number of notional Shares which the Pre-IPO SARs granted initially under the Pre-IPO SARs Scheme present is 2,500,000, representing 2.5% of the total issued share capital of the Company immediately following the Capitalization Issue that is expected to take place immediately prior to the completion of the Global Offering. Details of the allocation are set out as follows:

<u>Name</u>	<u>Title</u>	<u>Number of Pre-IPO SARs granted</u>	<u>The proportion of Pre-IPO SARs granted to total Pre-IPO SARs granted</u>	<u>The proportion of notional Shares which the Pre-IPO SARs granted present to total issued share capital of the Company immediately following the Capitalization Issue</u>
Mr. Zhang Xiaopeng	executive Director and chief executive officer	1,250,000	50.00%	1.25%
Mr. Zang Chuanbo	deputy general manager	500,000	20.00%	0.50%
Ms. Ding Yue	chief nursing officer	500,000	20.00%	0.50%
Ms. Kan Ruihan.....	senior financial manager	250,000	10.00%	0.25%

All the Pre-IPO SARs as set out in the table above were granted to the relevant Pre-IPO SARs Grantees on November 28, 2016.

Save as disclosed, no other Pre-IPO SARs has been granted or agreed to be granted by our Company under the Pre-IPO SARs Scheme. No Pre-IPO SARs will be granted under the Pre-IPO SARs Scheme after the Latest Practicable Date.

(iii) *Conditions*

- 1) The grant (and acceptance) of any Pre-IPO SARs under the Pre-IPO SARs Scheme shall be subject to and conditional upon the following conditions being fulfilled:
 - (A) the Listing Committee grants or agrees to grant an approval for (subject to such condition as the Hong Kong Stock Exchange may impose) the listing of and dealing in the Shares; and
 - (B) the commencement of dealing in the Shares on the Hong Kong Stock Exchange.
- 2) Unless all of the above conditions are fulfilled on or before the date which is 30 days after the date of this prospectus, any Pre-IPO SARs granted or agreed to be granted pursuant to the Pre-IPO SARs Scheme shall be invalid and no person shall be entitled to any rights or benefits or accept any responsibility in respect of the Pre-IPO SARs Scheme or any such Pre-IPO SARs.

(iv) *Rights Personal to the Pre-IPO SARs Grantees*

Any Pre-IPO SARs shall be personal to the Pre-IPO SARs Grantee and shall not be assignable. No Pre-IPO SARs Grantee shall attempt to or in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party beneficiary over any relevant aspect of the Pre-IPO SARs. Any breach of the foregoing obligations shall entitle the Company to cancel any outstanding Pre-IPO SARs or any part thereof granted to such Pre-IPO SARs Grantee.

(v) *Maximum Number of the Pre-IPO SARs To Be Granted*

The maximum number of notional Shares which the Pre-IPO SARs that may be granted under the Pre-IPO SARs Scheme shall represent no more than 2.5% of the issued share capital of the Company immediately following the Capitalization Issue that is expected to take place immediately prior to the completion of the Global Offering, rounded down to the nearest whole Share. If no such Capitalization Issue occurs, the maximum number of notional Shares which the Pre-IPO SARs that may be granted under the Pre-IPO SARs Scheme shall represent no more than 2.5% of the issued share capital of the Company immediately prior to the completion of the Global Offering, rounded down to the nearest whole Share.

(vi) Exercise Price

The exercise price (the “**Pre-IPO SARs Exercise Price**”) in relation to each Pre-IPO SARs offered to a Pre-IPO SARs Eligible Participant shall be the Offer Price of Shares upon Listing which shall not be less than the par value of the Shares.

(vii) Exercise Period

Any Pre-IPO SARs may be exercised during the period to be determined by our Board and notified to the Pre-IPO SARs Grantees in the notice of grant, or, where applicable, any period for the exercise of the Pre-IPO SARs which shall not exceed eight years from the commencement date as specified in the offer in respect of the relevant Pre-IPO SARs (the “**Pre-IPO SARs Exercise Period**”).

