



# 和美医疗控股有限公司

## HARMONICARE MEDICAL HOLDINGS LIMITED

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock code : 1509

# GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators,  
Joint Bookrunners and Joint Lead Managers

Morgan Stanley



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## IMPORTANT

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**IMPORTANT: If you are in any doubt about the contents of this prospectus, you should seek independent professional advice.**



# HARMONICARE MEDICAL HOLDINGS LIMITED 和美醫療控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

## GLOBAL OFFERING

<b>Number of Offer Shares under the Global Offering</b>	<b>:</b>	<b>210,810,000 Shares (comprising 191,810,000 New Shares and 19,000,000 Sale Shares, and subject to the Over-allotment Option)</b>
<b>Number of Hong Kong Public Offer Shares</b>	<b>:</b>	<b>21,081,000 Shares (subject to adjustment)</b>
<b>Number of International Offer Shares</b>	<b>:</b>	<b>189,729,000 Shares (comprising 170,729,000 New Shares and 19,000,000 Sale Shares, and subject to adjustment and the Over-allotment Option)</b>
<b>Maximum Offer Price</b>	<b>:</b>	<b>HK\$7.55 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)</b>
<b>Nominal value</b>	<b>:</b>	<b>HK\$0.001 per Share</b>
<b>Stock code</b>	<b>:</b>	<b>1509</b>

*Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers*

**Morgan Stanley**



*Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.*

*A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.*

*The Offer Price is expected to be determined by agreement between us (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) on or about Tuesday, June 30, 2015 and, in any event, not later than Monday, July 6, 2015. The Offer Price will be not more than HK\$7.55 per Offer Share and is currently expected to be not less than HK\$6.80 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Public Offer Shares must pay, on application, the maximum Offer Price of HK\$7.55 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$7.55 per Offer Share. If, for any reason, the Offer Price is not agreed between us (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) on or before Monday, July 6, 2015 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.*

*The Joint Global Coordinators (on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in "Structure of the Global Offering" and "How to Apply for the Hong Kong Public Offer Shares" in this prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.*

*The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (1) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.*

*We confirm that the logo shown on the cover is a registered trademark of our Company in Hong Kong.*

June 25, 2015

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**EXPECTED TIMETABLE<sup>(1)</sup>**

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Latest time for completing electronic applications under <b>HK eIPO White Form</b> service through the designated website <a href="http://www.hkeipo.hk">www.hkeipo.hk</a> <sup>(2)</sup> . . . . .	11:30 a.m. on Tuesday, June 30, 2015
Application lists open <sup>(3)</sup> . . . . .	11:45 a.m. on Tuesday, June 30, 2015
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms . . . . .	12:00 noon on Tuesday, June 30, 2015
Latest time for completing payment of <b>HK eIPO WHITE FORM</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . .	12:00 noon on Tuesday, June 30, 2015
Latest time for giving <b>electronic application instructions</b> to HKSCC <sup>(4)</sup> . . . . .	12:00 noon on Tuesday, June 30, 2015
Application lists close <sup>(3)</sup> . . . . .	12:00 noon on Tuesday, June 30, 2015
Expected Price Determination Date <sup>(5)</sup> . . . . .	Tuesday, June 30, 2015
1. Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before . . . . .	Monday, July 6, 2015
2. Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels as described in "How to Apply for the Hong Kong Public Offer Shares—11. Publication of Results" in this prospectus . . . . .	Monday, July 6, 2015
3. A full announcement of the Hong Kong Public Offering containing (1) and (2) above will be published on the website of the Hong Kong Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and our website at <a href="http://www.hemeiyl.com">www.hemeiyl.com</a> from . . . . .	Monday, July 6, 2015
Results of allocations in the Hong Kong Public Offering will be available at <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> with a "search by ID" function from . . . . .	Monday, July 6, 2015
Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before <sup>(6)</sup> . . . . .	Monday, July 6, 2015
Dispatch/collection of refund cheques and e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before . . . . .	Monday, July 6, 2015
Dealings in the Shares on the Hong Kong Stock Exchange expected to commence on 9:00 am on . . . . .	Tuesday, July 7, 2015

*Notes:*

1. All times refer to Hong Kong local time, except as otherwise stated.
2. You will not be permitted to submit your application through the designated website at Tuesday, June 30, 2015 after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference

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## EXPECTED TIMETABLE

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number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day of lodging applications, when the application lists close.

3. If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 30, 2015, the application lists will not open on that day. For more details, see “How to Apply for Hong Kong Public Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists.”
4. Applicants who apply for the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for the Hong Kong Public Offer Shares—6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS.”
5. The Price Determination Date is expected to be on or about Tuesday, June 30, 2015 and, in any event, not later than Monday, July 6, 2015 unless otherwise determined between the Joint Global Coordinators (on behalf of the Underwriters) and our Company (on behalf of ourselves). If, for any reason, the Offer Price is not agreed by Monday, July 6, 2015 between us (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not become unconditional and will lapse.
6. Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Monday, July 6, 2015 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Tuesday, July 7, 2015. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.

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

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### IMPORTANT NOTICE TO INVESTORS

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

*You should only rely on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Selling Shareholders, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors and the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Information contained in our website, located at [www.hemeiyl.com](http://www.hemeiyl.com), does not form part of this prospectus.*

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## SUMMARY

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

### OVERVIEW

We are the largest private obstetrics and gynecology specialty hospital group in China. According to Frost & Sullivan, we ranked No. 1 in terms of both group revenue in 2013 and the number of hospitals by the end of 2013 among all private obstetrics and gynecology specialty hospital groups in China, with a market share of approximately 13.0% by group revenue, which was more than twice that of the market share of the second largest competitor in the segment. In addition, according to Frost & Sullivan, in terms of group revenue, we accounted for approximately 5.6% of the market share among all public and private obstetrics and gynecology specialty hospitals in China in 2013. Our hospitals are for-profit hospitals which are specialized in providing medical diagnosis and treatment, and preventive care to women and newborns. As of the Latest Practicable Date, we owned and operated 11 hospitals in 7 first- and second-tier cities in China, with a total of 566 beds in operation.

We are one of the earliest entrants in the private healthcare service market in China. Through around a decade of operations, we have accumulated substantial operating experience in our industry. We have created a highly standardized and replicable business model for opening branded chain hospitals by maintaining ownership and management control over all our hospitals to ensure the effective execution of our business plans and strategies throughout our hospital chain. We have demonstrated our capabilities in adapting our business model to different regions in China. China’s obstetrics and gynecology healthcare services market has experienced rapid growth in recent years: in terms of revenue, it has increased from RMB69.4 billion in 2009 to RMB141.9 billion in 2013, representing a CAGR of 19.6%, and is expected to reach RMB360.3 billion in 2018, representing a CAGR of 20.5% from 2013. In particular, in the obstetrics and gynecology specialty hospital market, private hospitals have demonstrated faster growth than public hospitals in terms of both total patient visits and revenue. We believe we are well-positioned to benefit from such industry trend. Our goal is to become a leading healthcare service provider in the premium private healthcare service market in China by offering high-quality healthcare services to women and children in China. Our Group is led by an experienced and dedicated management team which has extensive industry and management experience and deep understanding of market trends, and we have developed detailed management and operational procedures to ensure we achieve our goal.

We place great emphasis on the quality and safety of our healthcare services, as well as patient experience at our hospitals and the protection of their privacy, in order to differentiate ourselves from public hospitals and other obstetrics and gynecology specialty hospitals. Our Shenzhen HarMoniCare Hospital received JCI accreditation in October 2011, which has been renewed to October 31, 2017. JCI, or the Joint Commission International, is an international arm of The Joint Commission, which is a United States-based independent, not-for-profit organization which accredits and certifies healthcare organizations and programs. JCI standards are recognized worldwide as one of the highest benchmarks for quality and safe healthcare services. We have also followed JCI standards at all other hospitals, but have not obtained accreditations yet. We seek to obtain JCI or similar accreditations for some of our other hospitals, including Beijing HarMoniCare Hospital.

We have a deep bench of highly qualified and experienced physicians specialized in the obstetrics and gynecology areas. As of the Latest Practicable Date, we had 484 physicians who practiced at our hospitals, including 66 chief physicians, 128 associate-chief physicians, 151 attending physicians and 139 resident

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## SUMMARY

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physicians. We have various channels to recruit high-caliber physicians and other medical staff, and provide them with competitive compensation packages, career development opportunities and a respectful and professional working environment.

We experienced significant growth during the Track Record Period. Our revenue increased from RMB750.3 million in 2012 to RMB833.2 million in 2013, and to RMB935.8 million in 2014, representing a CAGR of 11.7%. For the years ended December 31, 2012, 2013 and 2014, 94.0%, 94.5% and 96.0% of our total revenue was contributed by our provision of hospital services business, respectively. For the years ended December 31, 2012, 2013 and 2014, 6.0%, 5.5% and 4.0% of our total revenue was contributed by our supply of pharmaceuticals and medical devices business conducted by Tai He Tang, respectively. Our net profit increased from RMB20.9 million in 2012 to RMB65.7 million in 2013, and to RMB105.1 million in 2014, representing a CAGR of 124.3%.

### OUR BUSINESS MODEL

Our business can be divided into two main segments as follows:

#### 1. Provision of Hospital Services

We provide inpatient and outpatient services at each of our hospitals. The main clinical departments of our hospitals are obstetrics and gynecology. We provide high-quality, private and personalized healthcare services to mothers and newborns during pregnancy, delivery and after birth, and gynecologic diagnosis and treatment for female patients. Our hospitals also have other ancillary departments that support the practice of obstetrics and gynecology, such as ultrasound, radiology, laboratories and pharmacies.

- **Obstetrics services:** We provide comprehensive prenatal, delivery and postpartum care services to mothers. We also provide diagnostic and preventive medical care to newborns as an extension to our maternity care services. In addition, our obstetrics services include ancillary services such as pelvic floor rehabilitation, postnatal care and breast feeding support, which are beyond the traditional scope of obstetrics practiced at most public hospitals.
- **Gynecology services:** Our gynecology services cover gynecologic inflammation, gynecologic oncology, female reproductive system disorder treatment, endometriosis, female reproductive tract abnormalities, pelvic floor dysfunction in aged women and other common gynecologic diseases. We also offer birth control management, infertility testing and treatment, menopausal care and health screening services to meet our patients' needs for a full spectrum of gynecologic services.
- **Other healthcare services:** Some of our hospitals also provide pediatrics services for common diseases, dental care and medical aesthetic services to our patients to address their different needs related to pregnancy, childbirth and wellness.

#### 2. Supply of Pharmaceuticals and Medical Devices

In addition to supplying pharmaceuticals and medical devices to hospitals within our Group, our Tai He Tang subsidiary also supplies pharmaceuticals and medical devices to our associated companies and Independent Third Parties. Since Tai He Tang purchases large quantities of pharmaceuticals and medical devices for our hospitals, it enjoys certain level of economies of scale and can leverage such advantage when supplying to third parties. However, we expect the main business of Tai He Tang to remain focused on procuring for and satisfying the needs of our Group.



## SUMMARY

### OUR SUPPLIERS AND CUSTOMERS

#### Our Suppliers

The supplies required in our operations primarily include pharmaceuticals and medical devices (which include medical consumables). In addition to procurement conducted by each hospital directly from manufacturers and distributors, our headquarters coordinate a significant portion of the needs of our hospitals and conduct centralized procurement through our Tai He Tang subsidiary. We procure approximately 42% of our supplies through Tai He Tang in terms of procurement cost. We believe centralized procurement allows us to enjoy economies of scale and to better control the quality of the supplies. We select our suppliers based on a set of stringent criteria and applicable laws and regulations to ensure the quality of our supplies. When selecting suppliers, we consider, among other things, their product offerings, pricing, reputation, service quality and delivery schedule. We require our suppliers to maintain requisite licenses and permits to operate their business, such as business licenses and GMP and/or GSP Certificates. During the Track Record Period, all of our suppliers were located in China. For the years ended December 31, 2012, 2013 and 2014, purchases attributable to our largest supplier accounted for 6.4%, 7.7% and 5.0% of our total pharmaceuticals and medical devices purchased, respectively, and purchases attributable to our five largest suppliers accounted for 24.0%, 25.1% and 20.0% of our total pharmaceuticals and medical devices purchased, respectively. For further details on our suppliers, see “Business—Supplies and Procurement” on pages 123 to 125 of this prospectus.

#### Our Customers

Our customers are primarily female patients who receive medical care and related services at our hospitals. Our target customers are patients that generally have an annual household income of above RMB200,000. No individual patient accounted for more than 5% of our total revenue for the three years ended December 31, 2012, 2013 and 2014, respectively. Our five largest customers during the Track Record Period were corporate customers of our supply of pharmaceuticals and medical devices business, who in aggregate contributed to less than 5% of our revenue during the Track Record Period. For further details on our customers, see “Business—Our Customers” on pages 118 to 119 of this prospectus.

### KEY OPERATIONAL DATA

The following table sets forth some key operational data of our hospitals for the year ended or as of December 31, 2014:

Hospital	Registered beds <sup>(1)</sup>	Beds in operation <sup>(2)</sup>	ALOS <sup>(3)</sup> (days)	Employees	GFA (m <sup>2</sup> )
Beijing HarMoniCare Hospital .....	72	59	4.02	481	17,472
Chongqing Dushi Liren Hospital .....	80	80	6.66	249	9,300
Chongqing Modern Woman Hospital .....	120	87	6.43	465	12,573
Chongqing Fuling HarMoniCare Hospital .....	80	50	5.13	167	7,124
Chongqing Wanzhou HarMoniCare Hospital .....	30	25	5.82	146	3,400
Fuzhou Modern Woman Hospital .....	60	41	4.67	271	8,600
Guiyang HarMoniCare Hospital .....	100	50	5.22	229	10,706
Guiyang Modern Woman Hospital .....	60	22	4.84	159	2,921
Guangzhou Woman Hospital .....	50	50	2.76	321	6,980
Shenzhen HarMoniCare Hospital .....	90	30	6.02	292	9,000
Wuhan Modern Hospital .....	100	67	4.22	365	13,522

Notes:

- Registered beds refer to the number of beds that are registered in a medical institution’s practicing license.

## SUMMARY

2. The numbers of beds in operation are lower than the numbers of registered beds in most of our hospitals, mainly due to (i) some of these hospitals have not reached 100% of their operational capacities; and (ii) some double or multiple-bed wards in these hospitals are used as single-bed wards to provide more room and privacy for our patients. We can adjust the set-up of the rooms based on the needs of our patients and our operations.
3. ALOS, or the average length of stay at a hospital, is equal to the aggregated hospitalization days of all inpatient visits at such hospital during a specified period divided by total inpatient visits during that period.

The following table sets forth certain key operational information of our Group for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
Outpatient visits	595,783	599,825	660,173
Inpatient visits	20,346	21,820	24,773
Average spending per visit (RMB) <sup>(1)</sup>	1,144.7	1,266.5	1,311.7
Number of registered beds at the end of each period	842	842	842
Number of beds in operation at the end of each period	511	548	561
Number of physicians at the end of each period <sup>(2)</sup>	457	464	489
Number of employees at the end of each period	3,170	3,171	3,187

*Notes:*

1. Average spending per visit is calculated by dividing our hospital services revenue by total patient visits.
2. All numbers include employee physicians and contract physicians at our hospitals, but do not include visiting physicians.

The following table sets forth the revenue, revenue as a percentage of our total revenue, and net profit or loss from our top five hospitals for the periods indicated:

	Year ended December 31,								
	2012			2013			2014		
	Revenue	Revenue as a percentage of our total revenue	Net profit (loss)	Revenue	Revenue as a percentage of our total revenue	Net profit (loss)	Revenue	Revenue as a percentage of our total revenue	Net profit (loss)
(RMB in thousands, except percentages)									
Beijing HarMoniCare Hospital	68,802	9.2%	(15,992)	122,613	14.7%	8,467	178,683	19.1%	34,611
Chongqing Modern Woman Hospital	112,724	15.0%	17,485	119,511	14.3%	18,784	135,644	14.5%	20,236
Guangzhou Woman Hospital	120,710	16.1%	18,122	94,025	11.3%	6,892	109,309	11.7%	10,522
Wuhan Modern Hospital	80,278	10.7%	11,952	80,583	9.7%	11,376	85,361	9.1%	13,431
Fuzhou Modern Woman Hospital	58,209	7.8%	2,232	63,483	7.6%	7,873	72,377	7.7%	8,298
<b>Total</b>	<b>440,723</b>	<b>58.8%</b>	<b>33,799</b>	<b>480,215</b>	<b>57.6%</b>	<b>53,392</b>	<b>581,374</b>	<b>62.1%</b>	<b>87,098</b>

### OUR COMPETITIVE STRENGTHS

- We are the largest private obstetrics and gynecology specialty hospital group in China with first-mover advantages.

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## SUMMARY

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- We have a nationwide for-profit hospital chain with strategic focus on first- and second-tier cities in China.
- We have high-caliber and stable physicians and medical staff teams.
- We have an excellent track record of providing high-quality and safe healthcare services to our patients by emphasizing service quality, safety control and advanced technologies.
- We have an experienced and dedicated management team with strong support from strategic shareholders.

### OUR BUSINESS STRATEGIES

- Strategically expand our hospital chain by opening new hospitals in existing markets, as well as in attractive new markets in first- and second-tier cities in China.
- Continue to strengthen the leading position of our existing hospitals and increase our market shares.
- Strengthen our neonatal and pediatric services and add other complementary services at our existing and new hospitals.
- Further improve the quality and efficiency of our healthcare services.
- Pursue select acquisition opportunities to accelerate strategic expansion into new cities.

### RISK FACTORS

Our business faces risks including those set out in the “Risk Factors” section in this prospectus. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in the Offer Shares. Some of the major risks that we face include:

- We conduct our business in a heavily regulated industry and incur ongoing compliance costs as well as face penalties for non-compliance.
- If we are unable to attract, train and retain a sufficient number of qualified physicians, administrators and other hospital personnel, our hospital operations would be materially and adversely affected.
- As we provide mid- to high-end healthcare services, our business, financial condition and results of operations are subject to changes in patient preference, spending power, consumer sentiment and general economic conditions in our respective markets.
- Our business depends significantly on the strength of our reputation. Failure to develop, maintain and enhance our reputation, or any negative publicity or allegations in the media against us, may materially and adversely affect the level of market recognition of, and trust in, our services, which could result in a material adverse impact on our business, financial condition and results of operations.
- With the exception of one of our hospitals, we lease all of the properties on which our hospitals, offices and warehouse are located and therefore face certain risks relating to the commercial real estate rental market.

## SUMMARY

- Failure to properly manage our physicians' or other medical staff's clinical activities may expose us to medical disputes, which may harm our reputation and our business.

### OUR RESULTS OF OPERATIONS

The following tables sets forth selected financial and operating data from our combined financial information for the periods indicated, extracted from the Accountants' Report attached as Appendix I to this prospectus:

	Year ended December 31,		
	2012	2013	2014
	(RMB'000)		
Revenue .....	750,262	833,200	935,839
Gross profit .....	347,239	383,328	472,347
Profit and total comprehensive income for the year attributable to Equity holders of the Company .....	<u>30,565</u>	<u>66,839</u>	<u>103,379</u>

### Revenue

	Year ended December 31,					
	2012		2013		2014	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Provision of hospital services						
Healthcare services .....	611,710	81.5	687,222	82.5	789,068	84.3
Sales of pharmaceuticals and medical devices .....	93,563	12.5	100,083	12.0	109,357	11.7
Supply of pharmaceuticals and medical devices (less inter-segment revenue) .....	44,989	6.0	45,895	5.5	37,414	4.0
<b>Total</b> .....	<u>750,262</u>	<u>100.0</u>	<u>833,200</u>	<u>100.0</u>	<u>935,839</u>	<u>100.0</u>

### Cost of Sales and Services

	Year ended December 31,		
	2012	2013	2014
	(RMB'000)		
Pharmaceuticals and medical devices expenses .....	155,264	166,824	160,547
Employee benefit expenses .....	130,346	152,396	172,651
Rental expenses .....	55,687	57,157	56,171
Others <sup>(1)</sup> .....	61,726	73,495	74,123
<b>Total</b> .....	<u>403,023</u>	<u>449,872</u>	<u>463,492</u>

*Note:*

1. Comprise depreciation and amortization expenses and various other expenses. For further breakdown of other expenses, see "Financial Information—Principal Components of the Combined Statements of Profit or Loss and Other Comprehensive Income—Cost of sales and services" on pages 190 to 191 of this prospectus.

## SUMMARY

### Gross Profit

	Year ended December 31,					
	2012		2013		2014	
	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)
Provision of hospital services .....	334,138	47.4	370,040	47.0	460,429	51.2
Supply of pharmaceuticals and medical devices .....	13,101	29.1	13,288	29.0	11,918	31.9
<b>Total</b> .....	<b>347,239</b>	<b>46.3</b>	<b>383,328</b>	<b>46.0</b>	<b>472,347</b>	<b>50.5</b>

Our total revenue increased from RMB750.3 million in 2012 to RMB833.2 million in 2013 to RMB935.8 million in 2014, primarily due to our increased revenue from provision of hospital services which was mainly driven by the growth in patient visits.

Our gross profit margin was 46.3%, 46.0% and 50.5% in 2012, 2013 and 2014, respectively. The slight decrease in our gross profit margin from 2012 to 2013 was primarily due to our increased employee benefits expenses in 2013 as we tried to retain talents and hire more qualified medical staff required by the expansion of our operations. The increase in our gross profit margin from 2013 to 2014 was primarily due to the significant growth of our hospital services business, which had a higher profit margin than our supply of pharmaceuticals and medical devices business.

We distributed accumulated profits as dividends in the total amount of approximately RMB180.4 million during the Track Record Period. Some of our hospitals had no accumulated profit available for dividend distribution during the Track Record Period. As of December 31, 2014, our hospitals with accumulated losses as of December 31, 2014 recorded accumulated losses with an aggregate amount of RMB168.4 million, which was primarily attributable to our most recently established hospitals. Our hospitals which recorded accumulated profit for distribution as of December 31, 2014 generated net profit in an aggregate amount of RMB49.4 million for the year ended December 31, 2014, after elimination of investment income generated by Guiyang HarMoniCare Hospital from its equity interests in our other hospitals after consolidation. As of April 30, 2015, the aggregate accumulated losses of our hospitals had narrowed down to RMB152.3 million, which was attributable to four hospitals, comprising accumulated loss of Shenzhen HarMoniCare Hospital of RMB122.5 million, Beijing HarMoniCare Hospital of RMB19.1 million, Fuzhou Modern Woman Hospital of RMB5.8 million, and Chongqing Wanzhou HarMoniCare Hospital of RMB4.9 million. For the four months ended April 30, 2015, all of our hospitals achieved net profit. Our hospitals which recorded accumulated profit for distribution as of April 30, 2015 generated net profit in an aggregate amount of RMB21.7 million for the four months ended April 30, 2015. In addition, we generated net cash in-flow from operating activities of RMB89.6 million, RMB124.2 million and RMB189.4 million during the years ended December 31, 2012, 2013 and 2014, respectively. Considering the trend of narrowing down of our accumulated losses and the net cash in-flow generated from operating activities, we believe our hospitals will be able to distribute dividends in the future.

For discussion of our combined income statements, see “Financial Information—Principal Components of the Combined Statements of Profit or Loss and Other Comprehensive Income” starting on page 188 of this prospectus.

## SUMMARY

### Selected Combined Statements of Financial Position

	As of December 31,		
	2012	2013	2014
	(RMB'000)		
Non-current assets .....	335,302	317,740	248,617
Current assets .....	149,354	139,707	136,204
Current liabilities .....	455,065	490,356	450,863
Net current liabilities .....	(305,711)	(350,649)	(314,659)
Total assets less current liabilities .....	29,591	(32,909)	(66,042)
Non-current liabilities .....	32,720	34,303	33,456
Net liabilities .....	(3,129)	(67,212)	(99,498)
Equity attributable to			
Equity holders of the Company .....	4,175	(61,479)	(97,279)
Non-controlling interests .....	(7,304)	(5,733)	(2,219)
Total equity .....	(3,129)	(67,212)	(99,498)

### Selected Combined Statement of Cash Flows

	Year ended December 31,		
	2012	2013	2014
	(RMB'000)		
Net cash generated from operating activities .....	89,567	124,188	189,444
Net cash (used in) generated from investing activities .....	(82,705)	(7,617)	20,584
Net cash generated from (used in) financing activities .....	2,883	(119,895)	(148,717)
Cash and cash equivalents at beginning of the year .....	4,331	14,076	10,752
Cash and cash equivalents at end of the year .....	14,076	10,752	72,063

For details of our cash flows, see “Financial Information—Liquidity and Capital Resources—Cash Flows” starting on page 218 of this prospectus.

### Net Current Liabilities and Negative Equity Positions and Working Capital Sufficiency

We recorded net current liabilities of RMB305.7 million, RMB350.6 million and RMB314.7 million, and negative equity of RMB3.1 million, RMB67.2 million and RMB99.5 million as of December 31, 2012, 2013 and 2014, respectively. Our net current liabilities and negative equity positions were primarily due to:

- a significant amount of advances from Bosheng Medical to fund our working capital prior to Reorganization and payables to related parties in connection with the Reorganization which were subsequently settled;
- the increase in other payables and accruals during the Track Record Period mainly consisting of advances from patients under VIP membership programs and service packages; and
- amount due to Bosheng Medical of RMB278.0 million as of December 31, 2014 which was settled through capital injection on March 18, 2015. The settlement increased our asset value and significantly alleviated our negative equity position.

In managing our liquidity, our management monitors and maintains a reasonable level of cash and cash equivalents which are deemed adequate by the management to finance our operations and to mitigate the impacts of fluctuations in cash flows. We rely on cash and cash equivalents on hand and the cash

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## SUMMARY

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generated from operating activities as the main sources of liquidity. For the years ended December 31, 2012, 2013 and 2014, we had net cash generated from operating activities of RMB89.6 million, RMB124.2 million and RMB189.4 million, respectively. As of the Latest Practicable Date, we did not have any outstanding bank borrowings.

Taking into account the financial resources available to us including cash flow from operating activities and the estimated net proceeds from the issuance of new Shares in the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus. Based on the above financial resources available to us, the Joint Sponsors concur with the view of our Directors.

For further details, see “Financial Information—Net Current Liabilities Position” on pages 208 to 210 of this prospectus.

### Key Financial Ratios

	Year ended December 31,		
	2012	2013	2014
		(%)	
<b>Profitability ratios</b>			
Gross profit margin .....	46.3	46.0	50.5
Net profit margin .....	2.8	7.9	11.2
Return on equity .....	500.4	(106.9)	(108.1)
Return on total assets .....	4.3	14.4	27.3
<b>Liquidity ratios</b>			
Current ratio .....	32.8	28.5	30.2
Quick ratio .....	27.7	23.9	25.8
<b>Capital adequacy ratios</b>			
Gearing ratio .....	N/A	N/A	N/A

Please see “Financial Information—Year to Year Comparison of Our Results of Operations—Key Financial Ratios” on pages 199 to 208 of this prospectus for descriptions of the calculations of the above ratios.

### LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, including underwriting commissions and excluding any discretionary incentive fee which may be payable by us) for the Global Offering are approximately RMB75.9 million. During the Track Record Period, we incurred listing expenses of approximately RMB10.0 million, of which RMB7.4 million was recognized as general and other expenses for 2014 and RMB2.6 million was capitalized as deferred expenses that are expected to be charged against equity upon successful listing under the relevant accounting standards. We expect to incur additional listing expenses of approximately RMB65.9 million, of which RMB26.0 million is expected to be recognized as general and other expenses for 2015 and RMB39.8 million will be capitalized as deferred expenses that are expected to be charged against equity upon successful listing under the relevant accounting standards. Our Directors do not expect such expenses will have a material and adverse impact on our results of operations for the year ending December 31, 2015.

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## SUMMARY

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### OFFERING STATISTICS

Number of Offer Shares in the Global Offering	:	Initially 27.5% of the enlarged issued share capital of the Company
Over-allotment Option	:	Up to 15% of the Offer Shares initially available under the Global Offering
Offer Price per Share	:	HK\$6.80 to HK\$7.55 per Offer Share
Offering structure	:	90% International Offering and 10% Hong Kong Public Offering (subject to reallocation and the Over-allotment Option)

	<u>Based on an Offer Price of HK\$6.80</u>	<u>Based on an Offer Price of HK\$7.55</u>
Market Capitalization . . . . .	HK\$5,217 million	HK\$5,793 million
Unaudited pro forma adjusted net tangible assets per Share . . . . .	HK\$1.42	HK\$1.60

*Note:*

1. Please see “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for further details regarding the assumptions used and the calculations method.

### DIVIDEND POLICY

We declared and distributed dividends in the aggregate amount of RMB63.3 million, RMB45.1 million and RMB72.0 million for the years ended December 31, 2012, 2013 and 2014, respectively, to our then Shareholders. You should note that historical dividend distributions are not indicative of our future dividend distribution policy. For details of our dividend policy, see “Financial Information—Dividend Policy” starting on page 224 of this prospectus. As of December 31, 2014, our Company had no distributable reserves.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,289.4 million (after deducting the underwriting fees and expenses payable by us in the Global Offering), assuming the Over-allotment Option is not exercised and an Offer Price of HK\$7.18 per Share, being the mid-point of the offer price range stated in this prospectus. We intend to use these net proceeds for the following purposes:

<u>Percentage of Net Proceeds</u>	<u>Use of proceeds</u>	<u>HK\$ in millions</u>
60%	Open new hospitals in Beijing, Xiamen, Nanjing, Hangzhou and Chongqing	773.6
10%	Upgrade facilities and add new equipment in our existing hospitals	128.9
5%	Upgrade and improve our information technology systems	64.5
15%	Acquire new hospitals	193.4
10%	Working capital and other general corporate purposes	128.9

### RECENT DEVELOPMENTS

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial, operational or trading position since December 31, 2014, being the end of the period reported on in the Accountants’ Report included in Appendix I to this prospectus.

On March 5, 2015, Bosheng Medical and our Company entered into a trademark transfer agreement, pursuant to which Bosheng Medical agreed to transfer several trademarks to our Company for a total



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## SUMMARY

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consideration of RMB33.2 million, which is expected to be settled within one year of the agreement. We do not expect this payment to have a material adverse impact on our business, financial condition and results of operations. As of the Latest Practicable Date, Mr. Lin Yuming as our Controlling Shareholder held 37.43% of the equity interest in Bosheng Medical. As such, Bosheng Medical is a connected person of our Company.

Under the newly amended Foreign Investment Catalogue (2015) (外商投資產業指導目錄 (2015)), which was promulgated on March 10, 2015 and came into effect on April 10, 2015, foreign investment in medical institutions is restricted to the form of sino-foreign equity joint venture or cooperative joint venture. As advised by our PRC legal advisers, this restriction effectively means that any medical institutions established or acquired on or after April 10, 2015 cannot be wholly foreign owned. Although the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (the “JV Interim Measures”) (中外合資、合作醫療機構管理暫行辦法), which were promulgated by the MOFCOM and the NHFPC and have been in effect since 2000, provide that the equity percentage of the foreign partner in a sino-foreign joint venture shall not exceed 70%, the Foreign Investment Catalogue (2015) does not stipulate any such upper limit on the permitted shareholding percentage of foreign investors in the joint venture. See “Risk Factors—Risks Relating to Doing Business in the PRC—Uncertainties with respect to the PRC legal system could have a material adverse effect on us” on page 43 of this prospectus and “Appendix IV—Summary of Principal Legal and Regulatory Provisions—Laws and Regulations Related to Foreign Investment in China” on pages IV-13 to IV-15 of this prospectus. Our Company has held over 70% equity interests in the PRC hospital subsidiaries since January 2015. The then effective Foreign Investment Catalogue (2011) did not stipulate any limitation on the shareholding percentage of foreign investment in medical institutions. We obtained approvals from Beijing MOFCOM and then completed the registration with competent administration of industry and commerce. As advised by our PRC legal advisers, the legal formalities carried out for such acquisition and share transfer are legal and valid and our Reorganization does not violate relevant provisions of the JV Interim Measures. In addition, as advised by our PRC legal advisers, (i) since we completed our Reorganization prior to April 10, 2015, the new restriction on foreign ownership set out in the Foreign Investment Catalogue (2015) will not have a negative impact on our current corporate structure; (ii) prior to, during and after completion of the Reorganization, none of the direct shareholders of our PRC hospitals, nor the hospitals themselves, were foreign-invested, and as such our PRC hospitals do not come within the definition of a sino-foreign joint venture medical institution as provided in the JV Interim Measures; and (iii) the JV Interim Measures do not stipulate any restriction on the equity percentage of a medical institution that can be held indirectly by a non-PRC entity through its subsidiary in the PRC. Therefore, our Reorganization does not violate relevant provisions of the JV Interim Measures. Furthermore, in implementing our future expansion plans, we will ensure that we comply with relevant foreign investment rules under the PRC laws and regulations when establishing or acquiring new hospitals. In particular, as advised by our PRC legal advisers after consultation with competent PRC regulatory authority, for the direct establishment or acquisition of new hospitals by any non-PRC entity within our Group, our shareholding in the new hospital shall not exceed 70%; while for the establishment or acquisition of new hospitals through any PRC-incorporated entity within our Group, our shareholding in the new hospital shall not be 100% due to the amended Foreign Investment Catalogue (2015). Therefore, we plan to encourage and introduce minority shareholders, including our senior management members and other potential domestic business contacts, to establish or acquire new hospitals with us. As a result, we do not foresee that the Foreign Investment Catalogue (2015) will have any material adverse impact on our current or future business.

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## DEFINITIONS

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

“Accountants’ Report”	the report of the Reporting Accountants dated June 25, 2015, the text of which is set out in Appendix I of this prospectus
“affiliate”	any other person, directly or indirectly, controlling or controlled by, or under direct or indirect common control with, such specified person
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s) or, where the context so requires, any of them
“AQSIQ”	the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局)
“Articles” or “Articles of Association”	the articles of association of the Company (as amended from time to time), conditionally adopted on June 9, 2015 (and will become effective upon Listing) a summary of which is set out in Appendix V in this prospectus
“Audit Committee”	a committee of the Board established by the Board for the purpose of overseeing the accounting and financial reporting processes of our Company and audits of the financial statements of our Company
“Beijing HAD”	Beijing He An Da Management Consulting Co., Ltd. (北京合安達管理諮詢有限公司), previously known as Beijing He An Da Investment Co., Ltd. (北京合安達投資有限公司), a limited liability company incorporated in the PRC on November 13, 2014 and a wholly-owned subsidiary of our Company
“Beijing HarMoniCare Hospital”	Beijing HarMoniCare Gynecology and Paediatrics Hospital Co., Ltd. (北京和美婦兒醫院有限公司), a limited liability company incorporated in the PRC on June 14, 2011 and a wholly-owned subsidiary of our Company
“Board” or “Board of Directors”	the board of directors of the Company
“Bosheng Medical”	Bosheng Medical Investment Co., Ltd. (博生醫療投資股份有限公司), which was incorporated in the PRC on December 24, 2007 and was subsequently converted into a joint stock limited liability company, a connected person to our Company by virtue of Mr. Lin Yuming, one of our Controlling Shareholders, holding 37.43% of equity interest in Bosheng Medical Investment Co., Ltd. as of the Latest Practicable Date

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## DEFINITIONS

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“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Capitalization Issue”	the issue of Shares to be made upon the capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph “A. Further Information about Our Group—4. Resolutions in writing of our Shareholders” in Appendix VI—“Statutory and General Information” to this prospectus
“Cayman Islands Companies Law”	the Companies Law (2013 Revision) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCBI”	CCB International Capital Limited
“CCBI Investments”	CCBI Investments Limited, an investment company incorporated in the Cayman Islands. Immediately before the completion of the Global Offering, CCBI Investments via its wholly-owned subsidiary, Mighty Sky, held 8.00% equity interest in our Company
“CCBI Medical”	CCB International Medical Industry Equity Investment Limited Company (建銀國際醫療產業股權投資有限公司), a limited liability company incorporated in the PRC, an Independent Third Party
“CDH Harmony”	CDH Harmony Limited, a limited company incorporated under the laws of BVI on January 6, 2015 which is wholly owned by CDH Jiagen, a substantial shareholder and a connected person of our Company

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## DEFINITIONS

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“CDH I”	Tianjin Dinghui Private Equity Fund I (Limited Partnership) (天津鼎暉股權投資一期基金(有限合夥)), a limited partnership established in the PRC on June 12, 2008. CDH I is a limited partner of CDH Jiagen and therefore a connected person of our Company
“CDH Investments”	collectively, CDH I and CDH Yuanbo
“CDH Jiagen”	Shanghai Dinghui Jiagen Equity Investment Fund (Limited Partnership) (上海鼎暉健良股權投資合夥企業(有限合夥)), a limited partnership established in Shanghai Pilot Free Trade Zone (上海自由貿易試驗區) on September 9, 2014, with CDH I and CDH Yuanbo as its limited partners. CDH Harmony is a wholly-owned subsidiary of CDH Jiagen, and therefore CDH Jiagen is a connected person of our Company
“CDH Yuanbo”	Tianjin Dinghui Yuanbo Private Equity Fund (Limited Partnership) (天津鼎暉元博股權投資基金(有限合夥)), a limited partnership established in the PRC on June 12, 2008. CDH Yuanbo is a limited partner of CDH Jiagen and a connected person of our Company
“CFDA”	the China Food and Drug Administration (國家食品藥品監督管理總局)
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan
“Chongqing Bosheng Management”	Chongqing Bosheng Hospital Management Co., Ltd. (重慶博生醫院管理有限公司), a limited liability company incorporated in the PRC on August 25, 2008 and a wholly-owned subsidiary of our Company
“Chongqing Dushi Liren Hospital”	Chongqing Dushi Liren Hospital Co., Ltd. (重慶都市儷人醫院有限公司), a limited liability company incorporated in the PRC on August 20, 2013, of which 75.5% is owned by Guiyang HarMoniCare Hospital, 20% by Shanxi Wo De Investment and 4.5% by three individuals (namely, Mr. Chen Bojie, Mr. Xia Rongxue and Ms. Wang Ying), respectively, all of whom are Independent Third Parties. Chongqing Dushi Liren Hospital was previously incorporated as a partnership enterprise on April 13, 2006
“Chongqing Fuling HarMoniCare Hospital”	Chongqing Fuling HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (重慶涪陵和美婦產醫院有限公司), previously known as Chongqing Fuling Bosheng HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (重慶涪陵博生和美婦產醫院有限公司), a limited liability company incorporated in the PRC on June 26, 2009, of which 96.5% is owned by our Company and 3.5% by Mr. Wu Yaping, respectively

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## DEFINITIONS

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“Chongqing Modern Woman Hospital”	Chongqing Modern Woman Hospital Company (重慶現代女子醫院有限公司), a limited liability company incorporated in the PRC on April 28, 2014, of which 4.76% is owned by Guiyang HarMoniCare Hospital, 19.05% by Shanxi Wo De Investment, and 76.19% by Chongqing Bosheng Management, respectively, and a wholly-owned subsidiary of our Company. Chongqing Modern Woman Hospital was previously incorporated as a partnership enterprise on March 31, 2006
“Chongqing Wanzhou HarMoniCare Hospital”	Chongqing Wanzhou HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (重慶萬州和美婦產醫院有限公司), previously known as Chongqing Wanzhou Bosheng HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (重慶萬州博生和美婦產醫院有限公司), a limited liability company incorporated in the PRC on March 27, 2009, of which 97% is owned by our Company and 3% by Mr. Gong Yongjun (an Independent Third Party), respectively
“Circular 37”	the Notice on Issues Relating to Foreign Exchange Control on Offshore Investment, Financing and Round-trip Investment by Domestic Residents Through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), issued by SAFE on July 14, 2014
“Circular 75”	the Notice on Issues Relating to Foreign Exchange Control on Financing and Round-trip Investment by Domestic Residents Through Offshore Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), issued by SAFE on October 21, 2005
“Circular 142”	the Circular of the State Administration of Foreign Exchange on Issues relating to the Improvement of Business Operations with respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises (關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知), issued by SAFE on August 29, 2008
“Circular 601”	the Notice concerning the Meaning and Determination of Beneficial Owner in Tax Treaties” (關於如何理解和認定稅收協定中“受益所有人”的通知) issued by SAT on October 27, 2009
“Classic Symbol”	Classic Symbol Limited, a limited company incorporated under the laws of BVI on November 18, 2014, which is jointly owned by Mr. Zhao Xingli and three other individuals (namely Mr. Shen Xiaoling, Ms. Zou Lan and Mr. Xing Yunbo, all of whom are Independent Third Parties). Immediately before the completion of the Global Offering, Classic Symbol held 5.58% of the equity interest in our Company

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## DEFINITIONS

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“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on March 3, 2014 as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company” or “the Company”	Harmonicare Medical Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on August 26, 2014 and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company thereof, the Company’s present subsidiaries
“Controlling Shareholder(s)”	Mr. Lin Yuming and Homecare
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated June 9, 2015, executed by Lin Yuming and Homecare in favor of our Company
“Deed of Non-competition”	the deed of non-competition dated June 9, 2015, executed by between Lin Yuming and Homecare in favor of our Company
“Director(s)”	the director(s) of the Company
“EAS”	Enterprise Application Suite
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), promulgated on March 16, 2007 and effective on January 1, 2008
“EIT Rules”	the Regulation on the Implementation of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例)
“Foreign Investment Catalogue”	the current Industry Catalogue for Guiding Foreign Investment (Amended in 2015) (外商投資產業指導目錄(2015年修訂)), jointly issued by the NDRC and MOFCOM on March 10, 2015 and effective on April 10, 2015
“Frost & Sullivan Report”	an industry report commissioned by us for a fee of RMB950,000, independently prepared by Frost & Sullivan, a private independent research firm, in connection with the Global Offering

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## DEFINITIONS

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“Fuzhou Modern Woman Hospital”	Fuzhou Modern Woman Hospital Co., Ltd. (福州現代婦產醫院有限公司), a limited liability company incorporated in the PRC on January 4, 2010, of which 83% is owned by Guiyang HarMoniCare Hospital and 17% by five individuals (namely Mr. Chen Jianhua, Mr. Li Feng, Ms. Yang Yiqiong, Ms. Ma Huanzhi and Mr. Zeng Zhemin, all of whom are Independent Third Parties), respectively
“Galaxy Power”	Galaxy Power Solution Limited, a limited company incorporated under the laws of BVI on August 27, 2014, which is a wholly-owned subsidiary of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Green Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company and our subsidiaries and, in respect of the period before we became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Guangzhou Woman Hospital”	Guangzhou Woman Hospital Co., Ltd. (廣州女子醫院有限公司), a limited liability company incorporated in the PRC on July 16, 2008, which is a non-wholly-owned subsidiary of our Company and of which 89% is owned by Guiyang HarMoniCare Hospital, 8% by Shanxi Wo De Investment, and 3% by two individuals (namely Mr. Li Qingtang and Mr. Huang Yuanbiao), respectively, all of whom are Independent Third Parties
“Guiyang HarMoniCare Hospital”	Guiyang HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (貴陽和美婦產醫院有限公司), a limited liability company incorporated in the PRC on May 25, 2009, which is a wholly-owned subsidiary of our Company
“Guiyang Modern Woman Hospital”	Guiyang Modern Woman Hospital Co., Ltd. (貴陽現代女子醫院有限公司), a limited liability company incorporated in the PRC on March 23, 2011, which is a non-wholly-owned subsidiary of our Company and of which 86.5% is owned by Guiyang HarMoniCare Hospital, 10% by Shanxi Wo De Investment, and 3.5% by four individuals (namely Mr. Chen Bojie, Mr. Xia Rongxue, Ms. Wang Ying and Ms. Liu Jianmei, all of whom are Independent Third Parties), respectively. Guiyang Modern Woman Hospital was previously incorporated as a partnership enterprise in April 2007