(viii) Exercise of the Pre-IPO SARs

- 1) The Pre-IPO SARs may be exercised, in whole or in part, by the Pre-IPO SARs Grantees on any trading day during the Pre-IPO SARs Exercise Period provided that the weighted average price (the “**Pre-IPO Weighted Average Price**”) must be higher than the Pre-IPO SARs Exercise Price. The Pre-IPO Weighted Average Price means, in respect of an exercise of the Pre-IPO SARs by a Pre-IPO SARs Grantee after the expiry of 60 trading days after the Listing Date, the average price per Share calculated by dividing the total turnover on each trading day on the Hong Kong Stock Exchange for the period of 60 trading days immediately prior to the exercise date (excluding that day) over its total trading volume; in respect of an exercise of the Pre-IPO SARs by a Pre-IPO SARs Grantee within 60 trading days after the Listing Date, the average price per Share is calculated by dividing the total turnover on all trading days on the Hong Kong Stock Exchange for the period from the Listing Date to the exercise date (excluding that day) over its total trading volume.
- 2) If the Pre-IPO Weighted Average Price is higher than the Pre-IPO SARs Exercise Price, the Company shall, subject to any restrictions imposed by applicable laws or regulations (including the Listing Rules), pay the profit (the “**Pre-IPO SARs Profit**”) to the Pre-IPO SARs Grantees within 14 days after receipt of the exercise notice. The Pre-IPO SARs Profit means the result yielded by the following formula: (Pre-IPO Weighted Average Price on the exercise date — Pre-IPO SARs Exercise Price) x the number of Pre-IPO SARs exercised.
- 3) With effect from the Listing Date, a Pre-IPO SARs Grantee will not be allowed to exercise the Pre-IPO SARs granted under the Pre-IPO SARs Scheme (the “**Locked-up Pre-IPO SARs**”). Such restriction on the exercise of the Locked-up Pre-IPO SARs will be removed in part and in phases following the expiry of the first anniversary of the Listing Date, i.e. the Pre-IPO SARs Grantees may exercise their Pre-IPO SARs in part and in phases during the Pre-IPO SARs Exercise Period (the “**Unlocked Pre-IPO SARs**”). The Pre-IPO SARs Grantees shall be entitled to exercise their Pre-IPO SARs in the following manner:
 - (A) up to 25% of the Pre-IPO SARs (rounded to the nearest whole number) after the expiry of the first anniversary of the Listing Date;

- (B) up to 50% of the Pre-IPO SARs (rounded to the nearest whole number) after the expiry of the second anniversary of the Listing Date;
 - (C) up to 75% of the Pre-IPO SARs (rounded to the nearest whole number) by the end of the third anniversary of the Listing Date; and
 - (D) up to 100% of the Pre-IPO SARs (rounded to the nearest whole number) after the expiry of the fourth anniversary of the Listing Date.
- 4) The Pre-IPO SARs Grantees shall not exercise the Pre-IPO SARs if:
- (A) he is in possession of any “inside information” (as defined in the Listing Rules);
 - (B) the date of a Board meeting for the approval of the annual results, half-year results, quarterly results or other interim results;
 - (C) the deadline by which the Company is required by the Listing Rules to announce any of its annual results, half-year results, quarterly results or other interim results. Such restriction on the exercise or grant of the Pre-IPO SARs shall also be imposed during the period for which the announcement of results by the Company has been postponed and shall be removed at the end of the day on which the results have been announced by the Company;
 - (D) he fails to comply with the conditions set out in the offer document; or
 - (E) is otherwise restricted by any laws or regulations (including the Listing Rules) from exercising the Pre-IPO SARs.

(ix) *Adjustment to the Pre-IPO SARs*

In the event of any distribution of dividends, capitalization of capital reserve, payment of bonus shares, sub-division of shares, placing of shares, or reduction of the shares of the Company that may take place after the Listing Date, corresponding alterations shall be made (except on an issue of securities by the Company as consideration for a transaction which shall not be regarded as a circumstance requiring alteration or adjustment).

(x) *Lapse of the Pre-IPO SARs and the treatments under special circumstances*

- 1) The Pre-IPO SARs shall lapse automatically and cease to be exercisable (to the extent not already exercised) on the earliest of:-
- (A) the expiry date: the date of the expiry of the Pre-IPO SARs as may be determined by the Board which shall not be later than the last day of the Pre-IPO SARs Exercise Period in respect of such Pre-IPO SARs (the “**Pre-IPO SARs Expiry Date**”);