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## DEFINITIONS

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“Harmonicare”	Harmonicare Medical Investment Limited, a limited company incorporated under the laws of BVI, which is a wholly-owned subsidiary of our Company
“HarMoniCare Management and Consulting”	HarMoniCare Medical Management and Consulting Co., Ltd. (和美醫療管理諮詢有限公司), previously known as HarMoniCare Medical Investment Co., Ltd. (和美醫療投資有限公司), a limited liability company incorporated in the PRC on July 31, 2014, of which 86.34% is owned by Harmonicare Medical and 13.66% by Sharp Charm, respectively, and is a wholly-owned subsidiary of our Company
“Harmonicare Medical”	Harmonicare Medical Group Limited (和美醫療集團有限公司), previously known as Harmonicare Medical Holdings Limited (和美醫療控股有限公司), a limited company incorporated in Hong Kong on July 15, 2014, which is wholly owned by Harmonicare and is a wholly-owned subsidiary of our Company
“Harmony Care”	Harmony Care International Investment Limited, a limited company incorporated under the laws of BVI on August 27, 2014, which is jointly owned by Mr. Lin Yurong and Mr. Lin Yuhua. Immediately before the completion of the Global Offering, Harmony Care held 9.84% equity interest in our Company
“HIS”	Hospital Information System
“HK eIPO White Form”	the application for Hong Kong Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Homecare”	Homecare International Investment Limited, a limited company incorporated under the laws of BVI on August 25, 2014, which is wholly owned by Mr. Lin Yuming, and is one of our Controlling Shareholders
“Honeycare”	Honeycare International Investment Limited, a limited company incorporated under the laws of BVI on August 27, 2014, which is jointly owned by Mr. Lin Yuguo and other 17 individuals, a substantial shareholder and a connected person to our Company



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## DEFINITIONS

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“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Public Offer Shares”	the 21,081,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation
“Hong Kong Public Offering”	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting—Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated June 24, 2015 relating to the Hong Kong Public Offering and entered into by us, the Controlling Shareholders, the Selling Shareholders, the Joint Global Coordinators and the Hong Kong Underwriters
“IFRS”	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of us, our subsidiaries or any of their respective associates
“International Offer Shares”	the 189,729,000 Shares being initially offered in the International Offering for subscription or purchase under the International Offering) together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option, subject to reallocation
“International Offering”	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by us, the Controlling Shareholders, the Selling Shareholders, the Joint Global Coordinators and the International Underwriters on or about June 30, 2015

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## DEFINITIONS

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“International Underwriters”	the group of underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“Joint Sponsors”, “Joint Global Coordinators”, “Joint Bookrunners” or “Joint Lead Managers”	Morgan Stanley and CCBI
“Labor Contract Law”	the Labor Contract Law of the PRC (中華人民共和國勞動合同法), issued by the NPC on June 29, 2007, effective on January 1, 2008
“Latest Practicable Date”	June 16, 2015, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“LIS”	Laboratory Information System
“Listing”	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about July 7, 2015 on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company (as amended from time to time), adopted on June 9, 2015, a summary of which is set out in Appendix V in this prospectus
“Mighty Sky”	Mighty Sky Investments Limited, a limited company incorporated under the laws of BVI on October 11, 2011, which is wholly owned by CCBI Investments. Immediately before the completion of the Global Offering, Mighty Sky held 8.00% equity interest in our Company
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)

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## DEFINITIONS

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“MOH”	the Ministry of Health of the PRC (中華人民共和國衛生部), one of the predecessor of the NHFPC
“Morgan Stanley”	Morgan Stanley Asia Limited
“NPC”	National People’s Congress of the PRC (全國人民代表大會)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NHFPC”	National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會), which was reorganized from the former MOH & National Population and Family Planning Commission in March 2013
“NRCMP”	the New Rural Cooperative Medical Program, a voluntary medical insurance program covering the rural population in China
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%)
“Offer Share(s)”	the Hong Kong Public Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option
“One Child Policy”	the family planning policy, a population control policy of the PRC
“Over-allotment Option”	the option expected to be granted by us to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to an aggregate of 31,620,000 Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any
“PACS”	Picture Archiving and Communications System
“PBOC”	the People’s Bank of China (中國人民銀行)
“Pharmaceutical Administration Law”	the Pharmaceutical Administration Law of the People’s Republic of China (中華人民共和國藥品管理法) issued by the Standing Committee of the NPC on September 20, 1984, revised on February 28, 2001 and effective on December 1, 2001
“PRC government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them

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## DEFINITIONS

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“PRC Healthcare Reform Plan”	the announced plan of the PRC government to systematically improve the PRC healthcare system, as reflected in various pronouncements and public documents, including the Opinions on Promoting Further Reform of the Healthcare System (中共中央國務院關於深化醫藥衛生體制改革的意見), jointly issued by the Central Committee of the Communist Party of China and the State Council on March 17, 2009, and the Notice on the Implementation Measure for the Reform of the Healthcare System (2009 to 2011) (醫藥衛生體制改革近期重點實施方案 (2009-2011年)的通知), subsequently released by the State Council
“Price Determination Date”	the date, expected to be on or about Tuesday, June 30, 2015, on which the Offer Price will be determined and, in any event, not later than Monday, July 6, 2015
“QIBs”	qualified institutional buyers as defined in Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	a committee of the Board established by the Board to discharge the Board’s responsibilities relating to the remuneration of Directors and executive officers of our Company
“Reorganization”	the reorganization of the group of companies now comprising our Group conducted in preparation for the Listing, details of which are set out in “History, Reorganization and Corporate Structure” in this prospectus
“Reporting Accountants”	Deloitte Touche Tohmatsu
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“Sale Shares”	the 19,000,000 Offer Shares to be offered for sale by the Selling Shareholders at the Offer Price under the International Offering
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)

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## DEFINITIONS

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“Selling Shareholders”	Harmony Care, Classic Symbol and Honeycare
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanxi Wo De Investment”	Shanxi Wo De Investment Co., Ltd. (山西沃德投資有限公司), a limited liability company incorporated in the PRC on October 26, 2009 and a wholly-owned subsidiary of our Company
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of HK\$0.001 each
“Share Option Scheme”	the share option scheme conditionally adopted by the written resolutions of the Shareholders of our Company passed on June 9, 2015, the principal terms of which are summarized in “Statutory and General Information—D. Share Option Scheme” in Appendix VI to this prospectus
“Shareholder(s)”	holder(s) of Shares
“Sharp Charm”	Sharp Charm Limited, a limited company incorporated in Hong Kong on September 5, 2014, which is wholly owned by Galaxy Power
“Shenzhen HarMoniCare Hospital”	Shenzhen HarMoniCare Gynecology and Paediatrics Hospital Co., Ltd. (深圳和美婦兒科醫院有限公司), previously known as “Shenzhen HarMoniCare Gynecology Hospital Co., Ltd. (深圳和美婦科醫院)” a limited liability company incorporated in the PRC on July 29, 2010, a non-wholly-owned subsidiary of the Company and of which 92% is owned by Guiyang HarMoniCare Hospital and 8% by Mr. Lin Zhitong, an Independent Third Party, respectively
“SIS”	Social Insurance System
“Stabilizing Manager”	Morgan Stanley Asia Limited
“State Council”	the PRC State Council (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilizing Manager (or its affiliates acting on its behalf) and Homecare, pursuant to which Homecare will agree to lend up to 31,620,000 Shares to the Stabilizing Manager on terms set forth therein
“subsidiaries”	has the meaning ascribed to it in section 2 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

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## DEFINITIONS

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“Tai He Tang”	Shanxi Tai He Tang Pharmaceuticals Co., Ltd. (山西太和堂藥業有限公司), a limited liability company incorporated in the PRC on July 7, 2005 and a wholly-owned subsidiary of our Company
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three financial years of the Company ended December 31, 2012, 2013 and 2014
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S. dollars” or “US\$”	U.S. dollars, the lawful currency of the United States of America
“U.S.” or “United States”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“WFOE”	the wholly-foreign-owned enterprises
“Wuhan Modern Hospital”	Wuhan Modern Obstetrics and Gynecology Hospital Co., Ltd. (武漢現代婦產醫院有限公司), a limited liability company incorporated in the PRC on December 19, 2005, which is a wholly-owned subsidiary of our Company and of which 65% is owned by Guiyang HarMoniCare Hospital and 35% by Shanxi Wo De Investment, respectively

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

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

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

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## GLOSSARY

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

“attending physician”	the second professional rank for physician (主治醫師) in China; an attending physician may supervise resident physicians and typically undertake medical treatment, teaching, research and disease prevention work
“associate-chief physician”	the third professional rank for physicians (副主任醫師) in China; an associate-chief physician may supervise attending and resident physicians, direct research work of a specific field, and typically handle complex medial cases
“beds in operation”	the fixed sum of beds that are used for clinical service in a medical institution as of a specified date, including regular beds, fold-up beds, care beds, beds that are being sterilized and repaired, out-of-service beds due to expansion or overhaul
“CAGR”	compound annual growth rate
“chief physician”	the highest professional rank for physicians (主任醫師) in China; a chief physician is generally in charge of a specific clinical department
“eHealth”	healthcare practice supported by electronic processes and communications
“first-tier cities”	Beijing, Shanghai, Shenzhen and Guangzhou, according to Frost & Sullivan
“GFA”	gross floor area
“GMP Certificate”	The Good Manufacturing Practices for Pharmaceutical Products Certificate (藥品生產質量管理認證證書)
“Grade I Hospital”	the smaller local hospitals designated as Grade I hospitals by the NHFPC hospital classification system, typically having fewer than 100 beds and primarily providing more basic healthcare services limited to the surrounding community
“Grade II Hospital”	the regional hospitals designated as Grade II hospitals by the NHFPC hospital classification system, typically having 100 to 500 beds, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions

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## GLOSSARY

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“Grade III Hospital”	the largest and best regional hospitals in China designated as Grade III hospitals by the NHFPC hospital classification system, typically having more than 500 beds, providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
“GSP Certificate”	The Good Supply Practices for Pharmaceutical Products Certificate (《藥品經營質量管理認證證書》)
“gynecology”	a branch of medicine that deals with the diseases and routine physical care of the reproductive system of women
“healthcare service”	the service practice that provides inpatient or outpatient diagnosis, treatment and prevention of human disease, illness, injury or dysfunction through the medical procedures performed by professional practitioners in medicine, optometry, dentistry, nursing, pharmacy, and other fields
“inpatient visit”	a patient visit during which the patient receives lodging as well as treatment
“JCI”	the Joint Commission International, an international arm of The Joint Commission. The Joint Commission is a United States-based independent, not-for-profit organization which accredits and certifies healthcare organizations and programs
“Medical Insurance Designated Medical Institution”	medical institutions designated by the relevant local medical insurance authority as ones that are permitted to treat patients covered by public medical insurance programs
“mHealth”	mobile health, namely, healthcare practice supported by mobile devices
“NICU”	neonatal intensive-care unit, an intensive-care unit specializing in the care of ill or premature newborn infants
“obstetrics”	a branch of medicine that deals with the care of women during pregnancy, childbirth, and the recuperative period following delivery
“occupancy rate of beds”	the aggregate number of occupied beds as of 12:00 noon of each day of a hospital divided by the aggregate number of beds in operation as of 12:00 noon each day of such hospital. For the purpose of calculating occupancy rate, occupied beds for a day also include (i) beds temporarily occupied and (ii) beds of patients discharged or deceased before 12:00 noon of such day



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## GLOSSARY

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“outpatient visit”	a patient visit during which the patient is not hospitalized overnight but visits a hospital, clinic, or associated facility for diagnosis or treatment
“patient visit”	collectively, inpatient visits and outpatient visits
“pediatrics”	a branch of medicine that deals with the medical care of infants, children, and adolescents
“primary healthcare clinics”	medical institutions for the local residents in the communities, including community health centers and stations in urban areas, village and township healthcare center in rural areas, and other clinics and infirmaries
“registered beds”	the number of beds that are registered in a medical institution’s practicing license
“resident physician”	the entry professional rank for physicians (駐院醫師) in China; a resident physician must have a medical degree, and may undertake basic tasks such as patient’s medical record preparation and practice medicine under the supervision of attending physicians or other superiors
“second-tier cities”	for the purpose of this prospectus only, the capital cities of provinces in the PRC (excluding Guangzhou), municipalities under the direct administration of the PRC central government (excluding Shanghai and Beijing), the capital cities of the autonomous regions in the PRC and some of the sub-provincial cities with developed economy in the PRC such as Xiamen, according to Frost & Sullivan
“TCM”	the Traditional Chinese Medicine, a broad range of medicine practices sharing common concepts which have been developed in China and are based on a tradition of more than 2,000 years
“UEBMIP”	the Urban Employee Basic Medical Insurance Program (城鎮職工基本醫療保險制度), a mandatory medical insurance program covering urban workers and retirees in China
“URBMIP”	the Urban Resident Basic Medical Insurance Program (城鄉居民基本醫療保險制度), a voluntary medical insurance program covering urban residents without formal employment in China

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim,” “anticipate,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the PRC;
- changes to the regulatory environment, policies, operating conditions and general outlook in the industry and markets in which we operate;
- the actions and developments affecting our major customers and suppliers;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to control or reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors; and
- certain statements included in “Financial Information” in this prospectus with respect to operations, margins, overall market trends, risk management and exchange rates.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialize or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus,

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## **FORWARD-LOOKING STATEMENTS**

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whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

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

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## RISK FACTORS

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

### RISKS RELATED TO OUR BUSINESS AND INDUSTRY

**We conduct our business in a heavily regulated industry and incur ongoing compliance costs as well as face penalties for non-compliance.**

The operations of our hospitals are subject to various laws and regulations at the national and local levels. These laws and regulations mainly relate to the licensing and operation of medical institutions and medical personnel, the pricing and procurement of pharmaceuticals, and medical devices, the use and safety management of medical devices, the quality and pricing of medical services, environmental protection, anti-corruption and anti-bribery, the handling of malpractice and the confidentiality, maintenance and security of patients' medical records. The above list of certain regulated areas is not exhaustive. For more details, see "Appendix IV—Summary of Principal Legal and Regulatory Provisions—Laws and Regulations Related to the Healthcare Services Sector in China."

If we fail to obtain or maintain any licenses or permits required for our operations, or are found to be non-compliant with any applicable laws or regulations, we may face penalties, suspension of operations or even revocation of operating licenses, depending on the nature of the findings, any of which could materially and adversely affect our business, financial condition and results of operations. Our hospitals are subject to periodic license or permit renewal requirements and inspections by various government agencies and departments at the provincial and municipal level. For a list of the major licenses, permits and certificates for our hospitals and subsidiaries and their respective effective and expiration dates, see "Business—Licenses, Permits and Certificates." If we fail to renew any major license, permit or certificate for all or any of our hospitals or subsidiaries, our operations at these hospitals could be interrupted or suspended and we may face penalties, in which case our business, financial condition and results of operations may be materially and adversely affected.

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

Our success in operating our hospitals is dependent largely upon our ability to attract, train, retain and maintain good relations with a sufficient number of qualified physicians. The recruitment of qualified physicians is highly competitive, especially for obstetrics and gynecology specialists, due to the limited pool of experienced medical professionals in China. We believe that the key factors that physicians consider before deciding whether they will work in our hospitals include: the reputation and culture of the hospital, the quality of the facilities and supporting staff, the number of patient visits, compensation and location. Our hospitals may not compare favorably with those of our competitors in respect of one or more of these factors and we may not be able to attract or retain the physicians we desire or we may lose our physicians to

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## RISK FACTORS

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our competitors. Our employment agreements with our physicians typically provide that they may terminate their employment or affiliation with our hospitals at any time with 30 days' prior written notice. If we are unable to successfully attract, train or retain a sufficient number of qualified physicians, our business, financial condition and results of operations may be materially and adversely affected.

Our success is also dependent on our ability to recruit and retain qualified hospital administrators and other medical professionals, such as nurses, radiographers and pharmacists, and on our ability to train and manage these medical professionals. It has become increasingly costly to recruit and retain medical personnel in recent years. For the years ended December 31, 2012, 2013 and 2014, our total staff costs (excluding Directors' emoluments) were RMB222.8 million, RMB256.4 million and RMB283.0 million, representing 29.7%, 30.8% and 30.2% of our total revenue, respectively. We expect such costs to continue to increase in the future, which may adversely affect our profitability. If we are unable to attract and retain a sufficient number of qualified hospital administrators and other medical professionals as required, we may not be able to maintain the quality of our services and the number of patient visits at our hospitals may decrease significantly, which may materially and adversely affect our business, financial condition and results of operations.

**As we provide mid- to high-end healthcare services, our business, financial condition and results of operations are subject to changes in patient preference, spending power, consumer sentiment and general economic conditions in our respective markets.**

We provide mid- to high-end healthcare services to our patients at higher prices compared with most public hospitals and some private hospitals and clinics that provide similar services in our respective markets. We mainly target patients who are willing to pay for premium services by providing them with high-quality medical treatment and healthcare services. However, our business may be materially and adversely impacted if any economic downturn were to result in patients cutting back on medical spending and becoming less willing to pay for premium services. We may be more susceptible to changes in patient preference, spending power, consumer sentiment and general economic conditions in our respective markets than some of our competitors who provide similar services at lower prices, as patients in need of medical care may choose to go to a cheaper hospital although they may receive lower quality of services. Patients may also choose not to undertake some of our treatments, procedures or services that are not considered medically necessary such as postpartum recovery services, newborn swimming classes and medical aesthetic treatments. As such, any changes in consumer spending power and economic conditions in one or more of our respective markets may materially and adversely affect our business, financial condition and results of operations.

**Our business depends significantly on the strength of our reputation. Failure to develop, maintain and enhance our reputation, or any negative publicity and allegations in the media against us, may materially and adversely affect the level of market recognition of, and trust in, our services, which could result in a material adverse impact on our business, financial condition and results of operations.**

Our reputation is critical to our success in China's rapidly expanding obstetrics and gynecology specialized healthcare market. We believe that we are increasingly recognized among health-conscious consumers, especially in first-tier cities, for our service quality, accessibility and comfortable environment.

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## RISK FACTORS

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

- our ability to maintain a comfortable, convenient and reliable patient experience;
- our ability to effectively control the quality of our services and facilities, and to monitor the performances of our physicians and other medical personnel;
- our ability to increase our brand awareness among existing and potential patients through various means of marketing and promotional activities; and
- our ability to adopt new technologies or adapt our websites and systems to user requirements or emerging industry standards.

Our reputation could be harmed if, for example, our services or facilities fail to meet the expectation of our patients or if our Shenzhen HarMoniCare Hospital fails to maintain its JCI accreditation. Our promotion efforts may be expensive and may fail to effectively enhance our reputation or generate additional sales. Our failure to develop, maintain and enhance our reputation may materially and adversely affect the level of market recognition of, and trust in, our services, which could result in decreased sales and loss of patients.

We may also face challenges from others seeking to benefit from damaging our reputation. In addition, any negative publicity in relation to our services, our facilities, our peers or our industry, regardless of its veracity, could seriously harm our public image and reputation which in turn may result in a loss of patients and affiliated physicians and have a material adverse effect on our business, financial condition and results of operations. For example, there were news articles reporting that in 2014, Baidu rejected advertising requests from more than 7,800 hospitals affiliated with the Putian (China) Health Industry Chamber of Commerce for the reasons of false healthcare information in the advertisements. Recently, the Putian (China) Health Industry Chamber of Commerce announced that it would stop advertising on Baidu from April 5, 2015. We were not involved in such dispute with Baidu. Please see “Business—Sales and Marketing” for more details.

Furthermore, we have licensed, and are expected to continue to license, the “HarMoniCare”, “Modern Woman” and “Dushi Liren” trademarks from a connected person, Bosheng Medical, before and after the Listing. Each of our hospitals has been granted a non-exclusive right to use the relevant trademarks primarily on an annual royalty basis for various periods. Meanwhile, we are aware that other hospitals in China, including the Excluded Companies, are also using the “HarMoniCare”, “Modern Woman” and “Dushi Liren” trademarks licensed from Bosheng Medical or have similar characters in their brands or hospital names, which may cause confusion among customers. In the event that there is any negative publicity relating to these hospitals or the brands they use, it may be incorrectly attributed to us, and our reputation and brand names could be adversely affected. For details of our trademark licensing arrangement with Bosheng Medical, see “Connected Transactions.”