- (B) the date of commencement of the winding-up of the Company (as determined in accordance with Cayman Companies Law);
 - (C) subject to restrictions as stated in (x)(2), the date on which the Pre-IPO SARs Grantee ceases to be a Pre-IPO SARs Eligible Participant for any reason, provided always that if a Pre-IPO SARs Grantee ceases to be a Pre-IPO SARs Eligible Participant by reason of his death or permanent disability, any Pre-IPO SARs granted to such Pre-IPO SARs Grantee shall immediately vest in full and any portion that is unexercised shall become exercisable by the estate (in the case of death) or the nominee(s) and assignee(s) (in the case of permanent disability) of such Pre-IPO SARs Grantee for a period commencing from (whichever is earlier) (i) the 12 months after such cessation, and (ii) the Pre-IPO SARs Expiry Date in relation to that Pre-IPO SARs; or
 - (D) the date on which the Board exercises the Company's right to cancel the Pre-IPO SARs at any time after the Pre-IPO SARs Grantee commits a breach of paragraph (iv) or a cancellation of the Pre-IPO SARs.
- 2) the exercise of the Pre-IPO SARs and its other arrangement shall be made as follows in the event of any special circumstances below:
- (A) if the Pre-IPO SARs Grantee voluntarily resigns from office due to personal reasons and there is no disagreement between such Pre-IPO SARs Grantee and the Company,
 - the Pre-IPO SARs Grantee may continue to hold their outstanding Unlocked Pre-IPO SARs and exercise such Pre-IPO SARs before the Pre-IPO SARs Expiry Date; and
 - the Pre-IPO SARs Grantee's Locked-up Pre-IPO SARs shall lapse forthwith on the effective date of resignation;
 - (B) if the Pre-IPO SARs Grantee resigns from office due to material fault or misconduct, or voluntarily resigns from office due to negative impact brought to the Company due to personal behavior or non-compliance with legal requirements, all of such Pre-IPO SARs Grantee's outstanding Pre-IPO SARs shall lapse immediately;
 - (C) if the Pre-IPO SARs Grantee retires from his office as he reaches the statutory retirement age, such Pre-IPO SARs Grantee may continue to hold all outstanding Pre-IPO SARs and exercise such Pre-IPO SARs before the Pre-IPO SARs Expiry Date; and
 - (D) if the Pre-IPO SARs Grantee is dismissed by the Company,
 - the Pre-IPO SARs Grantee may continue to hold their outstanding Unlocked Pre-IPO SARs and exercise such Pre-IPO SARs before the Pre-IPO SARs Expiry Date; and

- the Pre-IPO SARs Grantee's Locked-up Pre-IPO SARs shall lapse forthwith on the effective date of resignation. However, the Company shall pay to the Pre-IPO SARs Grantee a compensation that equals to 10% of the Pre-IPO SARs Profit that would be generated had such Locked-up Pre-IPO SARs been exercised by the Pre-IPO SARs Grantee on the effective date of resignation.

(xi) *Cancellation*

Any cancellation of the Pre-IPO SARs granted but not yet exercised must be approved by the Pre-IPO SARs Grantees of the relevant Pre-IPO SARs in writing.

(xii) *Alteration of the Pre-IPO SARs Scheme*

The terms and conditions of the Pre-IPO SARs Scheme and the regulations for the administration and operation of the Pre-IPO SARs Scheme (provided that the same are not inconsistent with the Pre-IPO SARs Scheme and the Listing Rules) may be altered in any respect by resolution of the Board except that:

- 1) any alteration to the advantage of the Pre-IPO SARs Grantees or the Pre-IPO SARs Eligible Participants (as the case may be) in respect of the definitions of "Pre-IPO SARs Eligible Participant", "Pre-IPO SARs Expiry Date", "Pre-IPO SARs Grantee" and "Pre-IPO SARs Exercise Period"; or
- 2) any material alteration to the terms and conditions of the Pre-IPO SARs Scheme or any change to the terms of the Pre-IPO SARs granted (except any alterations which take effect automatically under the terms of the Pre-IPO SARs Scheme),

must be made with the prior approval of the shareholders of the Company in the general meeting at which any persons with an interest in the Pre-IPO SARs Profit to be provided by the Company under the Pre-IPO SARs Scheme, any persons instructed by such persons and their respective Associates shall abstain from voting. Written notice of any alterations shall be given to all Pre-IPO SARs Grantees.

(xiii) *Termination*

The Company may at any time, by resolution in the general meeting or a decision by the Board, terminate the operation of the Pre-IPO SARs Scheme and that no further Pre-IPO SARs shall be offered. The provisions of the Pre-IPO SARs Scheme shall remain in force to the extent necessary to give effect to the exercise of any Pre-IPO SARs granted prior to the termination or otherwise as may be required in accordance with the provisions of the Pre-IPO SARs Scheme such that Pre-IPO SARs granted prior to such termination shall continue to be valid and exercisable in accordance with the Pre-IPO SARs Scheme.

(c) **Disclosure in annual and interim reports**

We will disclose details of the Pre-IPO SARs Scheme in our annual and interim reports including the number of Pre-IPO SARs, date of grant, Pre-IPO SARs Exercise Price, Pre-IPO SARs Exercise Period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

2. **Post-IPO Share Appreciation Rights Scheme**

The following is a summary of the principal terms of the Post-IPO Share Appreciation Rights Scheme (the “**Post-IPO SARs Scheme**”) conditionally approved by written resolutions of the Board on December 13, 2016 and adopted on the same date. The following summary does not form, nor is intended to be, part of the Post-IPO SARs Scheme nor should it be taken as affecting the interpretation of the rules of the Post-IPO SARs Scheme. The Post-IPO SARs Scheme does not involve the grant of options over new securities of the Company and therefore, it does not fall within the ambit of, and is not subject to, the regulations of Chapter 17 of the Hong Kong Listing Rules. Under the scheme, the Post-IPO SARs Eligible Participants (as defined below) will be entitled to receive cash payments determined based on the appreciation of the notional Shares over a specified period pursuant to the Post-IPO SARs Scheme. Therefore, it does not affect the total number of the Shares and will not result in any dilution of the Shares of the Company. The Post-IPO SARs Grantee (as defined below) do not have any voting rights and rights to dividends entitled by the Shareholders.

(a) **Definition**

The following definition is only used in this paragraph 2.

“Adoption Date”	December 13, 2016
“Board”	the board of Directors or a committee thereof appointed for the purpose of administering the Post-IPO SARs Scheme
“Post-IPO SARs”	Post-IPO Share Appreciation Rights
“Post-IPO SARs Eligible Participants” or each a “Post-IPO SARs Eligible Participant”	directors, employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture partners and service providers of the Company or any of the subsidiaries who, in the sole opinion of the Board, have contributed to the Company and/or any of the subsidiaries
“Post-IPO SARs Expiry Date”	the date of the expiry of the Post-IPO SARs as may be determined by the Board which shall not be later than the last day of the Post-IPO SARs Exercise Period in respect of such Post-IPO SARs

“Post-IPO SARs Grantee”	any Post-IPO SARs Eligible Participants who accepts an offer of the grant of the Post-IPO SARs in accordance with the terms of the Post-IPO SARs Scheme or (where the context so permits) any person who is entitled to any such Post-IPO SARs in consequence of the death of the original Post-IPO SARs Grantee, or the legal representative of such person
“Post-IPO SARs Weighted Average Price”	in respect of an exercise of the Post-IPO SARs by a Post-IPO SARs Grantee after the expiry of 60 trading days after the Listing Date, the average price per Share calculated by dividing the total turnover on each trading day on the Hong Kong Stock Exchange for the period of 60 trading days immediately prior to the exercise date (excluding that day) over its total trading volume; in respect of an exercise of the Post-IPO SARs by a Post-IPO SARs Grantee within 60 trading days after the Listing Date, the average price per Share is calculated by dividing the total turnover on all trading days on the Stock Exchange for the period from the Listing Date to the exercise date (excluding that day) over its total trading volume
“Scheme Period”	means the period of ten years commencing on the Adoption Date

(b) Purpose

The purpose of the Post-IPO SARs Scheme is to enable the Company to grant the Post-IPO SARs to Post-IPO SARs Eligible Participants as rewards or returns for their contribution or potential contribution to the Company and/or any of the subsidiaries.

(c) Who may join

On and subject to the terms of the Post-IPO SARs Scheme and the requirements of the Listing Rules, the Board may offer to grant the Post-IPO SARs to any Post-IPO SARs Eligible Participants as the Board may in its absolute discretion select.

(d) Rights Personal to Post-IPO SARs Grantees

Any Post-IPO SARs shall be personal to the Post-IPO SARs Grantee and shall not be assignable. No Post-IPO SARs Grantee shall attempt to or in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party beneficiary over any relevant aspect of the Post-IPO SARs. Any breach of the foregoing obligations shall entitle the Company to cancel any outstanding Post-IPO SARs or any part thereof granted to such Post-IPO SARs Grantee.

(e) Administration

The Post-IPO SARs Scheme shall be subject to the administration of the Board (who may appoint one or more third parties to provide such administrative services) and the Board's decision on all matters in relation to the Post-IPO SARs Scheme, its interpretation or its effect shall be final and binding on all parties unless otherwise stated.

(f) Grant of the Post-IPO SARs

The Board shall, subject to the provisions of the Post-IPO SARs Scheme and the Listing Rules, be entitled to but shall not be bound, at any time during the Scheme Period to grant the Post-IPO SARs to any relevant Post-IPO SARs Eligible Participant as may be determined by the Board subject to such conditions (including, without limitation, any minimum period for which the Post-IPO SARs must be held and/or any performance targets which must be achieved before the Post-IPO SARs can be exercised) as it may think fit in the following manner:

- 1) Post-IPO SARs representing no more than 2% of the total issued share capital of the Company may be granted to the person who will assume the office of chief executive officer of the Company upon the Listing, of which Post-IPO SARs representing 1% of the total issued share capital of the Company may be granted at the Board's discretion based on such person's performance;
- 2) Post-IPO SARs representing no more than 2% of the total issued share capital of the Company may be granted to the senior management of the Company upon the Listing; and
- 3) Other allocation proposal submitted by the chief executive officer and approved by the Board.