**We recorded net current liabilities and negative equity as of December 31, 2012, 2013 and 2014, and such positions may continue or recur after the Listing.**

We recorded net current liabilities of RMB305.7 million, RMB350.6 million and RMB314.7 million, and negative equity of RMB3.1 million, RMB67.2 million and RMB99.5 million, as of December 31, 2012,

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2013 and 2014, respectively. The majority of our current liabilities were amounts due to related parties which amounted to RMB340.2 million, RMB353.8 million and RMB300.4 million as of December 31, 2012, 2013 and 2014, respectively. These were primarily related to advances from Bosheng Medical to fund our working capital, which were intra-group liabilities prior to the Reorganization, and payables to related parties in connection with the Group's Reorganization.

Our net current liabilities and negative equity positions expose us to liquidity risk. Our future liquidity, the payment of trade and other payables, our capital expenditure plans and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. We may have net current liabilities and negative equity in the future, which may limit our working capital for the purpose of operations or capital for our expansion plans and materially and adversely affect our business, financial condition and results of operations.

**If we fail to manage our growth and our growth strategies effectively, our business, financial condition and results of operations may suffer.**

We have experienced rapid revenue growth since the commencement of our operations. Our revenue grew by 11.1% from RMB750.3 million in 2012 to RMB833.2 million in 2013 and by 12.3% to RMB935.8 million in 2014. The number of our outpatient visits increased from 595,783 in 2012 to 599,825 in 2013 and to 660,173 in 2014, and the number of our inpatient visits grew from 20,346 in 2012 to 21,820 in 2013 and to 24,773 in 2014. While we expect our business to continue to grow, we may not be able to maintain our historical growth rates in future periods. Revenue growth may slow or revenue may decline for any number of reasons, including inability to attract and retain our patients, decreased patient spending, increased competition, a slowdown in the growth of the overall healthcare services market, the emergence of alternative business models, and changes in government policies or general economic conditions. If our growth rate declines, investors' perception of our business and business prospects may also be adversely affected.

Our goal is to become a leading healthcare service provider in the premium private healthcare service market in China by offering high-quality healthcare services to women and children in China. We plan to achieve our goals by implementing a series of strategies. For more details of these strategies, see "Business—Our Strategies." There is no assurance that our growth strategies will be successful. To manage and support our growth, we must improve our existing operational and administrative systems, as well as our financial and management controls. Our continued success also depends on our ability to recruit, train and retain additional qualified hospital administrators and medical personnel, particularly when we open new hospitals, add new services or expand into new markets. We also need to continue to manage our relationships with our suppliers and customers. All of these endeavors will require substantial management attention and efforts and significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our business, financial condition and results of operations.

**Opening of new hospitals could result in fluctuations in our short-term financial performance.**

Our operating results have been, and in the future may continue to be, influenced by the timing of the opening of new hospitals and the number of new hospitals opened. New hospitals generally have lower

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## RISK FACTORS

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income and higher operating costs initially. We also incur substantial expenses before opening new hospitals such as renovation costs, rental expenses and equipment costs. According to our past experience, depending on the location, service offerings and operational scale of the hospital and other factors, it generally takes around two to three years for a new hospital to break even and even longer to recover the initial investment. See “Financial Information—Major Factors Affecting Our Financial Condition and Results of Operations—The pace and locations at which we establish our new hospitals.” Accordingly, the number and timing of new hospitals openings have, and may continue to have, a significant impact on our profitability. As a result, our results of operations may fluctuate significantly from year to year and any comparison of different periods may not be meaningful. Our results for a given financial year are not necessarily indicative of any future results. For details of our hospital expansion plans, see “Business—Our Hospitals – Hospital Expansion Plans.”

**Our operations are susceptible to fluctuation in the costs of pharmaceuticals and medical devices, which could adversely affect our margins and results of operations.**

Our profitability is susceptible to fluctuation in the costs of pharmaceuticals and medical devices. For the years ended December 31, 2012, 2013 and 2014, pharmaceuticals and medical devices costs accounted for 38.5%, 37.1% and 34.6% of our cost of sales, respectively.

The availability and prices of pharmaceuticals and medical devices can fluctuate and are subject to factors beyond our control, including supply, demand, general economic conditions and governmental regulations, each of which may affect our procurement costs or cause a disruption in our supply.

We may not be able to anticipate and react to changes in medical supply costs by changing service offerings or adjusting service fees in the future, or we may be unable to pass these cost increases onto our customers, which could materially and adversely affect our margins and results of operations.

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

The healthcare service industry, in particular, the obstetrics and gynecology segment, is highly competitive in China. We face competition from a large number of public hospitals, private hospitals and community health clinics located in the same geographic areas as our hospitals. Some of these hospitals and clinics are general hospitals whose services include obstetrics, gynecology and pediatrics, and some are specialty hospitals or clinics who focus on providing healthcare services to women and children like we do. In addition, certain leading technology companies and pharmaceutical companies are actively investing in emerging mHealth or eHealth businesses through online platforms. According to relevant PRC regulations, non-medical institutions including such mHealth or eHealth business providers are not allowed to provide online medical diagnosis and treatment without Medical Institution Practicing License. However, we cannot assure you that we will not face competition from these new market entrants as the industry further develops in the future. Our competitors may offer greater convenience, broader services, newer or better facilities, more medical staff, stronger reputation in the community, or cheaper prices. If we are unable to compete with them effectively in these areas and manage to attract and retain patients, our patient volume and market share could decrease significantly and our business, financial condition and results of operations may be materially and adversely affected.



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**If we fail to properly manage the employment of our physicians and nurses, we may be subject to penalties against our hospitals, including fines, loss of licenses, or an order to cease practice, which could materially and adversely affect our business.**

The practicing activities of physicians and nurses are strictly regulated under the PRC laws and regulations. Physicians and nurses who practice at medical institutions must hold practicing licenses and may only practice within the scope of their licenses and at the specific medical institutions at which their licenses are registered.

In practice, it usually takes approximately four to nine weeks for physicians and nurses to transfer their licenses from one medical institution to another or add another medical institution to their permitted practicing institutions. Some of our recently hired physicians have submitted applications to transfer their licenses from their previous employers to our hospitals but the transfer process has not yet finished. We cannot assure you that these physicians will complete the transfer of their licenses and related government procedures timely or at all, or that our physicians and nurses will not practice outside the permitted scope of their respective licenses. For example, during the Track Record Period, we had a couple of incidents where our physicians practiced medicine while waiting for the transfer of their licenses to become effective. As a result, the respective hospitals received administrative penalties, the amount of which were immaterial and our business and operations were not affected materially.

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

**With the exception of one of our hospitals, we lease all of the properties on which our hospitals, offices and warehouses are located and therefore face certain risks relating to the commercial real estate rental market.**

Except for one hospital located in Chongqing, we lease all the properties on which our hospitals, offices and warehouses are located. Accordingly, rental costs account for a significant portion of our operating expenses. For the years ended December 31, 2012, 2013 and 2014, our total rental expenses amounted to RMB61.2 million, RMB62.7 million and RMB61.8 million, representing 8.2%, 7.5% and 6.6% of our total revenue, respectively. We believe that, generally, rental costs for premises that are suitable for healthcare businesses in China will continue to increase. Our substantial operating lease obligations expose us to potential risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes.

In addition, our lease agreements for our hospitals typically have a term ranging from 10 to 20 years and some contain an option for us, subject to new terms to be negotiated between us and the lessor, to renew the leases upon their expirations. If a lease agreement is renewed at a rate substantially higher than the existing rate or any other existing favorable terms granted by the lessor are not extended, we must evaluate whether renewal on such modified terms is in our business interest. If we are unable to renew our lease agreements upon their expirations, we will have to close or relocate the relevant hospitals, which could subject us to interruption to our business, construction and other costs and risks. In addition, the revenue and profit generated at relocated hospitals may be less than the revenue and profit previously generated at the closed hospitals. Therefore, any inability to obtain leases for desirable locations or renew existing leases on commercially reasonable terms may materially and adversely affect our business, financial condition and results of operations.

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**Failure to properly manage our physicians' or other medical staff's clinical activities may expose us to medical disputes, which may harm our reputation and our business.**

We rely on the physicians and other medical staff of our hospitals to make proper clinical decisions regarding the diagnosis and treatment of our patients. However, we do not have direct control over the clinical activities of our hospitals or over the decisions and actions taken by physicians and other medical staff as their diagnoses and treatments of patients are subject to their professional judgment and in most cases, must be performed on a real time basis. Any incorrect clinical decisions or actions on the part of our physicians and other medical staff, or any failure by our hospitals to properly manage their clinical activities may result in unsatisfactory treatment outcomes, patient injury or possible patient death. We are especially exposed to these risks from the treatment of complex medical conditions at our hospitals, such as high risk pregnancy, which do not have guaranteed positive outcomes. In addition, there are inherent risks associated with our clinical activities which may result in unfavorable medical outcomes not caused by clinical decisions. We may not be adequately insured against losses and liabilities arising from our operations. Some unsatisfied patients may choose not to seek compensation via legal proceedings, and they may refuse to apply for an official medical accident appraisal. They may use violence during the course of the disputes, which may cause bodily harm to our physicians and medical staff. In such case, we may choose to settle with the unsatisfied patients without legal proceedings in order to minimize the negative impact on our reputation and operations. Under such circumstances, the insurance company may not compensate us for our losses if we cannot provide an official medical accident appraisal result. Any medical dispute, regardless of its merit or eventual outcome, could result in significant legal costs, diversion of medical staff's and management's resources and reputational damage to us, which may in turn materially and adversely affect our business, financial condition and results of operations. For further details of the medical disputes that we were involved in during the Track Record Period, see "Business—Our Customer Service" and "Business—Legal Proceedings and Compliance."

**The proper functioning of our computer network infrastructure and centralized information technology systems is essential to our business operation, and any technological failure, security breach or other disruptions may negatively impact our business.**

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

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### **We may not be adequately insured against losses and liabilities arising from our operations.**

We are exposed to potential liabilities that are inherent to the provision of healthcare services. Some of our hospitals maintain medical liability insurance to cover their operations and make their own independent judgment as to the type and coverage of insurance purchased. In recent years, physicians, hospitals and other healthcare service providers in China have become subject to an increasing number of legal actions alleging malpractice or other causes of action. The damages sought in any future malpractice suits brought against us may be beyond the insurance coverage that we currently maintain. In addition, we do not maintain any business interruption insurance or product liability insurance and only maintain limited property insurance against damages to our properties and equipment, which we believe is consistent with industry practice in China. We may face liabilities that exceed our available insurance coverage or arise from claims outside the scope of our insurance coverage. In addition, as our business expands, the costs for us to maintain an adequate level of insurance may become increasingly high. Any significant uninsured loss could have material and adverse effects on our business, financial condition and results of operations.

### **Our business is subject to seasonality. Our quarterly results may not be indicative of our performance over longer periods.**

We experience seasonal fluctuations in our revenue and profitability. Our hospitals typically experience fewer patient visits in the first quarter due to the effect of the Chinese New Year holiday, during which most Chinese people usually avoid paying visits to hospitals. In certain years that are considered more auspicious according to the Chinese zodiac, there may also be more obstetrics patients and deliveries of babies compared to other years. As such, our operating results have fluctuated and are expected to continue to vary from period to period and year to year.

### **Adverse changes in China's regulatory regime for the healthcare service industry, particularly changes in healthcare reform policies, could have a material adverse effect on our business.**

In 2009, the PRC government unveiled its healthcare reform plan, which aims to ensure that every citizen has access to affordable basic healthcare. Since then, the PRC government has issued new policies addressing the affordability, accessibility and quality of healthcare services, medical insurance coverage, as well as the reform of public hospitals, and has called for additional government spending on healthcare. This extensive reform of the PRC healthcare system is targeted to be completed by 2020.

During the Track Record Period, our business and operations benefited directly from such policies and we expect our future growth will largely be driven by these policies. For example, pursuant to the Notice on the Implementation Measures for the Reform of the Healthcare System (2009 to 2011) (國務院關於印發醫藥衛生體制改革近期重點實施方案(2009-2011年)的通知), which was promulgated by the State Council on March 18, 2009, private hospitals will be treated as equally as public hospitals with respect to whether they may be approved as a designated medical institution for public medical insurance purposes, the selection of scientific research projects, the evaluation of professional titles and their access to further education programs. However, these policies may change significantly in the future and become unfavorable to our business and operations. Future legislative changes may limit private or foreign investment in healthcare services, change reimbursement rates for healthcare services provided to publicly insured patients, regulate the treatment fees permitted to be charged, and numerous other policy matters. Any such adverse change in China's regulatory regime for the healthcare service industry could have a material adverse effect on our business.

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Furthermore, for the years ended December 31, 2012, 2013 and 2014, our retail sales of pharmaceuticals and medical devices accounted for 12.5%, 12.0% and 11.7% of our total revenue, respectively. If the PRC government implements additional price controls on retail pharmaceutical and medical device prices, our profit margin may be materially and adversely affected.

**Any adverse change in the preferential tax treatment or government grants we enjoy may have a material adverse effect on our financial condition and results of operations.**

Throughout the Track Record Period, we were entitled to the following preferential tax treatments:

- (i) Our hospitals located in Chongqing and Guiyang are entitled to a preferential enterprise income tax rate of 15% from 2013 to 2020 under the “Western Development Plan” (西部大開發) implemented by the PRC government, compared with the regular national enterprise income tax rate of 25%.
- (ii) Pursuant to the PRC Interim Regulations on Business Tax (中華人民共和國營業稅暫行條例), as a healthcare service provider, we have been exempt from business tax since January 1, 2009.

For the years ended December 31, 2012, 2013 and 2014, we also received government grants in the amount of RMB7,000, RMB147,000 and RMB396,000, respectively. These government grants were non-recurring by nature.

There is no guarantee that the preferential tax treatment or government grants we enjoy will not be revoked or changed in the future, in which case, we may be subject to additional tax payments and our financial condition and results of operations may be materially and adversely affected.

**Failure to comply with PRC property laws and regulations regarding certain of our leased premises may materially and adversely affect our business, financial condition and results of operations.**

We lease premises in various cities as our hospital premises, offices and warehouses, to carry out our operations. Some of these leases do not meet certain property-related legal requirements under PRC laws and regulations. For example, we lease one property which has not been granted any construction work planning permit or building ownership certificate, nor has the lessor provided us with any proof of authorization to lease the property to us. In addition, we have not completed the lease registration for some of our premises as required by PRC housing administrative authorities. For details regarding our material non-compliance with PRC property laws and regulations, see “Business—Properties—Property-related Non-compliance Incidents.” As of the Latest Practicable Date, we had not received any notification from PRC government authorities regarding our non-compliance with applicable property-related laws and regulations, and we are not aware of any third parties that have attempted to interfere with our rights to use our leased premises arising from our non-compliance with relevant laws and regulations. However, if any challenge from government authorities or third parties arises, we may be subject to fines, our leases may be invalidated and our rights under these leases may be materially and adversely affected. In addition, if we are forced to relocate any affected premises, our operations will be severely disrupted or suspended. We may incur significant costs in securing alternative sites for relocation and relocating our operations to such alternative sites and we may lose income in regards to the affected operations during the relocation period. All of these consequences could materially and adversely affect our business, financial condition and results of operations.

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**Our experience in mergers and acquisitions is limited and we may not be able to identify and execute on suitable acquisition targets; we may not be able to successfully integrate newly acquired hospitals or achieve expected profitability.**

During the Track Record Period, our growth was mainly achieved by driving up our total patient visits and opening new hospitals by ourselves. In the future, we may increase the total number of our hospitals by acquiring hospitals in addition to our continued organic growth. For more details, see “Business—Our Strategies—Pursue select acquisition opportunities to accelerate strategic expansion into new cities.” Our experience in mergers and acquisitions is limited and we may not be able to identify suitable targets for acquisition or negotiate commercially acceptable terms, which may place us at a competitive disadvantage and limit our growth. We may also have to compete with other market players in pursuing the same acquisition target. Some of these competitors may be more established and have greater financial, personnel and other resources than us.

Generally, acquisitions and integration involve substantial risks, including but not limited to:

- loss of patients or suppliers of the target hospital;
- lack of managerial experience or resources in newly acquired businesses, in particular in new geographic markets where we do not have prior experience;
- unforeseen difficulties in integrating operations, accounting systems and personnel;
- diversion of financial and management resources from existing operations;
- coordination of procurement and sales and marketing activities;
- differences in corporate culture and management styles;
- disparate company policies and practices;
- the need to attract and retain physicians, hospital administrators and key personnel;
- risks relating to obtaining sufficient equity or debt financing;
- risks relating to obtaining governmental approvals and licenses;
- risks relating to additional or conflicting governmental regulations; and
- potential undisclosed liabilities.

There is no guarantee that we will be able to successfully integrate the hospitals that we acquire on a timely basis or at all, and we may incur costs in excess of what we anticipate. The profit, if any, of our newly acquired hospitals may not be sufficient to justify the acquisition costs and our expected future results of operations and synergies may not be achieved. In addition, if we finance future acquisitions by issuing equity or equity-related securities, the equity interests of our shareholders would be diluted, which, in turn, could materially and adversely affect the market price of our Shares. Moreover, we may finance acquisitions with debt, resulting in higher leverage and finance costs.

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**Unauthorized use of our trademarks by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business and competitive position.**

We regard our trademarks, domain names and other intellectual property rights as critical to our competitiveness and success. As of the Latest Practicable Date, we owned or possessed the rights to 39 domain names that are material to the operation of our business. For details of our trademarks, see “Connected Transactions—Exempt Continuing Connected Transaction.” We rely on the trademark and other intellectual property laws, confidentiality agreements with our employees to protect our proprietary rights. Nevertheless, these afford only limited protection and it can be difficult and expensive to police unauthorized use of intellectual property that we own or are entitled to use. We have taken, and will continue to take, a variety of actions to combat infringement of our intellectual property. However, the level of protection for intellectual property rights and the enforcement of the relevant laws and regulations provided under PRC law are relatively inadequate compared to those available under the legal regimes in more developed economies. Infringement of our intellectual property rights by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business, financial condition and results of operations.

**We may be subject to intellectual property rights infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if determined adversely against us, may materially disrupt our business.**

We may be exposed to intellectual property rights infringement or misappropriation claims by third parties during the course of our operations. We may also be subject to litigation involving claims of trademark infringement or violation of other intellectual property rights of third parties. Defense against any of these or other claims would be both costly and time-consuming, and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, or subject us to injunctions prohibiting the distribution and marketing of the relevant brand or services. To the extent that licenses are not available to us on commercially reasonable terms or at all, we may be required to expend considerable time and resources sourcing alternative technologies, if any, or we may be forced to delay or suspend the relevant services or the promotion of the relevant brand. We may incur substantial expenses and require significant attention of management in defending against these third-party infringement claims, regardless of their merit. Protracted litigation could also result in our customers or potential customers deferring, reducing or canceling their purchase of our services. In addition, we could face disruptions to our business operations as well as damage to our reputation as a result of such claims, and our business, financial condition and results of operations could be materially and adversely affected.

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

We collect and maintain medical data from the diagnosis and treatment of our patients. PRC laws and regulations generally require medical institutions to protect the privacy of their patients or customers and prohibit unauthorized disclosure of personal information. We have taken measures to maintain the confidentiality of our patients’ medical information, including encrypting such information in our information technology system so that it cannot be accessed without proper authorization and setting

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internal rules requiring our employees to maintain the confidentiality of our patients' medical information. However, these measures may not be effective in protecting our patients' medical information. In addition, although we do not make the patients' medical information available to the public, we use such data on an aggregating basis after redacting personal identity for marketing or research purposes. Although we believe our current usage of patients' medical information is in compliance with applicable laws and regulations governing the use of such information, any change in such laws and regulations could affect our ability to use medical data and subject us to liability for the use of such data. Failure to protect patients' medical information, or any restriction on or liability as a result of our use of medical data, could have a material adverse effect on our business and reputation.

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

Our future success depends on the continued service of our management team and other key employees. In particular, we rely on the expertise, experience and leadership ability of Mr. Lin Yuming, our chairman and founder. We also rely on a number of key management team members, such as Mr. Fang Zhifeng, Mr. So Kin Ching and Mr. Zhao Xingli, for the development and operation of our business.

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

**We are not in full compliance with housing provident fund regulations.**

We are required by PRC laws and regulations to make housing provident fund contributions for the benefit of employees of our PRC subsidiaries. Some of our PRC subsidiaries had not made housing provident fund contributions in full for all of their employees during the Track Record Period. We have made provision of approximately RMB3.1 million, RMB4.8 million and RMB6.8 million for the outstanding amount of housing provident fund as of December 31, 2012, 2013 and 2014, respectively.

Up to the Latest Practicable Date, we had not received any notice from the relevant authorities regarding any non-compliance with housing provident fund regulations. However, in the event that we fail to pay any outstanding contribution pursuant to any notice issued by the relevant authorities, we could be ordered to make the outstanding contributions within the prescribed period and be subject to penalties for late payment. For further details, see "Business—Legal Proceedings and Compliance—Non-compliance

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Incidents.” In the event that we are subject to any such notice or demand to pay outstanding housing provident fund contributions, our business, financial condition and results of operations may be materially and adversely affected.

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

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

### **RISKS RELATING TO DOING BUSINESS IN THE PRC**

**We are subject to the political, economic and social developments as well as laws, rules, regulations and licensing requirements in the PRC.**

Substantially all of our businesses, assets, operations and revenue are located in or derived from our operations in the PRC, and as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, and control of foreign exchange and the allocation of resources. The PRC economy has been undergoing a transition from a planned economy to a market-oriented economy. The PRC government has in recent years implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises; however a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government still retains significant control over the PRC’s economic growth through the allocation of resources, controlling payment of foreign currency denominated liabilities, setting monetary policy and providing preferential treatment to particular industries or enterprises.