(g) Maximum number of the Post-IPO SARs to be granted

The maximum number of notional Shares which the Post-IPO SARs that may be granted under the Post-IPO SARs Scheme shall represent no more than 4% of the issued share capital of the Company, immediately following completion of the Global Offering rounded down to the nearest whole Share.

(h) Exercise Price

The exercise price (the "**Post-IPO SARs Exercise Price**") shall be determined by the Board and shall in any event be the highest of:

- 1) the closing price of the Shares as stated on the Hong Kong Stock Exchange's daily quotations sheet on the offer date;
- 2) the average closing price of the Shares as stated on the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the offer date; and
- 3) the par value of the Shares.

(i) **Exercise Period**

In respect of the Post-IPO SARs, the period to be notified by the Board to each Post-IPO SARs Grantee within which the Post-IPO SARs may be exercisable provided that such period of time shall not exceed a period of eight years commencing on the commencement date (the “**Post-IPO SARs Exercise Period**”).

(j) **Exercise of the Post-IPO SARs**

- 1) the Post-IPO SARs may be exercised, in whole or in part, by the Post-IPO SARs Grantees on any trading day during the Post-IPO SARs Exercise Period by delivering a duly completed written notice to the Company provided that the Post-IPO SARs Weighted Average Price must be higher than the Post-IPO SARs Exercise Price.
- 2) the Board is entitled to set specific performance indicators and targets as the additional conditions to the grant of Post-IPO SARs based on the Company’s performance and to adjust the number of SARs to be granted subject to the satisfaction of performance-based conditions.
- 3) If the Post-IPO SARs Weighted Average Price is higher than the Post-IPO SARs Exercise Price, the Company shall, subject to any restrictions imposed by applicable laws or regulations (including the Listing Rules), pay the profit to the Post-IPO SARs Grantees within 14 days after receipt of the exercise notice (the “**Post-IPO SARs Profit**”). The Post-IPO SARs Profit means the results yielded by the following formula: (Post-IPO Weighted Average Price — Post-IPO SARs Exercise Price) x the number of Post-IPO SARs exercised.
- 4) With effect from the commencement date, a Post-IPO SARs Grantee will not be allowed to exercise the entire Post-IPO SARs granted (rounded to the nearest whole number) under the Post-IPO SARs Scheme (the “**Locked-up Post-IPO SARs**”). Such restriction on the exercise of the Locked-up Post-IPO SARs will be removed in part and in phases following the expiry of the first anniversary of the Listing Date, i.e. the Post-IPO SARs Grantees may exercise their Post-IPO SARs in part and in phases during the Post-IPO SARs Exercise Period (the “**Unlocked Post-IPO SARs**”). The Post-IPO SARs Grantees shall be entitled to exercise their Post-IPO SARs in the following manner:
 - (A) up to 25% of the Post-IPO SARs (rounded to the nearest whole number) after the expiry of the first anniversary of the commencement date;
 - (B) up to 50% of the Post-IPO SARs (rounded to the nearest whole number) after the expiry of the second anniversary of the commencement date;
 - (C) up to 75% of the Post-IPO SARs (rounded to the nearest whole number) after the expiry of the third anniversary of the commencement date; and
 - (D) up to 100% of the Post-IPO SARs (rounded to the nearest whole number) after the expiry of the fourth anniversary of the commencement date.

- 5) The Post-IPO SARs Grantees shall not exercise the Post-IPO SARs if:
- (A) he is in possession of any “inside information” (as defined in the Listing Rules);
 - (B) the date on which a Board meeting is to be held for the approval of the annual results, half-year results, quarterly results or any other interim results;
 - (C) the deadline by which the Company is required by the Listing Rules to announce any of its annual results, half-year results, quarterly results or other interim results. Such restriction on the exercise or grant of the Post-IPO SARs shall also be imposed during the period for which the announcement of results by the Company has been postponed and shall be removed at the end of the day on which the results have been announced by the Company;
 - (D) he fails to comply with the conditions set out in the offer; or
 - (E) is otherwise restricted by any laws or regulations (including the Listing Rules) from exercising the Post-IPO SARs.

(k) Adjustment to the Post-IPO SARs

In the event of any distribution of dividends, capitalization of capital reserve, payment of bonus shares, sub-division of shares, placing of shares, or reduction of the share of the Company, corresponding alterations shall be made (except on an issue of securities by the Company as consideration for a transaction, which shall not be regarded as a circumstance requiring alteration or adjustment).

(l) Lapse of the Post-IPO SARs and the treatments under special circumstances

- 1) The Post-IPO SARs shall lapse automatically and cease to be exercisable (to the extent not already exercised) on the earliest of:-
- (A) the Post-IPO SARs Expiry Date;
 - (B) the date of commencement of the winding-up of the Company (as determined in accordance with the Cayman Companies Law);
 - (C) the date on which the Post-IPO SARs Grantee ceases to be a Post-IPO SARs Eligible Participant for any reason, provided always that if a Post-IPO SARs Grantee ceases to be a Post-IPO SARs Eligible Participant by reason of his death or permanent disability, and the relevant terms and conditions made in accordance with paragraph (f) so permit any Post-IPO SARs granted to such Post-IPO SARs Grantee shall immediately vest in full and any portion that is unexercised shall become exercisable by the estate (in the case of death) or the nominee(s) and assignee(s) (in the case of permanent disability) of such Post-IPO SARs Grantee for a period commencing from (whichever is earlier) (i) the 12 months after such cessation, and (ii) the Post-IPO SARs Expiry Date in relation to that Post-IPO SARs; or

- (D) the date on which the Board exercises the Company's right to cancel the Post-IPO SARs at any time after the Post-IPO SARs Grantee commits a breach of (d) or a cancellation of the Post-IPO SARs is made in accordance with (o) under this paragraph 2.
- 2) the exercise of the Post-IPO SARs and its other arrangement shall be as follows in the event of any special circumstances below:
- (A) if the Post-IPO SARs Grantee voluntarily resigns from office due to personal reasons and there is no disagreement between such Post-IPO SARs Grantee and the Company,
- the Post-IPO SARs Grantee may continue to hold their outstanding Unlocked Post-IPO SARs and exercise such Post-IPO SARs before the Post-IPO SARs Expiry Date; and
 - the Post-IPO SARs Grantee's Locked-up Post-IPO SARs shall lapse forthwith on the effective date of resignation;
- (B) if the Post-IPO SARs Grantee resigns from office due to material fault or misconduct, or voluntarily resigns from office due to negative impact brought to the Company due to personal behavior or non-compliance with legal requirements, all of such Post-IPO SARs Grantee's outstanding Post-IPO SARs shall lapse immediately;
- (C) if the Post-IPO SARs Grantee retires from his office as he reaches the statutory retirement age, such Post-IPO SARs Grantee may continue to hold all outstanding Post-IPO SARs and exercise such Post-IPO SARs before the Post-IPO SARs Expiry Date; and
- (D) if the Post-IPO SARs Grantee is dismissed by the Company,
- the Post-IPO SARs Grantee may continue to hold their outstanding Unlocked Post-IPO SARs and exercise such Post-IPO SARs before the Post-IPO SARs Expiry Date; and
 - the Post-IPO SARs Grantee's Locked-up Post-IPO SARs shall lapse forthwith on the effective date of resignation. However, the Company shall pay to the Post-IPO SARs Grantee a compensation that equals to 10% of the Post-IPO SARs Profit that would be generated had such Locked-up Post-IPO SARs been exercised by the Post-IPO SARs Grantee on the effective date of resignation.

(m) Alteration of the Post-IPO SARs scheme

The terms and conditions of the Post-IPO SARs Scheme and the regulations for the administration and operation of the Post-IPO SARs Scheme (provided that the same are not inconsistent with the Post-IPO SARs Scheme and the Listing Rules) may be altered in any respect by resolution of the Board except that:

- 1) any alteration to the advantage of the Post-IPO SARs Grantees or the Post-IPO SARs Eligible Participants (as the case may be) in respect of the definitions of "Post-IPO SARs

Eligible Participant”, “Post-IPO SARs Expiry Date”, “Post-IPO SARs Grantee” and “Post-IPO SARs Exercise Period”; or

- 2) any material alteration to the terms and conditions of the Post-IPO SARs Scheme or any change to the terms of the Post-IPO SARs granted (except any alterations which take effect automatically under the terms of the Post-IPO SARs Scheme),

must be made with the prior approval of the shareholders of the Company in the general meeting at which any persons with an interest in the Post-IPO SARs Profit to be provided by the Company under the Post-IPO SARs Scheme, any persons instructed by such persons and their respective associates shall abstain from voting. Written notice of any alterations shall be given to all Post-IPO SARs Grantees.