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Our performance has been and will continue to be affected by the PRC's economy, which in turn is influenced by the global economy. The global economic slowdown and the turmoil in the global financial markets that began in the second half of 2008, continued weakness in the United States economy and the sovereign debt crisis in Europe have collectively added downward pressure to the PRC's economic growth.

Any of the above factors may materially and adversely affect our business, financial condition and results of operations. We are unable to accurately predict the precise nature of all the risks and uncertainties that we face as a result of current economic, political, social and regulatory conditions and many of these risks are beyond our control.

### **Uncertainties with respect to the PRC legal system could have a material adverse effect on us.**

Our business and operations are primarily conducted in the PRC and governed principally by the PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade with a view to developing a comprehensive system of commercial law. However, the PRC has not developed a fully-integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC, or may be unclear or inconsistent. Because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of PRC laws and regulations involve uncertainties and can be inconsistent. Even where adequate laws exist in the PRC, the enforcement of existing laws or contracts may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgment by a court. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and the diversion of resources and management's attention. In addition, we cannot predict future developments in the PRC legal system or the effects of such developments. The materialization of all or any of these uncertainties could have a material adverse effect on our financial position and results of operations.

### **You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.**

Substantially all of our assets are located in the PRC. Most of our Directors and officers reside within the PRC, and substantially all of their respective assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or most of our Directors and officers, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts within the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments within the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

Under the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and Hong Kong SAR Pursuant to Agreed Jurisdiction by Parties

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Concerned (the “Arrangement”) effective on August 1, 2008, as for an enforceable final judgment made by a PRC court or Hong Kong court concerning a civil and commercial case under a written agreement on jurisdiction, in which payment must be made, the party concerned may, under the Arrangement, apply to a PRC court or a Hong Kong court for recognition and enforcement. The term “written agreement on jurisdiction” as mentioned in the present Arrangement refers to agreements clearly stipulated in written form by parties concerned that a PRC court or Hong Kong court has sole jurisdiction as to the effectiveness of the Arrangement, so as to settle disputes relevant to a certain legal relationship that has either arisen or might arise. In addition, the Arrangement contains specific definitions of the terms “enforceable final judgment”, “certain legal relationship” and “written form.” Final judgments that are not compliant with the Arrangement may not be recognized or enforced by a PRC court. Moreover, we cannot assure you that all final judgments that are compliant with the Arrangement will be recognized and effectively enforced by a PRC court.

**We may be forced to adjust our corporate structure, operations or acquisition strategies as a result of changes in PRC government policies.**

According to the current version of the Foreign Investment Catalogue (Amended in 2015) (外商投資產業指導目錄 (2015年修訂)), which became effective on April 10, 2015, our business falls within the restricted category, which foreign investment in medical institutions are restricted to the form of sino-foreign equity joint venture or cooperative joint venture. As a result, private-sector foreign invested companies like us are restricted from owning 100% of the equity interest in establishing or acquiring new hospitals. As such, we may encounter practical difficulties in obtaining, or obtaining in a timely manner, permits from the relevant government authorities as a private-sector foreign invested company. If we are restricted or even prohibited in operating the business we currently operate, we may face difficulties in expanding our business through organic growth or acquisitions and may even be forced to sell or restructure our businesses. Our business, financial condition and results of operations may be materially and adversely affected as a result.

**Compliance with PRC advertising laws and regulations may be difficult, and failure to comply could subject us to government sanctions.**

We are obligated under PRC laws and regulations to monitor our advertising content to comply with applicable laws. According to the Measures for the Administration of Medical Advertisement (醫療廣告管理辦法) and Notice on Further Strengthening the Administration of Medical Advertisements (關於進一步加強醫療廣告管理的通知), our hospitals must apply for and obtain a Medical Advertisement Examination Certificate before publishing a medical advertisement. Violation of these regulations may result in penalties against the hospital, including rectification, orders, warnings, suspension of operations, revocation of relevant permits to engage in the provision of specific medical services, and the revocation of the hospital’s Medical Institution Practicing License. In addition, if the content of the published advertisement is different from what is approved and documented in the Medical Advertisement Examination Certificate, the competent authority may revoke the Medical Advertisement Examination Certificate and refuse to accept any applications for advertisement examination for a period of one year. In addition, if a special government review is required, we must confirm that such review has been performed and the approval has been obtained before we publish the advertisement. For advertising content related to certain types of products and services, such as food products, alcohol, cosmetics, pharmaceuticals and

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medical devices, we are required to confirm that the advertisers have completed filings with local authorities and obtained all requisite government approvals, including review of operating qualifications, proof of quality inspection of the advertised products and government pre-approval of the contents of the advertisement.

Although we endeavor to comply with PRC advertising laws and regulations, some of our PRC subsidiaries published or changed the content of medical advertisements in violation of these laws and regulations during the Track Record Period and up to the Latest Practicable Date. We have removed and corrected these advertisements and have adopted measures to strengthen our compliance with these laws and regulations. However, any violations of these laws and regulations may subject us to governmental penalties, impair our brand and adversely impact our financial condition and results of operations. For details, see “Business—Legal Proceedings and Compliance—Non-compliance Incidents.”

### **Governmental control of currency conversion may adversely affect the value of your investment.**

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of foreign currency out of the PRC. We receive substantially all of our revenue in Renminbi, which is currently not a freely convertible currency. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions and interest payments, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of bank indebtedness denominated in foreign currencies.

Further, the PRC government may also restrict access to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay certain of our expenses as they come due.

### **Fluctuations in exchange rates could have an adverse effect upon our business.**

The value of the Renminbi against the U.S. dollar, Hong Kong dollars and other currencies may fluctuate and is affected by, among other things, the political situation as well as economic policies and conditions. Although the RMB is no longer pegged only to the U.S. dollars, its value in international markets is determined by reference to a basket of currencies as part of a floating exchange rate policy. We cannot predict the future fluctuations of the RMB. The Chinese government may adopt a more flexible currency policy, which could lead to the RMB experiencing more substantial revaluation against foreign currencies.

Substantially all of our revenue and operating expenses are denominated in Renminbi. In addition, the proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our foreign currency denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for

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us to reduce our foreign currency risk exposure at reasonable costs. We cannot assure you that we will be able to reduce our foreign currency risk exposure relating to our foreign currency-dominated assets. Furthermore, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition and results of operations, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

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

We plan to finance our equity-controlled PRC subsidiaries with the net proceeds from the Global Offering through overseas shareholder loans or additional capital contributions, which require registration with, or approvals from, PRC government authorities. Any overseas shareholder loans to our PRC subsidiaries must be registered with the local branch of the SAFE as a procedural matter, and such loans cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital. In addition, the amounts of the capital contributions are subject to the approval of the Ministry of Commerce in China or its local counterpart. On August 29, 2008, the SAFE promulgated Circular 142, a notice regulating the conversion by a foreign-invested company of a foreign currency denominated capital contribution into Renminbi by restricting how the converted Renminbi may be used. The notice requires that Renminbi converted from the foreign currency denominated capital contribution of a foreign-invested company may only be used for purposes within the business scope of the foreign-invested company as approved by the applicable governmental authority and may not be used for equity investments, nor, except in the case of foreign-invested real estate enterprises, can Renminbi be used for acquisition of property in the PRC not for self-use purposes unless otherwise provided by laws and regulations. In addition, the SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency denominated capital of a foreign-invested company. The use of such Renminbi may not be changed without approval from the SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the company's approved business scope. Violations of Circular 142 may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to making future loans or capital contributions to our PRC subsidiaries with the net proceeds from the Global Offering. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

**We may be considered a "PRC resident enterprise" under the EIT Law, which could result in our global income being subject to a 25% PRC enterprise income tax.**

Our Company was incorporated in the Cayman Islands. We conduct our business through operating subsidiaries in the PRC. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC are considered "PRC resident enterprises" and thus will generally be subject to an EIT at the rate of 25% on their global income. On December 6, 2007, the State Council adopted the Regulation on the Implementation of EIT Law, effective

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on January 1, 2008, which defines the term “de facto management bodies” as “bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises.” Currently, substantially all of our management is based in the PRC, and may continue to be based in the PRC in the future. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents, as in our case.

If we were considered a PRC resident enterprise, we would be subject to the EIT at the rate of 25% on our global income, and any dividends or gains on the sale of our Shares received by our non-resident enterprise shareholders may be subject to a withholding tax at a rate of up to 10%. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from EIT, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC operating subsidiaries to us would meet such qualification requirements if we were considered a PRC resident enterprise for this purpose. If our global income were to be taxed under the EIT Law, our financial position and results of operations would be materially and adversely affected.

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

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

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

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

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

**PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries’ ability to distribute profits to us, or otherwise adversely affect our financial position.**

On October 21, 2005, the SAFE issued the Notice of SAFE on Issues Relating to Foreign Exchange Control on Fund Raisings and Round-trip Investment by Domestic Residents Through Offshore Special Purpose (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), or Circular 75. Circular 75 came into force on November 1, 2005 and requires PRC residents, including both legal persons and natural persons, to register with the competent local SAFE branch before establishing or controlling any company outside China, referred to as an “offshore special purpose company,” for the purpose of raising funds from overseas with the assets of or equity interest in PRC companies. On July 14, 2014, SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or Circular 37, which has replaced Circular 75, and states that: (i) a PRC resident, including a PRC resident natural person or a PRC company, shall register with the local branch of the SAFE before it contributes the assets of, or its equity interest into a special purpose vehicle for the purpose of investment and financing, and (ii) when the special purpose vehicle undergoes a change of basic information, such as a change of a PRC resident natural person shareholder, name or operating period, or a material event, such as a change in share capital held by a PRC resident natural person, merger or split, the PRC resident shall register such change with the local branch of the SAFE timely.

To the best of our knowledge, as of the Latest Practicable Date, our Shareholders who are required to make the foreign exchange registration under Circular 37 have completed such registration with the SAFE or

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its local counterpart. However, we may not at all times be fully aware or informed of the identities of all our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with the requirements of Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficial owners who are PRC citizens or residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, Circular 37 or other related regulations. According to Circular 37 and relevant PRC foreign exchange regulations, if any of our Shareholders who are required to make the foreign exchange registration and amendment fails to do so, our PRC subsidiaries may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from providing our PRC subsidiaries with loans denominated in foreign currencies or injecting additional capital into our PRC subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liabilities for such PRC subsidiaries, and the responsible persons and other persons in such PRC subsidiaries who are held directly liable for the violations may be subject to administrative sanctions.

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

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

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

**Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC could prevent us from effectively serving our customers and thus have a material adverse effect on our business operations, financial condition and results of operations.**

Any occurrence of force majeure events, natural disasters or outbreaks of epidemics, including those caused by avian influenza or swine influenza, severe acute respiratory syndrome, or SARS, Middle East respiratory syndrome coronavirus, or MERS-CoV. In April 2009, a human swine influenza also known as Influenza A (H1N1) broke out in Mexico and spread globally. In March 2013, an H7N9 virus was first reported to have infected humans in China, which has been identified by the World Health Organization as

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an unusually dangerous virus for humans. In May 2015, an outbreak of MERS-CoV occurred in South Korea and has spread to China, resulting in widespread fear. An outbreak of contagious diseases, and other adverse public health developments in China, would have a material adverse effect on our business operations. These could include restrictions on our ability to provide services to our customers, as well as temporary closure of our hospitals. These events could also adversely affect our customers' demands for our services as they may not want to go to hospitals at all. Such closures or service restrictions would severely disrupt our operations and adversely affect our financial condition and results of operations. An outbreak of any contagious disease in Hong Kong may also cause the price and trading volume of our Shares to drop significantly. In addition, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of several natural disasters in the PRC may materially and adversely affect its economy and therefore our business.

### RISKS RELATING TO THE GLOBAL OFFERING

#### **There has been no prior public market for our Shares.**

Prior to the Global Offering, there was no public market for our Shares. The initial Offer Price for our Shares to the public was the result of negotiations between us and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering.

The trading volume and market price of our Shares may be volatile, which may result in substantial losses for investors subscribing for or purchasing our Shares pursuant to the Global Offering.

The price and trading volume of our Shares may be highly volatile as a result of various factors. Some of these factors are beyond our control, including:

- actual or anticipated fluctuations in our results of operations (including variations arising from foreign exchange rate fluctuations);
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- changes in general economic conditions or other developments affecting us or our industry;
- price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares, or sales or perceived sales of additional Shares by us, the Controlling Shareholders or other Shareholders.



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In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

**Future issues, offers or sales of our Shares may adversely affect the prevailing market price of our Shares.**

Future issues of the Shares by our Company or the disposal of the Shares by any of our Shareholders or the perception that such issues or sales may occur, may negatively affect the prevailing market price of the Shares. Moreover, future sales or perceived sales of a substantial amount of our Shares or other securities relating to our Shares in the public market may cause a decrease in the market price of our Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future offerings. The Shares held by the Controlling Shareholders and some other Shareholders are subject to lock-up after the Listing Date. For details of such lock-up, see “Underwriting—Underwriting Arrangements and Expenses.” We cannot give any assurance that they will not dispose of the Shares they may own now or in the future.

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

The Offer Price will be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be on the fifth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of the Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

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

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

**Certain facts and other statistics with respect to the PRC, the PRC economy and our industry in this prospectus may not be fully reliable.**

Certain facts and other statistics in this prospectus relating to the PRC, the PRC economy and our industry have been derived from various official government publications and other publicly available data.

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However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by us or any of our affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies. As a result, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

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

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

**We may not declare or distribute dividends on our Shares in the future.**

The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial position, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year.

**Investors should read the entire prospectus carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this prospectus.**

There may be coverage in the media regarding the Global Offering and our operations. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should read the entire prospectus carefully and should not rely on any of the information in press articles or other media coverage. Prospective investors should only rely on the information contained in this prospectus to make investment decisions about us.

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## **INFORMATION ABOUT THE PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

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

### **GLOBAL OFFERING**

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

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

The Offer Price is expected to be fixed by the Joint Global Coordinators (on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, June 30, 2015 and, in any event, not later than Monday, July 6, 2015 (unless otherwise determined by the Joint Global Coordinators (on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company (for ourselves and on behalf of the Selling Shareholders) on or before Monday, July 6, 2015, the Global Offering will not become unconditional and will lapse immediately.

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

### **RESTRICTIONS ON SALE OF SHARES**

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

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## **INFORMATION ABOUT THE PROSPECTUS AND THE GLOBAL OFFERING**

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### **APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE**

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalization Issue, the Global Offering and the exercise of any options that may be granted under our Share Option Scheme.

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

### **OVER-ALLOTMENT OPTION AND STABILIZATION**

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

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

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

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

### **SHARE REGISTER AND STAMP DUTY**

Our principal register of members will be maintained by Codan Trust Company (Cayman) Limited, in Cayman Islands.

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

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

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

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## INFORMATION ABOUT THE PROSPECTUS AND THE GLOBAL OFFERING

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### LANGUAGE

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

### EXCHANGE RATES

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK\$1.00 to RMB0.7890, Renminbi into U.S. dollars at the rate of US\$1.00 to RMB6.2081 and Hong Kong dollars into U.S. dollars at the rate of US\$1.00 to HK\$7.7530. The RMB to HK\$ exchange rate is quoted by the PBOC for foreign exchange transactions prevailing on June 12, 2015. The US\$ to RMB and US\$ to HK\$ exchange rates are set forth in the H10 weekly statistical release of the Federal Reserve Board of the United States on June 12, 2015.

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

### ROUNDING

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

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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

### MANAGEMENT PRESENCE

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

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

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange. The two authorized representatives are Mr. Lin Yuming, an executive Director and Ms. Ng Sin Yee Clare, a joint company secretary. They will be able to meet with the Hong Kong Stock Exchange on reasonable notice upon the request of the Hong Kong Stock Exchange and be readily contactable by telephone, facsimile and email by the Hong Kong Stock Exchange;
- (b) each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters;
- (c) each of the Directors who are not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period of time, if required;
- (d) we have, in compliance with Rule 3A.19 of the Listing Rules, engaged First Shanghai Capital Limited, as our compliance adviser, who will act as an additional channel of communication with the Hong Kong Stock Exchange; and
- (e) to enhance communications among the Hong Kong Stock Exchange, the Directors will provide their respective mobile phone numbers, office phone numbers, email addresses and fax numbers to the authorized representatives as well as the Hong Kong Stock Exchange, and in the event that a Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives.

### JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules, which stated that a company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong

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## WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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Stock Exchange, capable of discharging the functions of company secretary. Below are the academic or professional qualifications as set out in Note (1) to Rule 3.28 of the Listing Rules, where the Hong Kong Stock Exchange considers acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

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

- (a) length of employment with the listing applicant and other issuers and the roles he / she played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance and the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”);
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Mr. Chen Wei as a joint company secretary. Mr. Chen has more than 10 years of experienced in corporate financial industry. While the Directors consider Mr. Chen is capable of discharging his duty as a company secretary of the Company by virtue of his academic background, professional qualifications and experience, he is neither a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance nor a professional accountant, as required under Note (1) to Rule 3.28 of the Listing Rules. We have therefore appointed Ms. Ng Sin Yee, Clare to act as a joint company secretary. Ms. Ng is a Fellow of the Hong Kong Institute of Chartered Secretaries. Accordingly, Ms. Ng fully complies with the requirements as stipulated under Rules 3.28 and 8.17 of the Listing Rules. We have engaged Ms. Ng as joint company secretary for a minimum period of three years commencing from the Listing Date, during which she will assist and guide Mr. Chen to enable him to acquire the “relevant experience” under Note (2) to Rule 3.28 of the Listing Rules.

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

For further details of Mr. Chen’s and Ms. Ng’s biographies, see “Directors and Senior Management—Joint Company Secretaries.”

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<b>Executive Directors</b>		
Mr. Lin Yuming (林玉明) . . . . .	Room 701 Changyuan Building 2 Xinghewan Xiaoqu Chaoyang District Beijing	PRC
Mr. Fang Zhifeng (方志鋒) . . . . .	No. 46 Beihe Lu Zhenhai Street Licheng District Putian Fujian	PRC
Mr. Zhao Xingli (趙興力) . . . . .	No. 22, Building 1 No. 15 Bing Zhou Xi Street Yingze District Taiyuan Shanxi	PRC
<b>Non-executive Directors</b>		
Mr. Wang Lin (王霖) . . . . .	No. 101, Unit 1 Building 6 No. A8 Zhong Guan Cun Nan Street Haidian District Beijing	PRC
Mr. Cheng Ruozhi (成若之) . . . . .	No. 15 College Road Chinese Service Center for Scholarly Exchange Haidian District Beijing	PRC
Mr. Lin Yuguo (林玉國) . . . . .	No. 3099 Yantan Road Chengguan District Lanzhou Gansu	PRC
<b>Independent Non-executive Directors</b>		
Mr. Kong Aiguo (孔愛國) . . . . .	Room 902 No. 7, 88 Nong Xuefu Street Yangpu District Shanghai	PRC
Ms. Fang Lan (方嵐) . . . . .	No. 602 Building 32 Shenghuaxincun Huashan District Ma Anshan Anhui	PRC
Mr. Cai Jiangnan (蔡江南) . . . . .	No. 699 Hongfeng Road Pudong New District Shanghai	U.S.

Please see “Directors and Senior Management” for further details.