(n) Termination

The Company may at any time, by a resolution at the general meeting or a decision by the Board, terminate the operation of the Post-IPO SARs Scheme and determine that no further Post-IPO SARs shall be offered. The provisions of the Post-IPO SARs Scheme shall remain in force to the extent necessary to give effect to the exercise of any Post-IPO SARs granted prior to the termination or otherwise as may be required in accordance with the provisions of the Post-IPO SARs Scheme such that Post-IPO SARs granted prior to such termination shall continue to be valid and exercisable in accordance with the Post-IPO SARs Scheme.

(o) Cancellation

Any cancellation of the Post-IPO SARs granted but not yet exercised must be approved by the Post-IPO SARs Grantees of the relevant Post-IPO SARs in writing.

(p) Disclosure in annual and interim reports

We will disclose details of the Post-IPO SARs Scheme in our annual and interim reports including the number of Post-IPO SARs, date of grant, Post-IPO SARs Exercise Price, Post-IPO SARs Exercise Period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

E. SERVICE CONTRACT

1 Share Awards

Pursuant to the service contract entered into between New Pride and Mr. Lu Wenzuo (the “**Service Contract**”), on December 13, 2016, New Pride granted certain share awards to Mr. Lu Wenzuo to acquire 1% equity interest in each of Weikang Investment and Honghe Ruixin or receive a cash payment equivalent to the value of 1% equity interest in each of Weikang Investment and Honghe Ruixin for each of the three years ending December 31, 2017. Such share awards will be exercisable after December 31, 2017.

2 Share Appreciation Rights to Mr. Lu Wenzuo

Pursuant to the Service Contract, on December 13, 2016, New Pride also granted share appreciation rights to Mr. Lu Wenzuo to receive a cash payment determined based on the appreciation of 1% of the notional equity interest in Weikang Investment and Honghe Ruixin (the “**Expected Profit**”). The formula to calculate the Expected Profit is as set out below:

Expected Profit = (weighted average price x the average number of the Shares in issue of the Company x the percentage of the aggregate net profits of Weikang Investment and Honghe Ruixin for the financial year when such scheme appreciation rights are exercised — consideration paid by New Pride for the acquisition of 80% equity interest in Weikang Investment) x 1/80

“**weighted average price**” means the average price per Share calculated by dividing the total turnover on each trading day on the Hong Kong Stock Exchange for the period of 60 trading days or such a shorter period, as the case may be, immediately prior to the exercise date (excluding that day) over its total trading volume; and

“**the average number of the Shares in issue of the Company**” means the average number of the Shares in issue in our Company during the same period for determining the weighted average price.

Mr. Lu Wenzuo shall not exercise any share appreciation rights granted to him (a) when he is in possession of any inside information (as defined in the Listing Rules); (b) on the date of a Board meeting for approval of any financial results of the Company; (c) during the period which the Company is required to release any financial results of the Company; or (d) when he is otherwise restricted by any laws or regulations (including the Listing Rules) from exercising any share appreciation rights.

The Service Contract has been discussed and approved by the Board on December 13, 2016.

F. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands or PRC.

2. Indemnities

Our Controlling Shareholders have entered into an amended and restated deed of indemnity with our Company in favor of us (being the contract referred to in item (f) of the paragraph headed “—B. Further Information about Our Business—1. Summary of Material Contracts” above).

Under the amended and restated deed of indemnity, among others, the Controlling Shareholders shall indemnify each of our Company and our subsidiaries against, among others, (a) any depletion or diminution in the value of the assets of our Company and our subsidiaries as a direct or indirect consequence of, and in respect of any amount which our Company and our subsidiaries may hereafter become liable to pay, resulting from certain provisions under sections 35, 42 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (“**Estate Duty Ordinance**”); (b) taxation falling on our Company and our subsidiaries resulting from, or by reference to, any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the Listing Date; (c) any actions, claims, direct losses, damages, costs, charges or expenses which may be made, suffered or incurred by any of our Company or our subsidiaries in respect of or arising directly or indirectly arising from any title defects of the properties owned by our Group or Yangsi Hospital as set forth in the sections headed “Business—The Hospitals—Yangsi Hospital—Properties—Title defects of the Lands”; (d) any actions, claims, losses, damages, costs, charges or expenses which may be made, suffered or incurred by any of our Company or our subsidiaries in respect of or arising directly or indirectly arising from any taxation or taxation claim or property loss or property claim (as defined therein); (e) all the costs, expenses, losses and/or other liabilities incurred by our Company and its subsidiaries in relation with those outstanding or unsettled legal and arbitration proceedings, investigations and/or claims as disclosed in this prospectus; and (f) all the expenses arising from payment of any accrued interest incurred by our Company and our subsidiaries in relation to repurchase of any Shares by our Company.