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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

#### **Selling Shareholders**

Harmony Care International Investment Limited  
Commerce House,  
Wickhams Cay 1,  
P.O. Box 3140,  
Road Town, Tortola,  
British Virgin Islands  
VG1110

Honeycare International Investment Limited  
Commerce House,  
Wickhams Cay 1,  
P.O. Box 3140,  
Road Town, Tortola,  
British Virgin Islands  
VG1110

Classic Symbol Limited  
NovaSage Chambers,  
P.O. Box 4389,  
Road Town, Tortola,  
British Virgin Islands  
VG1110

#### **Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers**

Morgan Stanley Asia Limited  
Level 46, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

CCB International Capital Limited  
12/F, CCB Tower  
3 Connaught Road Central  
Central  
Hong Kong

#### **Legal Advisers to Our Company**

*As to Hong Kong and U.S. laws:*  
Shearman & Sterling  
12/F, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*As to PRC law:*  
Commerce & Finance Law Offices  
6/F, NCI Tower  
A12 Jianguomenwai Avenue  
Chaoyang District  
Beijing, 100022  
China

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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	<i>As to Cayman Islands law:</i> Conyers Dill & Pearman Cricket Square P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Legal Advisers to the Joint Sponsors and the Underwriters</b>	<i>As to Hong Kong and U.S. laws:</i> Paul Hastings 21-22/F, Bank of China Tower 1 Garden Road Central Hong Kong <i>As to PRC law:</i> Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing, 100025 China
<b>Reporting Accountant</b>	Deloitte Touche Tohmatsu Certified Public Accountants 35/F, One Pacific Place 88 Queensway Hong Kong
<b>Industry Consultant</b>	Frost & Sullivan Suite 2802-2803, Tower A Dawning Center 500 Hongbaoshi Road Shanghai, 201103 China
<b>Compliance Adviser</b>	First Shanghai Capital Limited 19F, Wing On House, 71 Des Voeux Road Central Central Hong Kong
<b>Receiving Bankers</b>	DBS Bank (Hong Kong) Limited 16/F The Center 99 Queen's Road Central Hong Kong China Construction Bank (Asia) Corporation Limited 22/F CCB Centre 18 Wang Chiu Road, Kowloon Bay Kowloon Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office in Cayman Islands</b>	Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands
<b>Headquarters in the PRC</b>	No. A2 Xiaoguan Beili Beiyuan Road Chaoyang District Beijing
<b>Principal place of business in Hong Kong</b>	Level 54, Hopewell Centre, 183 Queen's Road East Hong Kong
<b>Place of business in Hong Kong registered under Part 16 of the Companies Ordinance</b>	Level 54, Hopewell Centre, 183 Queen's Road East Hong Kong
<b>Company's Website</b>	<u><a href="http://www.hemeiyl.com">www.hemeiyl.com</a></u>  <i>(The information on the website does not form part of this prospectus)</i>
<b>Joint Company Secretaries</b>	Mr. Chen Wei Ms. Ng Sin Yee Clare
<b>Authorized Representatives</b>	Ms. Ng Sin Yee Clare Level 54, Hopewell Centre, 183 Queen's Road East Hong Kong  Mr. Lin Yuming Room 701 Changyuan Building 2 Xinghewan Xiaoqu Chaoyang District Beijing
<b>Audit Committee</b>	Ms. Fang Lan (Chairman) Mr. Kong Aiquo Mr. Wang Lin Mr. Cai Jiangnan
<b>Remuneration Committee</b>	Mr. Kong Aiguo (Chairman) Mr. Cai Jiangnan Mr. Lin Yuguo Ms. Fang Lan Mr. Zhao Xingli

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## CORPORATE INFORMATION

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<b>Nomination Committee</b>	Mr. Lin Yuming (Chairman) Ms. Fang Lan Mr. Cai Jiangnan Mr. Kong Aiguo Mr. Cheng Ruozhi
<b>Cayman Islands Principal Share Registrar and Transfer Agent</b>	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Hong Kong Share Registrar</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal Banker</b>	ICBC Co., Ltd. Beijing, Zuo'anmen Branch (中國工商銀行股份有限公司北京左安門支行) 1/F, Building 27 Panjiayuan Nanli Chaoyang District Beijing

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### HISTORY AND DEVELOPMENT

#### Corporate History

Our history can be traced back to 2003, when Mr. Lin Yuming, our founder, Mr. Lin Yuguo, our non-executive Director, Mr. Li Wenfeng, a member of our senior management of our Company, and Taiyuan Keweikang Medical Management and Consulting Co., Ltd. (太原科維康醫療經營策劃有限公司) (“Taiyuan Keweikang”), an Independent Third Party, established Shanxi Modern Woman Hospital as a limited liability company in the PRC with a registered capital of RMB10,000,000 with their own funds. Upon its establishment, Mr. Lin Yuming, Mr. Lin Yuguo, Mr. Li Wenfeng and Taiyuan Keweikang held 60%, 30%, 8% and 2% of the equity interest of Shanxi Modern Woman Hospital, respectively. Shanxi Modern Woman Hospital was engaged in the provision of obstetrics and gynecology services in the Shanxi Province. From then on, Mr. Lin Yuming, together with other members of our management team, successfully expanded our business by establishing several new hospitals. As of the Latest Practicable Date, Mr. Lin Yuming was one of the Controlling Shareholders as well as the Chairman, executive Director and president of our Company. For more details, please refer to “Directors and Senior Management—Board of Directors—Executive Directors.”

On December 24, 2007, Mr. Lin Yuming and Mr. Xu Zonghua established Bosheng Medical as a joint stock company in the PRC with a registered capital of RMB50,000,000 with their own funds. Upon its establishment, 98% of the equity interest of Bosheng Medical was owned by Mr. Lin Yuming and 2% by Mr. Xu Zonghua. Mr. Xu Zonghua is an Independent Third Party.

On October 20, 2008, the registered capital of Bosheng Medical was increased to RMB89,104,500 by contribution of the following individuals: Mr. Lin Yuguo, Mr. Lin Yurong, Mr. Lin Yuhua, Mr. Li Wenfeng, Mr. Su Yuanding, Mr. Li Wenlong, Mr. Chen Chunlin, Mr. Zhao Xingli, Mr. Xie Qisheng, Mr. Fu Dongjun and Mr. Fang Zhifeng. Upon completion of the increase of registered capital, 54.99% of the equity interest of Bosheng Medical was owned by Mr. Lin Yuming and 45.01% by the other 12 individual shareholders. Apart from the following persons, the rest of the abovementioned individuals are Independent Third Parties:

- (i) Mr. Su Yuanding is uncle-in-law of Mr. Lin Yuming and Mr. Lin Yuguo.
- (ii) Mr. Li Wenlong and Mr. Li Wenfeng are uncles of Mr. Lin Yuming and Mr. Lin Yuguo.
- (iii) Mr. Lin Yurong and Mr. Lin Yuhua are siblings of Mr. Lin Yuming and Mr. Lin Yuguo.
- (iv) Mr. Zhao Xingli and Mr. Fang Zhifeng are our executive Directors.

#### Pre-IPO Investments

##### *Overview of the Pre-IPO Investments*

In order to further develop business, enhance corporate governance structure and leverage further expertise on international financing capabilities, Bosheng Medical invited two pre-IPO investors, namely CDH Investments and CCBI Medical (the “Pre-IPO Investors”) in 2008 and 2010, respectively.

On October 8, 2008, Bosheng Medical entered into a share issuance and subscription agreement with CDH I and CDH Yuanbo, which was supplemented on November 8, 2008 (the “CDH Investment Agreement”). Pursuant to the CDH Investment Agreement, CDH I agreed to subscribe for 12,264,973 new shares for a consideration of RMB219,960,000 and CDH Yuanbo agreed to subscribe for 3,459,351 new

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

shares for a consideration of RMB62,040,000, representing approximately 11.7% and 3.3%, respectively, of the then shares in issue of Bosheng Medical upon completion of the investment. The consideration was determined with reference to the timing of subscription and financial performance of Bosheng Medical at the time of subscription and was based on arm's length negotiations. The consideration was properly and legally settled by three installments, the last of which was made on May 5, 2010. For details, see the table below in “—Details of the Pre-IPO Investments”.

On August 5, 2010, Bosheng Medical entered into another share issuance and subscription agreement with CCBI Medical, which was supplemented on the same day (the “CCBI Medical Investment Agreement”). Pursuant to the CCBI Medical Investment Agreement, CCBI Medical agreed to subscribe for 9,206,705 new shares for a consideration of RMB237,130,418, representing 8.0% of the then shares in issue of Bosheng Medical upon completion of the investment. The consideration was determined with reference to the timing of subscription and financial performance of Bosheng Medical at the time of subscription and was based on arm's length negotiations. The consideration was properly and legally settled on August 24, 2010.

It has been the parties' goal that the Pre-IPO Investors would exit Bosheng Medical via any qualified public offering, including the Listing. In pursuit of such goal and in preparation for the Listing, our Group carried out the Reorganization. For key steps of the Reorganization, see “—Reorganization.”

### *Details of the Pre-IPO Investments*

The below table summarizes the details of the Pre-IPO Investments:

<u>Name of Investors</u>	<u>CDH I</u>	<u>CDH Yuanbo</u>	<u>CCBI Medical</u>
<b>Name of the Agreement</b>	CDH Investment Agreement	CDH Investment Agreement	CCBI Medical Investment Agreement
<b>Date of the Agreement</b>	October 8, 2008 (supplemented on November 8, 2008)	October 8, 2008 (supplemented on November 8, 2008)	August 5, 2010 (supplemented on the same day)
<b>Date of closing of the relevant Pre-IPO Investment</b>	November 17, 2008	November 17, 2008	August 31, 2010
<b>Number of shares of Bosheng Medical subscribed</b>	12,264,973	3,459,351	9,206,705
<b>Total percentage of then equity interest subscribed</b>	11.7%	3.3%	8.0%
<b>Amount of consideration paid</b>	RMB219,960,000 <sup>(1)</sup>	RMB62,040,000 <sup>(2)</sup>	RMB237,130,418
<b>Cost per share of Bosheng Medical paid by each Pre-IPO Investor</b>	RMB17.93	RMB17.93	RMB25.76
<b>Payment date of consideration</b>	May 5, 2010 <sup>(1)</sup>	May 5, 2010 <sup>(2)</sup>	August 24, 2010

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of Investors	CDH I	CDH Yuanbo	CCBI Medical
<b>Basis of determination of the consideration</b>	The consideration was determined with reference to the timing of subscription and financial performance of Bosheng Medical at the time of subscription and was based on arm's length negotiations.	The consideration was determined with reference to the timing of subscription and financial performance of Bosheng Medical at the time of subscription and was based on arm's length negotiations.	The consideration was determined with reference to the timing of subscription and financial performance of Bosheng Medical at the time of subscription and was based on arm's length negotiations.
<b>Discount to the Offer Price</b>	36.65% <sup>(3)</sup>	36.65% <sup>(3)</sup>	8.98% <sup>(3)</sup>
<b>Use of proceeds and whether fully utilized</b>	The proceeds have been fully utilized during the Company's ordinary operation for the establishment of new hospitals and general working capital purpose.	The proceeds have been fully utilized during the Company's ordinary operation for the establishment of new hospitals and general working capital purpose.	The proceeds have been fully utilized during the Company's ordinary operation for the establishment of new hospitals and general working capital purpose.
<b>Shareholding in Bosheng Medical prior to the Reorganization</b>	10.66%	3.00%	8.00%
<b>Shareholding in our Company upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no exercise of any share option that may be granted under the Share Option Scheme)</b>	10.25% <sup>(4)</sup>	10.25% <sup>(4)</sup>	6.00% <sup>(4)</sup>

*Notes:*

1. Payment for consideration was made in three installments of RMB140,400,000, RMB63,960,000 and RMB15,600,000 on November 11, 2008, September 9, 2009 and May 5, 2010, respectively.
2. Payment for consideration was made in three installments of RMB39,600,000, RMB18,040,000 and RMB4,400,000 on November 11, 2008, September 9, 2009 and May 5, 2010, respectively.
3. The consideration was not determined with reference to the Offer Price. The discount to the offer price is for illustration only and is calculated based on:
  - i. the amount of consideration paid by each Pre-IPO Investor divided by the number of Shares held by each Pre-IPO Investor immediately upon the completion of the Capitalization Issue and the Global Offering;
  - ii. the Offer Price of HK\$7.18, being the mid-point of the indicative range of the Offer Price range of HK\$6.80 and HK\$7.55; and
  - iii. the exchange rate of RMB1.00 : HK\$1.2676.
4. CDH I and CDH Yuanbo together held 10.25% of the equity interests in our Company through CDH Harmony. CCBI Medical held 6.00% of the equity interest in our Company through Mighty Sky.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Shareholders' Rights of Pre-IPO Investors*

Special rights granted to the Pre-IPO Investors include right of first refusal, tag-along rights, put rights, anti-dilution rights and director nomination rights (the “Special Rights”). However, such Special Rights were no longer applicable to our Company after the Reorganization. Consequently, on February 18, 2015, the Pre-IPO Investors, through their offshore subsidiaries, Mighty Sky and Concord Glory, entered into a shareholders’ agreement with, inter alia, our Company to reflect the key terms of CDH Investments and CCBI Medical’s investment in Bosheng Medical in 2008 and 2010. For details of the Reorganization and the key terms of the shareholders’ agreement, see “—Reorganization—Offshore Reorganization—7. Shareholders Agreement among Shareholders of our Company.”

### *Information regarding the Pre-IPO Investors*

#### *CDH I and CDH Yuanbo*

CDH I is a limited partnership established on June 12, 2008 under the laws of the PRC, with Tianjing Dinghui Equity Investment Management Center (Limited Partnership) as its general partner and 14 institutional and individual investors as its limited partners. CDH Yuanbo is a limited partnership established on June 12, 2008 under the laws of the PRC, with Tianjing Dinghui Equity Investment Management Center (Limited Partnership) as its general partner and 43 institutional and individual investors as its limited partners. Tianjing Dinghui Equity Investment Management Center (Limited Partnership), a limited partnership established under the laws of the PRC, is a fund manager primarily specialized in private equity investments across different industry sectors in China. Each of CDH I and CDH Yuanbo was an Independent Third Party of our Company at the time of its subscription in Bosheng Medical.

#### *CCBI Medical*

CCBI Medical is a limited liability company incorporated on October 12, 2009 under the laws of the PRC, with 41.6% of its equity interest owned by CCB International Wealth Management (Tianjin) Limited, 30.5% owned by China Jianyin Investment Ltd., 19.1% owned by Beijing Yangtze Power Capital Limited, 3.8% owned by China Everbright Industry Group Limited, 3.8% owned by Love and Health Investment Limited and 1.1% owned by Beijing Zhaotong Real Estate Group Company Limited. The ultimate beneficial owner of CCB International Wealth Management (Tianjin) Limited is China Construction Bank Corporation, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 939) and the Shanghai Stock Exchange (stock code: 601939). Both China Jianyin Investment Ltd. and China Everbright Industry Group Limited are ultimately owned by Central Huijin Investment Ltd. (the “Central Huijin”). The Central Huijin is a state-owned investment company established under the laws of the PRC, mandated to exercise the rights and the obligations as an investor in major state-owned financial enterprises, on behalf of the PRC government. Beijing Yangtze Power Capital Limited is a wholly owned subsidiary of China Yangtze Power Co., Ltd., a company established under the laws of the PRC and listed on the Shanghai Stock Exchange (stock code: 600900). Love and Health Investment Limited is majority-owned by Beijing Aikang Medical Investment Company which in turn is majority-owned by Mr. Wang Dong and Ms. Shi Yun. The ultimate beneficial owners of Beijing Zhaotong Real Estate Group Company Limited include Ms. He Jing, Mr. Wang Linchuan, Mr. Kong Xiaolin, Mr. Kong Lingjun, Mr. Zhong Bingwu and Ms. Jin Zhenhua. CCBI Medical was an independent third party of our Company at the time of the subscription.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Joint Sponsors' Confirmation*

The Joint Sponsors have confirmed that the terms of the Pre-IPO investments are in compliance with the Interim Guidance on Pre-IPO Investment issued by the Hong Kong Stock Exchange on October 13, 2010, Guidance Letters HKEx-GL44-12 issued in October 2012 by the Hong Kong Stock Exchange and HKEx-GL43-12 issued in October 2012 and updated in July 2013 by the Hong Kong Stock Exchange.

### **Business Milestones**

As of the Latest Practicable Date, we owned and operated 11 hospitals in 7 first- and second-tier cities in China. The following table illustrates the key milestones of our business development:

August 2003	Mr. Lin Yuming established Shanxi Modern Woman Hospital, one of the first private women's specialty hospitals providing obstetrics and gynecology healthcare services for women in the PRC.
December 2005	We established and commenced the operation of Wuhan Modern Hospital.
March 2006	We established and commenced the operation of Chongqing Modern Woman Hospital.
April 2006	We established and commenced the operation of Chongqing Dushi Liren Hospital.
April 2007	We established and commenced the operation of Guiyang Modern Woman Hospital.
December 2007	Bosheng Medical was incorporated as our headquarters to manage our chain hospitals.
July 2008	We established and commenced the operation of Guangzhou Woman Hospital.
October 2008	On October 8, 2008, Bosheng Medical entered into a share issuance and subscription agreement with CDH I and CDH Yuanbo, pursuant to which Bosheng Medical issued and CDH I and CDH Yuanbo subscribed for 11.7% and 3.3%, respectively, of Bosheng Medical's shares in issue upon completion.
March to June 2009	We established and commenced the operation of three "HarMoniCare" brand hospitals, including Guiyang HarMoniCare Hospital, Chongqing Wanzhou HarMoniCare Hospital and Chongqing Fuling HarMoniCare Hospital.
January and July 2010	We established and commenced the operation of Fuzhou Modern Woman Hospital and Shenzhen HarMoniCare Hospital.
August 2010	On August 5, 2010, Bosheng Medical entered into a share issuance and subscription agreement with CCBI Medical, pursuant to which Bosheng Medical issued and CCBI Medical subscribed for 8.0% of Bosheng Medical's shares in issue upon completion.
June 2011	We established and commenced the operation of Beijing HarMoniCare Hospital.
October 2011	Shenzhen HarMoniCare Hospital received JCI accreditation.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Transfer of Equity Interests in Certain Subsidiaries

In December 2013, Bosheng Medical and its subsidiaries transferred their equity interests in certain principal subsidiaries relating to our mid- and high-end hospitals to Guiyang HarMoniCare Hospital, a wholly-owned subsidiary of Bosheng Medical, as the platform for our future development. Details of the abovementioned share transfers are set forth below:

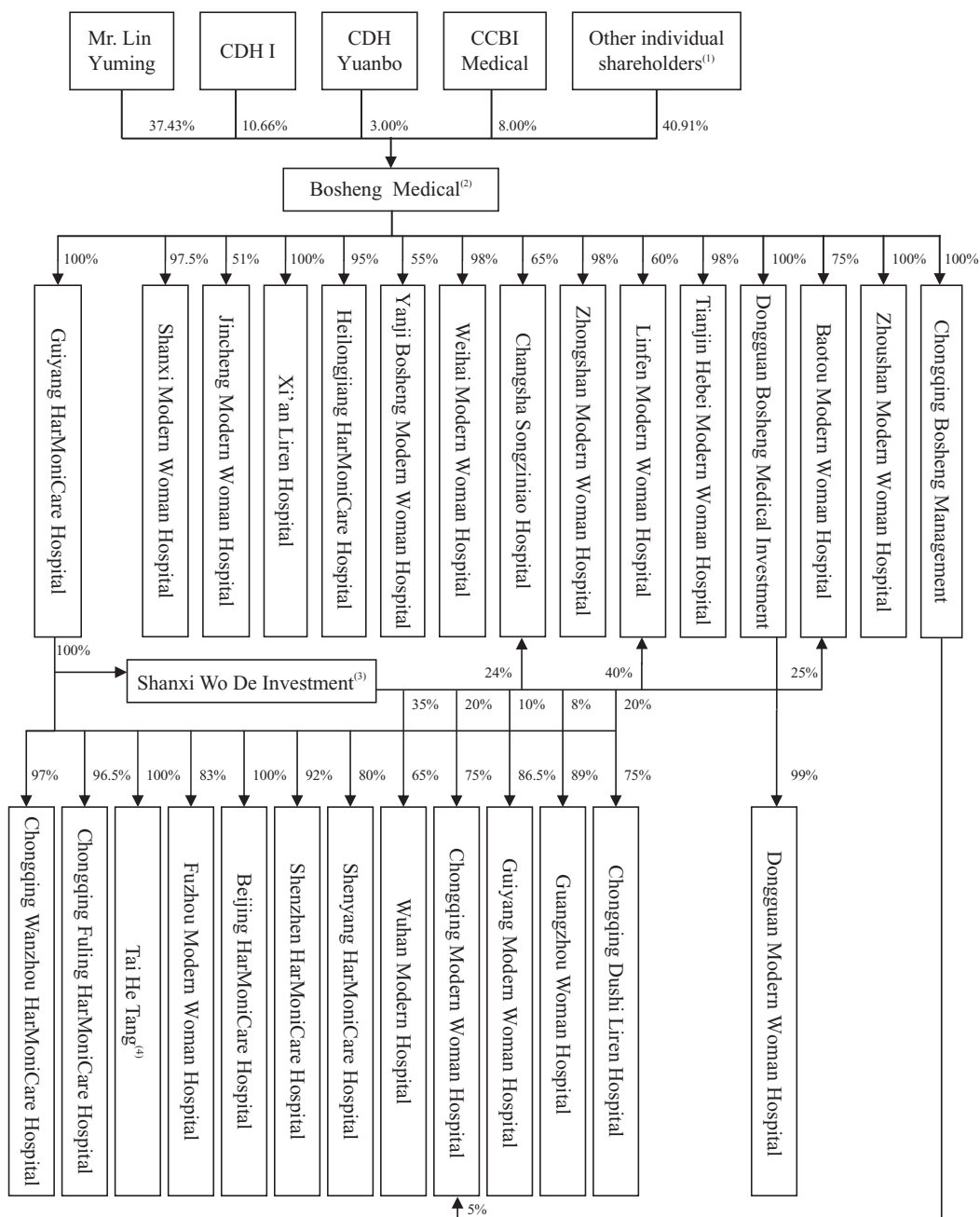
Name of hospital	Interest transferred	Date of transfer	Total consideration	Settlement date of the consideration
1) Beijing HarMoniCare Hospital <sup>(3)</sup> .....	100%	December 27, 2013	RMB1.0	December 25, 2013
2) Chongqing Modern Woman Hospital <sup>(1)</sup> ....	75%	December 30, 2013	RMB1.0 million	December 26, 2013
3) Chongqing Dushi Liren Hospital <sup>(2)</sup> .....	75%	December 31, 2013	RMB5.8 million	December 25, 2013
4) Chongqing Wanzhou HarMoniCare Hospital <sup>(3)</sup> .....	97%	December 30, 2013	RMB1.0	December 25, 2013
5) Chongqing Fuling HarMoniCare Hospital <sup>(2)</sup> .....	96.5%	December 31, 2013	RMB11.5 million	December 25, 2013
6) Fuzhou Modern Woman Hospital <sup>(2)</sup> .....	83%	December 30, 2013	RMB10.6 million	December 25, 2013
7) Guangzhou Woman Hospital <sup>(1)</sup> .....	88%	December 26, 2013	RMB17.3 million	December 30, 2013
8) Guiyang Modern Woman Hospital <sup>(1)</sup> .....	86.5%	December 26, 2013	RMB2.2 million	December 25, 2013
9) Shanxi Wo De Investment <sup>(1)</sup> .....	100%	December 23, 2013	RMB17.8 million	December 30, 2013
10) Shenyang HarMoniCare Hospital <sup>(3)</sup> .....	51%	December 18, 2013	RMB1.0	December 25, 2013
11) Shenzhen HarMoniCare Hospital <sup>(3)</sup> .....	92%	December 31, 2013	RMB1.0	December 25, 2013
12) Tai He Tang <sup>(1)</sup> .....	100%	December 24, 2013	RMB5.1 million	December 26, 2013
13) Wuhan Modern Hospital <sup>(2)</sup> .....	65%	December 31, 2013	RMB14.6 million	December 26, 2013

*Notes:*

1. The considerations of these transfers were determined based on arm's length negotiation with reference to the registered capital of each of the hospitals at the time of the transfer.
2. The considerations of these transfers were determined based on arm's length negotiation with reference to the net asset value of each of the hospitals as of November 30, 2013.
3. The considerations of these transfers were determined to be RMB1.0, as the net asset value of each of these hospitals was negative at the time of the transfer.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The corporate and shareholding structure of Bosheng Medical immediately before the implementation of the Reorganization was as follows:



Notes:

- Other individual shareholders were: Mr. Lin Yuguo held 6.18%, Mr. Lin Yurong held 6.00%, Mr. Lin Yuhua held 3.84%, Mr. Su Yuanding held 3.32%, Mr. Li Wenfeng held 3.14%, Mr. Li Wenlong held 2.59%, Mr. Chen Chunlin held 2.05%, Mr. Shen Xiaoling held 2.00%, Ms. Zou Lan held 1.81%, Mr. Lin Jinyao held 1.80%, Mr. Lin Chaoyang held 1.24%, Mr. Lin Wanxiang held 1.24%, Mr. Xing Yunbo held 0.91%, Mr. Zhao Xingli held 0.86%, Mr. Fu Dongjun held 0.63%, Mr. Wu Zongyong held 0.59%, Mr. Lin Quan held 0.50%, Mr. Xie Qisheng held 0.46%, Mr. Li Shouliang held 0.41%, Mr. Fang Zhifeng held 0.33%, Mr. Li Jinyao held 0.28%, Mr. Li Jinchun held 0.28%, Mr. Lin Zhitong held 0.21%, and Mr. Zhan Jianhua held 0.21% equity interest in Bosheng Medical, respectively. Among them, Mr. Lin Yuguo, Mr. Fang Zhifeng and Mr. Zhao Xingli

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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are Directors of our Company. Mr. Fu Dongjun has ceased to assume any role in the management team of our Company as of the Latest Practicable Date. Apart from Mr. Lin Yuguo, Mr. Zhao Xingli, Mr. Lin Yuming, Mr. Lin Yuhua, Mr. Lin Yurong, Mr. Li Wenfeng, Mr. Li Wenlong and Mr. Su Yuanding (see page 63 of this prospectus for their relationships), the rest of the abovementioned individuals are Independent Third Parties.