Each of our Controlling Shareholders will, however, not be liable under the amended and restated deed of indemnity for taxation where, among other things, (a) specific provision has been made for such taxation in the audited accounts of the members of our Group for the three years ended December 31, 2015 and the nine months ended September 30, 2016; (b) the taxation falling on us in respect of any accounting period commencing on or after October 1, 2016 unless liability for such taxation would not have arisen but for some event entered into by our Controlling Shareholders or us otherwise than in the course of normal day to day trading operations on or before the Listing Date; and (c) the taxation arises or is incurred as a consequence of any change in law or the interpretation thereof or practice by the relevant tax authority having retrospective effect coming into force after the Listing Date or to the extent that the taxation arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

3. **Litigation**

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

4. **Application for Listing**

The Sole Sponsor has made an application on behalf of our Company 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. All necessary arrangements have been made to enable such Shares into CCASS.

5. Sole Sponsor

The Sole Sponsor has 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). The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The fees payable to the Sole Sponsor in respect of its services as sponsor for the Listing are approximately US\$500,000 and are payable by us.

6. Preliminary Expenses

The preliminary expenses incurred by us in relation to our incorporation were approximately US\$8,000 and were paid by us.

7. Promoter

We have no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Global Law Office	PRC legal advisors
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong
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
Maples and Calder (Hong Kong) LLP	Cayman Islands legal advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

9. Consents of Experts

Each of Global Law Office, PricewaterhouseCoopers, China International Capital Corporation Hong Kong Securities Limited, Maples and Calder (Hong Kong) LLP and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or advice and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Hong Kong Taxation

(a) *Capital Gains and Profit Tax*

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of the Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business, will be chargeable to Hong Kong profits tax.

(b) *Stamp Duty*

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of the Shares. The duty is charged at the *ad valorem* rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares.

In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required). Where a sale or purchase of the Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) will be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee will be liable to pay such duty.

(c) *Estate Duty*

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after February 11, 2006.

12. Reserves available for distribution

As at September 30, 2016, we have reserves of RMB63.3 million available for distribution to our Shareholders.

13. 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 the 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 the 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 the 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 the 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 the Company or any of its subsidiaries.
- (b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures nor 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 consolidated 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) Our principal register of members will be maintained by our Principal Share Registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the 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.
- (g) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. 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, among other things:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to in the section headed “Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the section headed “Statutory and General Information—F. Other Information—9. Consents of Experts” in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Cleary Gottlieb Steen & Hamilton (Hong Kong) at 37/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountant’s Report of our Group for the period from February 21, 2014 to December 31, 2014, the year ended December 31, 2015 and the nine months ended September 30, 2016 from PricewaterhouseCoopers, the text of which is set out in Appendix IA to this prospectus;
- (c) the Accountant’s Report of Weikang Investment and its wholly-owned subsidiary, Fuhua Hospital, for the years ended December 31, 2013, 2014 and 2015, the nine months ended September 30, 2014 and the nine months ended September 30, 2016 from PricewaterhouseCoopers, the text of which is set out in Appendix IB to this prospectus;
- (d) the audited financial statement of our Group for the period from February 21, 2014 to December 31, 2014, the year ended December 31, 2015 and the nine months ended September 30, 2016;
- (e) the audited financial statement of Weikang Investment and its wholly-owned subsidiary, Fuhua Hospital, for the years ended December 31, 2013, 2014 and 2015, the nine months ended September 30, 2014 and the nine months ended September 30, 2016;
- (f) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix IIA to this prospectus;

- (g) the letters from PricewaterhouseCoopers and the Sole Sponsor relating to the profit estimate, the texts of which are set out in Appendix IIB to this prospectus;
- (h) the legal opinions issued by Global Law Office, our PRC Legal Advisors, dated February 28, 2017 in respect of certain aspects of our Group and Yangsi Hospital and the property interests of our Group and Yangsi Hospital;
- (i) the letter of advice issued by Maples and Calder (Hong Kong) LLP, our Cayman Islands legal advisors, summarising certain aspects of the Cayman Companies Law referred to in Appendix III to this prospectus;
- (j) the Cayman Companies Law;
- (k) the industry report dated February 27, 2017 issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;
- (l) the material contracts referred to in the section headed “Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (m) the written consents referred to in the section headed “Statutory and General Information—F. Other Information—9. Consents of Experts” in Appendix IV to this prospectus;
- (n) the service contracts and appointment letters referred to in the section headed “Statutory and General Information—C. Further Information about our Directors and Substantial Shareholders—2. Particulars of Service Contracts” in Appendix IV to this prospectus;
- (o) the rules of the Pre-IPO Share Appreciation Rights Scheme; and
- (p) the rules of the Post-IPO Share Appreciation Rights Scheme.