2. The minority shareholders of the non-wholly-owned subsidiaries of Bosheng Medical and their respective shareholdings were as follows:
- i. 2.5% of Shanxi Modern Obstetrics and Gynecology Hospital Co., Ltd. (山西現代婦產醫院有限責任公司) (“Shanxi Modern Woman Hospital”) was held by Mr. Wu Yaping, who is the brother-in-law of Mr. Lin Yuming and a connected person of our Company.
  - ii. 3% of Jincheng Modern Woman Hospital Co., Ltd. (晉城現代女子醫院有限責任公司) (“Jincheng Modern Woman Hospital”) was held by Mr. Huang Kai, 40% by Mr. Chen Qinglong, 2% by Mr. Lin Yuanqing, 1% by Mr. Wu Mingfeng, 1% by Ms. Wang Liying, 1% by Mr. Song Dacheng and 1% by Mr. Li Qingzao, apart from Mr. Li Qingzao who is the nephew of Mr. Li Wenfeng, all Independent Third Parties.
  - iii. 5% of Heilongjiang HarMoniCare Obstetrics and Gynecology Co., Ltd. (黑龍江和美婦產醫院有限責任公司) (“Heilongjiang HarMoniCare Hospital”) was held by Mr. Wu Yaping.
  - iv. 45% of Yanji Bosheng Modern Woman Hospital Co., Ltd. (延吉博生現代女子醫院有限公司) (“Yanji Bosheng Modern Woman Hospital”) was held by Mr. Lin Jinhan, an Independent Third Party.
  - v. 2% of Weihai Modern Obstetrics and Gynecology Hospital Co., Ltd. (威海現代婦產醫院有限公司) (“Weihai Modern Woman Hospital”) was held by Mr. Wei Rongda, an Independent Third Party.
  - vi. 11% of Changsha Songziniiao Hospital Co., Ltd. (長沙送子鳥生殖與不孕醫院有限公司) (“Changsha Songziniiao Hospital”), previously known as Changsha Modern Woman Gynecology Hospital Co., Ltd (長沙現代婦科醫院有限公司), was held by Mr. Lin Yuguo.
  - vii. 1% of Zhongshan Modern Woman Gynecology Hospital Co., Ltd. (中山現代婦科醫院有限公司) (“Zhongshan Modern Woman Hospital”) was held by Mr. Chen Gang and 1% by Mr. Lin Xinhai, both Independent Third Parties.
  - viii. 2% of Tianjin Hebei Modern Woman Hospital Co., Ltd. (天津河北現代女子醫院有限公司) (“Tianjin Hebei Modern Woman Hospital”) was held by Mr. Huang Yuanbiao, an Independent Third Party.
  - ix. 1% of Dongguan Modern Woman Gynecology Hospital Co., Ltd. (東莞現代婦科醫院有限公司) (“Dongguan Modern Woman Hospital”) was held by Mr. Lin Jianjun, an Independent Third Party.
  - x. 3% of Chongqing Wanzhou HarMoniCare Hospital was held by Mr. Gong Yongjun, an Independent Third Party.
  - xi. 3.5% of Chongqing Fuling HarMoniCare Hospital was held by Mr. Wu Yaping.
  - xii. 10% of Fuzhou Modern Woman Hospital was held by Mr. Chen Jianhua, 3.5% by Mr. Li Feng, 2.5% by Ms. Yang Yiqiong, 0.5% by Ms. Ma Huanzhi and 0.5% by Mr. Zeng Zhemin, all of which are Independent Third Parties.
  - xiii. 8% of Shenzhen HarMoniCare was held by Mr. Lin Zhitong, an Independent Third Party.
  - xiv. 20% of Shenyang HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (瀋陽和美婦產醫院有限公司) (“Shenyang HarMoniCare Hospital”) was held by Mr. Chen Chunshen, an Independent Third Party.
  - xv. 1% of Guiyang Modern Woman Hospital was held by Mr. Chen Bojie, 1% by Mr. Xia Rongxue, 1% by Ms. Wang Ying and 0.5% by Ms. Liu Jianmei. Mr. Xia Rongxue was a member of the senior management of Chongqing Fuling HarMoniCare Hospital. Mr. Chen Bojie, Ms. Wang Ying and Ms. Liu Jianmei were all Independent Third Parties.
  - xvi. 2% of Guangzhou Woman Hospital was held by Mr. Li Qingtang and 1% by Mr. Huang Yuanbiao, all Independent Third Parties.
  - xvii. 2% of Chongqing Dushi Liren Hospital was held by Mr. Chen Bojie, 1% by Mr. Xia Rongxue, 1% by Mr. Li Zhixiu, 0.5% by Ms. Wang Ying and 0.5% by Chongqing Modern Woman Hospital Investment Co., Ltd. (重慶現代女子醫院投資有限公司) (“Chongqing Modern Woman Hospital Investment”), an entity which is 80% held by Mr. Lin Yuming and a connected person of our Company. Mr. Xia Rongxue was a member of the senior management at Chongqing Fuling Hospital. Mr. Chen Bojie, Mr. Li Zhixiu and Ms. Wang Ying were all Independent Third Parties.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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3. Shanxi Wo De Investment was established as a holding company on October 26, 2009 in the PRC with a registered capital of RMB17.8 million, and is a wholly-owned subsidiary of Guiyang HarMoniCare Hospital.
4. Tai He Tang was established on July 7, 2005 in the PRC with a registered capital of RMB5.1 million, and is a wholly-owned subsidiary of Guiyang HarMoniCare Hospital. Tai He Tang is principally engaged in the supply of pharmaceuticals and medical devices.

### REORGANIZATION

For the purpose of optimizing our management and resources to focus on providing high-quality and safe healthcare service to women and children through our mid- to high-end hospitals in the first- and second-tier cities in China, certain subsidiaries of Bosheng Medical which are not in line with our Group's strategic positioning and future development are not included in our Group. In order to avoid any potential competition with our Group, Bosheng Medical further transferred all its respective equity interests in these subsidiaries to Independent Third Parties from February 2014 to December 2014. For more details, see "Relationship with Our Controlling Shareholders—Companies Previously Owned by the Controlling Shareholders and Subsequently Disposed Of." Meanwhile, the companies comprising our Group underwent the Reorganization in preparation for the Listing. The key steps in the Reorganization are set out in chronological order below:

#### Onshore Reorganization

##### *1. Transfer of equity interest in Chongqing Bosheng Management*

On July 29, 2014, Bosheng Medical transferred its 100% equity interest in Chongqing Bosheng Management to Guiyang HarMoniCare Hospital for a consideration of RMB2.5 million, which was determined with reference to the net asset value of Chongqing Bosheng Management as of June 30, 2014. The payment of the consideration was made on August 27, 2014.

##### *2. Establishment of HarMoniCare Management and Consulting*

On July 31, 2014, HarMoniCare Management and Consulting was incorporated in the PRC with a registered capital of RMB50,000,000. HarMoniCare Management and Consulting was established as a holding company of our operating subsidiaries in the PRC and was a wholly-owned subsidiary of Bosheng Medical upon its establishment.

##### *3. First Transfer of equity interest in Guiyang HarMoniCare Hospital*

On August 20, 2014, Bosheng Medical transferred its 100% equity interest in Guiyang HarMoniCare Hospital to HarMoniCare Management and Consulting for a consideration of RMB44,650,000, which was determined with reference to the valuation of Guiyang HarMoniCare Hospital as of June 30, 2014 conducted by an independent professional valuer. The consideration was settled on August 22, 2014.

##### *4. Capital contribution to HarMoniCare Management and Consulting*

After a capital contribution of RMB200,000,000 by Bosheng Medical into HarMoniCare Management and Consulting on August 25, 2014, the registered capital of HarMoniCare Management and Consulting was increased to RMB250,000,000.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *5. Second Transfer of equity interests in Guiyang HarMoniCare Hospital*

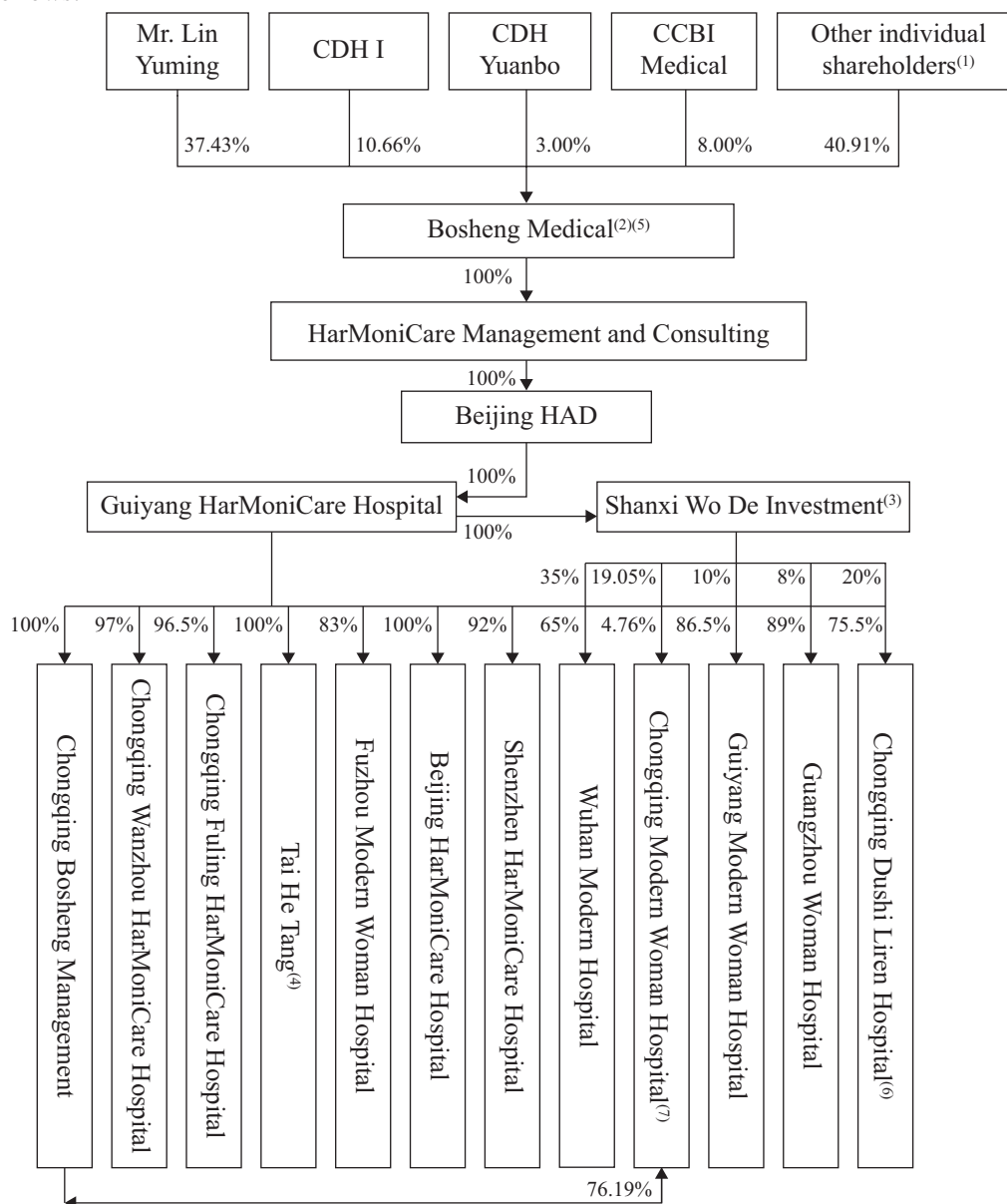
On November 25, 2014, HarMoniCare Management and Consulting transferred its 100% equity interest in Guiyang HarMoniCare Hospital to Beijing HAD, which was established in the PRC on November 13, 2014 and a wholly-owned subsidiary of HarMoniCare Management and Consulting for a consideration of RMB44,650,000, which was determined with reference to the valuation of Guiyang HarMoniCare Hospital as of June 30, 2014 conducted by an independent professional valuer.

### *6. Disposal of Shenyang HarMoniCare Hospital*

Shenyang HarMoniCare Hospital was established on May 7, 2012 in the PRC with a registered capital of RMB25,000,000, and was held as to 80.0% by Guiyang HarMoniCare Hospital and 20.0% by Mr. Chen Chunsen, immediately prior to the disposal. Mr. Chen Chunsen is one of the founders of the Shenyang HarMoniCare Hospital and has been managing the business of Shenyang HarMoniCare Hospital since its establishment. We believe that the operation and future development of Shenyang HarMoniCare Hospital fundamentally relies on Mr. Chen Chunsen's involvement in its management. In 2014, our Group underwent a series of steps under the Reorganization in preparation for the Listing. Mr. Chen Chunsen also sought to become a shareholder of our Company but failed to agree upon the consideration of the share swap with the then Shareholders of our Company. In addition, we could not reach an agreement with Mr. Chen Chunsen regarding his managerial role and the future development strategy of Shenyang HarMoniCare Hospital pursuant to the Company's listing plan. Shenyang HarMoniCare Hospital also did not achieve net profit from 2012 to its disposal date. Based on the above reasons, we believe it is in the best interest of our Company to dispose our equity interest in Shenyang HarMoniCare Hospital. On August 7, 2014, Guiyang HarMoniCare Hospital transferred all its equity interests in Shenyang HarMoniCare Hospital to Mr. Wu Yaping, a brother-in-law of Mr. Lin Yuming and thus a connected person of our Company, for a consideration of RMB2.66 million, which was determined after arm's length negotiation with reference to the net asset value of Shenyang HarMoniCare Hospital as at June 30, 2014. The consideration was settled on September 22, 2014. After the disposal, Shenyang HarMoniCare Hospital was no longer part of our Group. There was no dispute between Mr. Chen Chunsen and our Group regarding the disposal of Shenyang HarMoniCare Hospital. As at the time of the disposal, Shenyang HarMoniCare Hospital had a gross floor area of approximately 8,800 sq.m., 120 registered beds and 37 qualified physicians. On February 2, 2015, 80% of the equity interest of Shenyang HarMoniCare Hospital was subsequently disposed by Mr. Wu Yaping to Mr. Chen Fubin, an Independent Third Party for a consideration of RMB0.5 million, which was determined after arm's length negotiation with reference to the net asset value of Shenyang HarMoniCare Hospital as at December 31, 2014. Shenyang HarMoniCare Hospital did not have any material non-compliance incidents, material medical disputes or contingent liabilities during the Track Record Period. For the three years ended December 31, 2012, 2013 and 2014, Shenyang HarMoniCare Hospital constituted 1.3%, 4.1% and 2.6% of our total revenue, respectively.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Upon completion of the onshore restructuring, the corporate and shareholding structure of our Group was as follows:



**Notes:**

1. Please refer to footnote (1) on page 69.
2. Please refer to footnote (2) on page 70.
3. Please refer to footnote (3) on page 71.
4. Please refer to footnote (4) on page 71.
5. The other thirteen hospitals that were previously wholly- or majority-owned by Bosheng Medical and not part of our Group were not included in our Group and were disposed of by Bosheng Medical to Independent Third Parties due to business considerations. For details of these hospitals and their disposals, see “Relationship with our Controlling Shareholders—Companies Previously Owned by the Controlling Shareholders and Subsequently Disposed of.”
6. On August 13, 2014, Chongqing Dushi Liren Hospital to Guiyang HarMoniCare Hospital for a consideration of RMB 59,000, which was determined based on the net asset value of Chongqing Dushi Liren Hospital as of June 30, 2014. The payment of the consideration was made on August 26, 2014.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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7. On September 28, 2014, the existing shareholders of Chongqing Modern Woman Hospital transferred and adjusted the shareholdings among themselves at nominal considerations. After the transfers, Guiyang HarMoniCare Hospital, Shanxi Wo De Investment and Chongqing Bosheng Management held 4.76%, 19.05% and 76.19% of the equity interest in Chongqing Modern Woman Hospital, respectively.

### **Offshore Reorganization**

#### *1. Formation of the offshore holding companies*

(1) On August 27, 2014, Mr. Ying Wei, an Independent Third Party, established Galaxy Power under the laws of the BVI. On September 5, 2014, Sharp Charm was established in Hong Kong as a wholly-owned subsidiary of Galaxy Power. On December 29, 2014, Mr. Ying Wei established Concord Glory Limited (“Concord Glory”) under the laws of the BVI. After the establishment of Concord Glory, on January 15, 2015, Mr. Ying Wei transferred all of his equity interest in Galaxy Power to Concord Glory in exchange for the 100% share capital of Concord Glory. After the transfer, Galaxy Power became a wholly-owned subsidiary of Concord Glory.

(2) On August 25, 2014, Mr. Lin Yuming established Homecare. On August 27, 2014, Mr. Li Wenfeng established Harmony Care which was subsequently owned by Mr. Lin Yurong and Mr. Lin Yuhua. On August 27, 2014, Mr. Lin Zhitong established Honeycare which was subsequently owned by Mr. Lin Yuguo and other 17 individuals, under the laws of the BVI. On November 18, 2014, Mr. Xing Yunbo and other three individuals established Classic Symbol under the laws of the BVI. These entities were established as the holding companies of the respective interests of the individual Shareholders in our Company to reflect their respective equity interests in Bosheng Medical prior to the Reorganization. For their respective shareholding in our Company and their identities, see “—Corporate and Shareholding Structure.”

(3) On August 26, 2014, our Company was incorporated in the Cayman Islands with limited liability as the listing entity and a holding company of our Group and one Share was allotted and issued to the initial subscriber who immediately transferred one Share to Homecare. Upon completion of the transactions, our Company was 100% held by Homecare.

(4) On July 15, 2014, Ms. Chan Mei Chun, Mr. So Kin Ching’s spouse, established Harmonicare Medical in Hong Kong, with a registered share capital of HKD10,000. After the incorporation of our Company, on August 27, 2014, our Company established Harmonicare under the laws of the BVI as a wholly-owned subsidiary. On October 29, 2014, Ms. Chan Mei Chun transferred all her equity interest in Harmonicare Medical to Harmonicare for a consideration of HKD10,000, which was determined with reference to the registered share capital of Harmonicare Medical at the time. After the transfer, Harmonicare Medical became a wholly-owned subsidiary of Harmonicare.

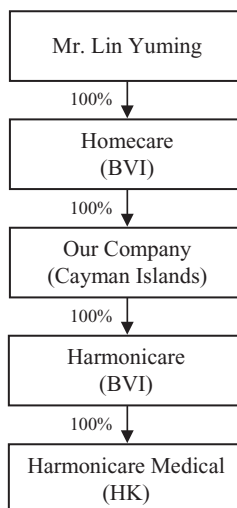


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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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The offshore shareholding structure of our Company immediately after the formation of the offshore companies and the initial allotments of Shares were as follows:



### ***2. First round of acquisition of HarMoniCare Management and Consulting***

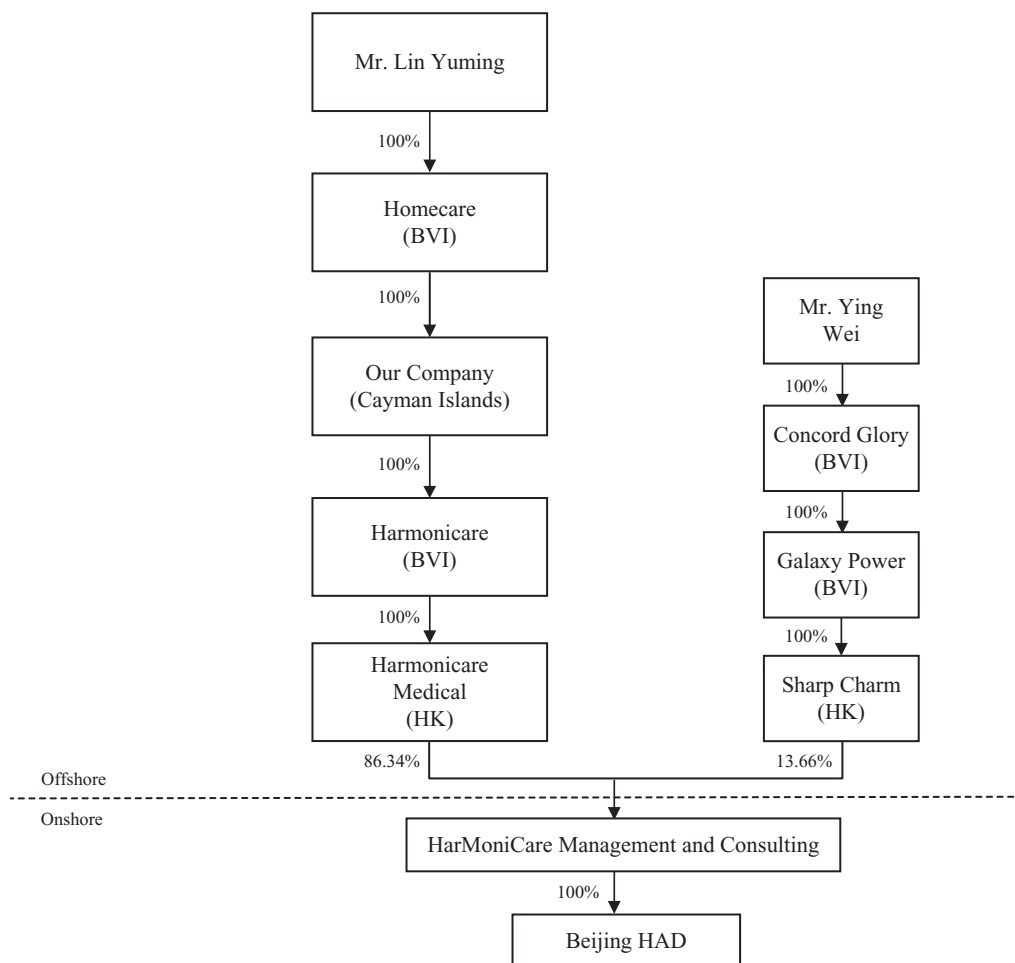
On December 15, 2014, Bosheng Medical transferred its 13.66% equity interest in HarMoniCare Management and Consulting to Sharp Charm for a consideration of RMB37,970,600, which was determined with reference to the valuation of HarMoniCare Management and Consulting as of August 31, 2014 conducted by an independent professional valuer. The consideration was settled on January 14, 2015 with Sharp Charm's own fund. Subsequent to the transfer, HarMoniCare Management and Consulting was owned as to 86.34% and 13.66% by Bosheng Medical and Sharp Charm, respectively. As advised by our PRC legal advisers, such transfer would result in the conversion of HarMoniCare Management and Consulting from a PRC domestic company into a Sino-foreign joint venture company (中外合資企業), and requires the prior approval of Beijing MOFCOM, which was obtained on December 11, 2014. HarMoniCare Management and Consulting obtained the new business license from Beijing SAIC and became a Sino-foreign joint venture company on December 15, 2014.

### ***3. Second round of acquisition of HarMoniCare Management and Consulting***

On December 31, 2014, Bosheng Medical transferred its 86.34% equity interests in HarMoniCare Management and Consulting to Harmonicare Medical for a consideration of RMB239,998,500, which was determined with reference to the valuation of HarMoniCare Management and Consulting as of August 31, 2014 conducted by an independent professional valuer. The consideration was settled on March 18, 2015 with Harmonicare Medical's own fund. Subsequent to the transfer, HarMoniCare Management and Consulting was owned as to 86.34% and 13.66% by Harmonicare Medical and Sharp Charm, respectively. The acquisition made by Harmonicare Medical was approved by Beijing MOFCOM on December 30, 2014. HarMoniCare Management and Consulting obtained the new business license from Beijing SAIC and became a wholly-foreign owned enterprise on December 31, 2014.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The shareholding structure of our Company after two rounds of acquisitions was as follows:



#### 4. Share issuance to Homecare and Mighty Sky

On December 25, 2014, our Company allotted and issued 90,152,787 and 9,206,705 Shares to Homecare and Mighty Sky, respectively, for a consideration of RMB217,770,990 and RMB22,237,528, respectively, which was determined with reference to the valuation of HarMoniCare Management and Consulting as of August 31, 2014 conducted by an independent professional valuer. Mighty Sky was incorporated under the laws of the BVI on October 11, 2011 and is a wholly-owned subsidiary of CCBI Investments. Subsequent to the issuance and subscription, our Company was owned as to 90.73% and 9.27% by Homecare and Mighty Sky, respectively.

#### 5. Offshore share swap

On January 28, 2015, Concord Glory subscribed for 15,724,324 newly issued ordinary shares of our Company for a consideration of all issued and outstanding shares of Galaxy Power at the time. Subsequent to the issuance and subscription, Galaxy Power became our wholly-owned subsidiary, and our Company was owned as to 78.34%, 13.66% and 8.00%, by Homecare, Concord Glory and Mighty Sky, respectively.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *6. Transfers of the equity interest in our Company*

On January 28, 2015, Homecare transferred 25.48%, 9.84% and 5.58%, respectively, of its equity interest in our Company to Honeycare, Harmony Care and Classic Symbol for a consideration of RMB70.8 million, RMB27.4 million and RMB15.5 million, respectively, which were determined with reference to the valuation of HarMoniCare Management and Consulting as of August 31, 2014 conducted by an independent professional valuer. Subsequent to the transfers, our Company was owned as to 37.43%, 25.48%, 13.66%, 9.84%, 8.00% and 5.58%, by Homecare, Honeycare, Concord Glory, Harmony Care, Mighty Sky and Classic Symbol, respectively.

### *7. Shareholders Agreement among Shareholders of our Company*

On February 18, 2015, Homecare, Harmony Care, Honeycare and Classic Symbol (together, the “Founding Shareholders”), Mighty Sky and Concord Glory (together, the “Institutional Shareholders”), Mr. Lin Yuming, Mr. Xing Yunbo, and our Company entered into a subscription and shareholders agreement (the “Shareholders Agreement”) to agree upon and confirm the major steps of our Reorganization and to reflect the key terms of CDH Investments and CCBI Medical’s investment in 2008 and 2010, respectively. Key terms of the Shareholders Agreement are as follows, all of which will be terminated automatically upon Listing:

#### *I. Rights of the Shareholders:*

##### *a) Anti-dilution*

Save for any share bonus plan and share option schemes, the Company shall not issue any new Shares before the listing application. Any share split, share dividend, recapitalization or similar transaction shall be subject to the prior written consent of the Institutional Shareholders. Appropriate adjustments shall be made to maintain the shareholding ratio of all Shareholders in the Company.

##### *b) Transfer restrictions*

- a. Save for the sale of Shares by the Institutional Shareholders to their respective connected parties, from the date of the Shareholders Agreement to the date of the Listing, each of the Shareholders shall not sell, transfer or otherwise dispose Shares to any third parties.
- b. If the Company withdraws the listing application or any unforeseen circumstances cause the listing application to stop or abort:
  - i. Right of first refusal—if any Shareholder proposes to transfer any of his/its Shares, he/it shall first offer the Shares to other Shareholders under the same conditions.
  - ii. Tag along right—if any Founding Shareholder proposes to transfer any of its Shares, each of the Institutional Shareholders and Mr. Xing Yunbo shall have the right to tag along for the sale of their respective shares on a pro rata basis.

##### *c) Put right*

Each of the Institutional Shareholders and Mr. Xing Yunbo may request Mr. Lin Yuming and Homecare International to repurchase all their Shares, if any of the following incidents occurs:

- i. The Listing does not take place on or before August 31, 2015;

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- ii. The Institutional Shareholders find material misrepresentation or omission in the information provided by the Company, the Founding Shareholders and/or Mr. Lin Yuming during the course of the listing application and the Reorganization;
- iii. There has been material or substantial non-compliance by the Company, the Founding Shareholders, Mr. Lin Yuming and/or other authorized parties of the Company in respect of any representations and/or warranties in the Shareholders Agreement; or
- iv. The Founding Shareholders or the Company deliberately breaches the Shareholders Agreement.

### II. *The Board and reserved matters*

- a) Nomination right—each Institutional Shareholder has the right to nominate and appoint one executive Director and one independent non-executive Director.
- b) The following matters shall require the unanimous consent of all Directors appointed by the Institutional Shareholders:
  - a. establishing any entity outside the Group if the primary business of such entity is similar to or related to the Group's business;
  - b. any connected transaction exceeding RMB 10 million over a continuous period of 12 months;
  - c. any long term equity investment or its disposal;
  - d. any acquisition, restructuring, liquidation or change in the nature of business of the Company or any of its subsidiaries;
  - e. selling or disposing all or substantially all of the Company's assets or any disposal of more than RMB 10 million;
  - f. disposing or licensing any of the Company's brands, trademarks, licenses or permits to any third parties outside the Group;
  - g. any single or cumulative capital expenditure which is RMB 10 million or more than the annual budget;
  - h. any guarantee, charge or security provided to third parties outside the Group or any action that may incur a contingent liability of more than RMB 3 million;
  - i. any new borrowing exceeding RMB 5 million;
  - j. entering into any agreement exceeding RMB 5 million which is not in the ordinary course of business or any agreement which may change the business model of the Company;
  - k. the initiation or settlement of any litigation or arbitration exceeding RMB 5 million;
  - l. any decision in connection with the Listing;
  - m. determining remuneration and share incentive schemes for the Company's senior management; and
  - n. creating any pledge or guarantee on the Shares.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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On April 15, 2015, each of CDH Harmony and Mr. Xing Yunbo issued a waiver undertaking to Mr. Lin Yuming and Homecare that they respectively would not exercise the put rights upon the occurrence of any of the events under (c)(ii) to (c)(iv) above. On April 16, 2015, Mighty Sky issued the same waiver undertaking to Mr. Lin Yuming and Homecare. On May 13 and 14, 2015, each of CDH Harmony, Mighty Sky and Mr. Xing Yunbo further issued a waiver undertaking to Mr. Lin Yuming and Homecare that they respectively would not exercise the put rights upon the occurrence of the event under (c)(i) above. These undertakings were given by each of Mighty Sky, CDH Harmony and Mr. Xing Yunbo to Mr. Lin Yuming and Homecare unilaterally and unconditionally. Our Directors confirm, and our Hong Kong legal advisers are also of the view, that the waiver undertakings given by each of Mighty Sky, CDH Harmony and Mr. Xing Yunbo represent waivers of certain rights of each of Mighty Sky, CDH Harmony and Mr. Xing Yunbo under the Shareholders Agreement and do not constitute or otherwise fall within the meaning of a new investment agreement as contemplated in paragraph 7.2(a) of the Guidance Letter HKEx-GL43-12 issued by the Hong Kong Stock Exchange. There are no changes to the price or the number of Shares involved. Mighty Sky, CDH Harmony and Mr. Xing Yunbo have not been provided with any additional rights pursuant to the waiver undertakings.

### **8. Transfer of the equity interest in our Company to CDH Harmony**

On September 9, 2014, CDH I and CDH Yuanbo established CDH Jiagen in the Shanghai Pilot Free Trade Zone (上海自由貿易試驗區) as a limited partnership. CDH Harmony was established as a wholly-owned subsidiary of CDH Jiagen under the laws of the BVI on January 6, 2015. On February 13, 2015, Concord Glory transferred its 13.66% equity interest in our Company to CDH Harmony, for a consideration of USD6,383,680 which was determined by arm's length negotiation with reference to the valuation of HarMoniCare Management and Consulting as of August 31, 2014 conducted by an independent professional valuer. The consideration was settled on March 2, 2015. Subsequent to the transfer, CDH Harmony has succeeded all the rights and obligations of Concord Glory under the Shareholders Agreement, and our Company was owned as to 37.43%, 25.48%, 13.66%, 9.84%, 8.00% and 5.58%, by Homecare, Honeycare, CDH Harmony, Harmony Care, Mighty Sky and Classic Symbol, respectively.

### **Lock-up and public float**

Honeycare, Harmony Care, CDH Harmony and Mighty Sky have agreed with the Underwriters to subject their respective Shares to a lock-up period of six months from the date of the Listing. Upon completion of the Global Offering, the Shares held by each of Mighty Sky and Harmony Care will be considered part of the public float for the purpose of Rule 8.08 of the Listing Rules because each of Mighty Sky and Harmony Care is not entitled to exercise, or control the exercise of, 10.00% or more voting power at any general meeting of the Company.

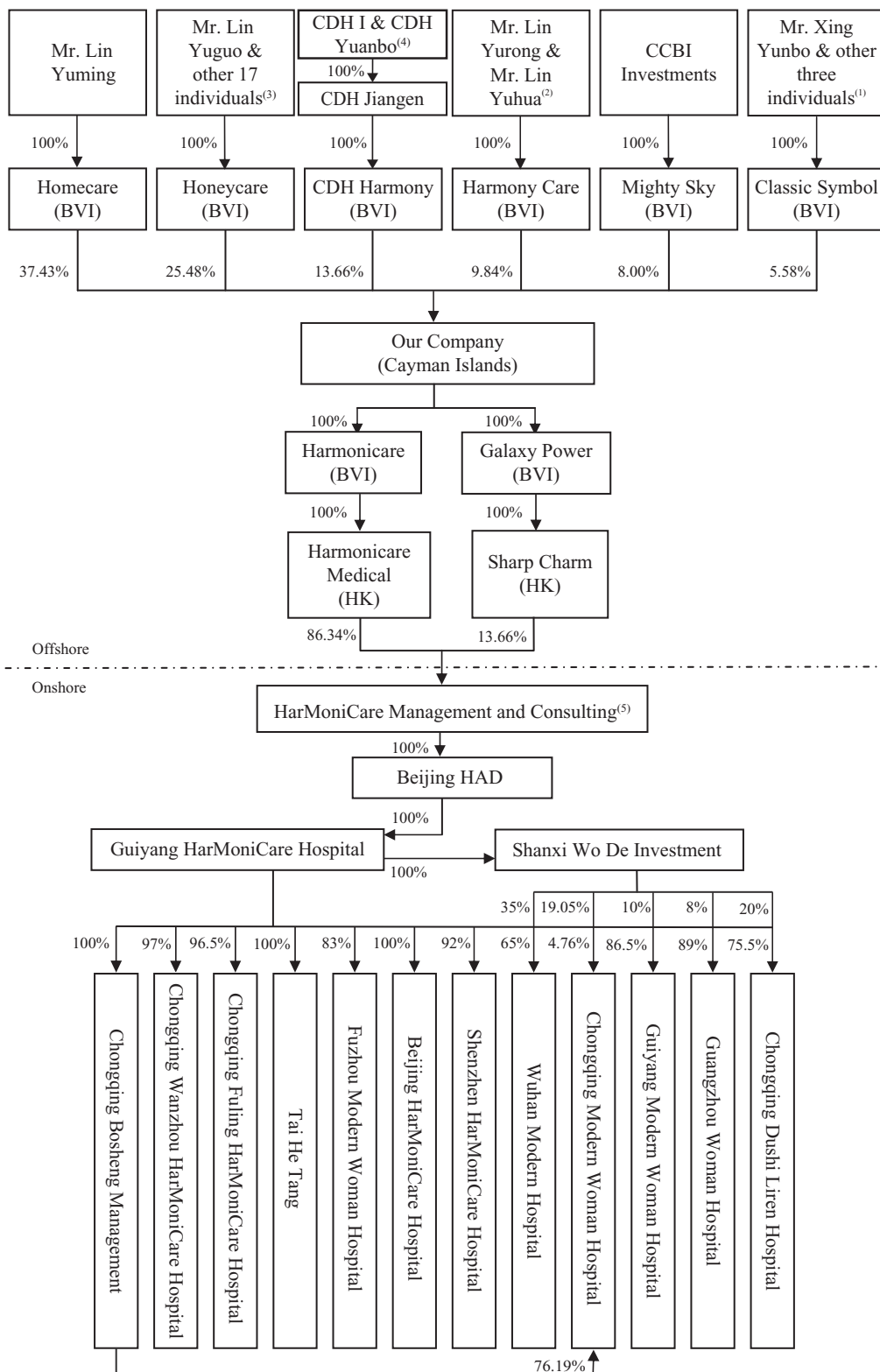
### **THE CAPITALIZATION ISSUE**

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors shall be authorized to allot and issue a total of 460,335,268 Shares credited as fully paid at par value to the Shareholders 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 becomes unconditional (or as it/they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalization of the sum of HK\$460,335,268 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares.

# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

## CORPORATE AND SHAREHOLDING STRUCTURE

The corporate and shareholding structure of our Company and our subsidiaries immediately after the Reorganization but before completion of the Capitalization Issue and the Global Offering is as follows:



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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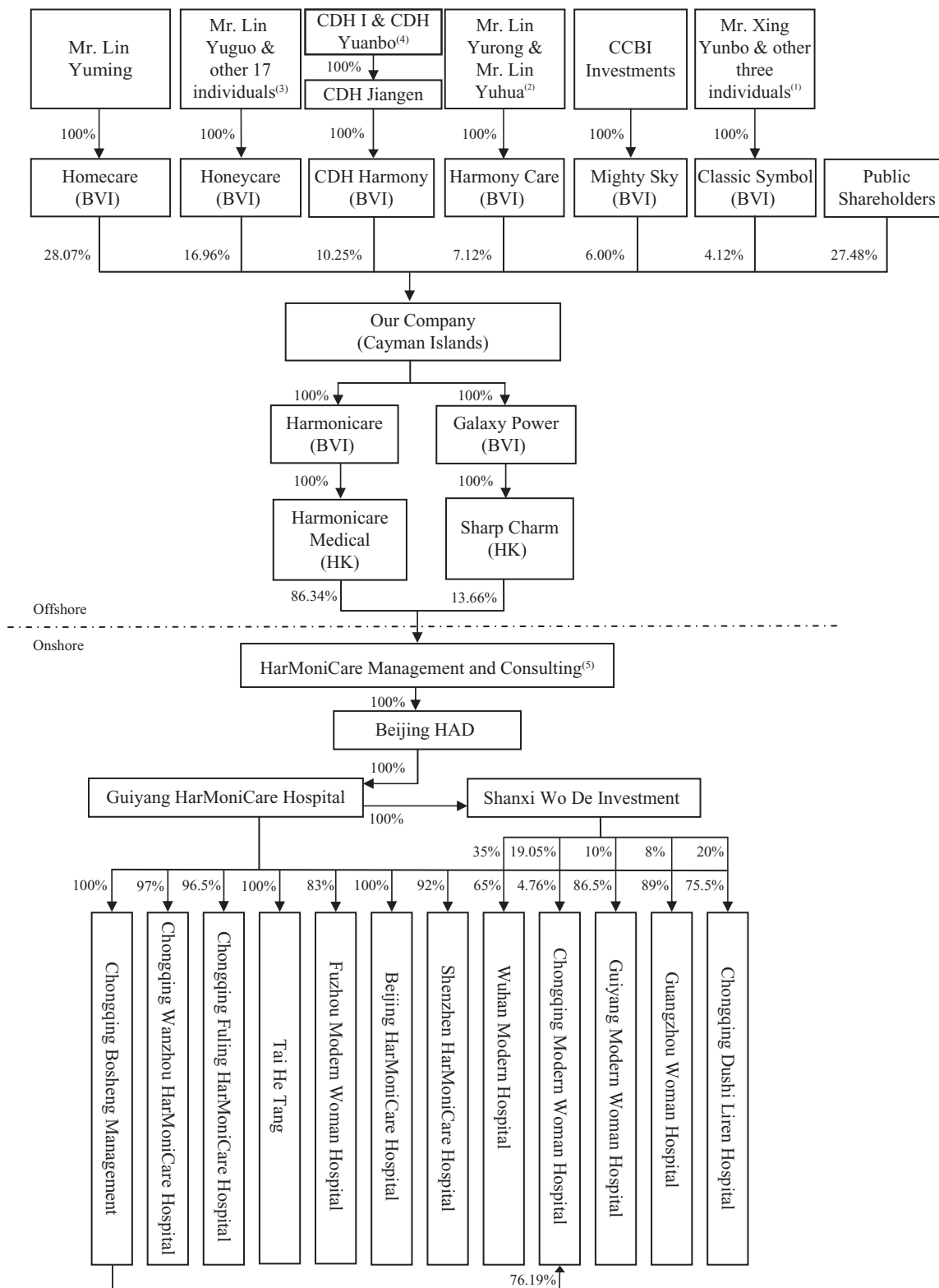
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*Notes:*

1. Mr. Zhao Xingli is an executive Director of our Company and holds 15.38% of the share capital of Classic Symbol. The other three individuals include Mr. Shen Xiaoling, Ms. Zou Lan and Mr. Xing Yunbo, holding 35.87%, 32.41% and 16.34% of the share capital of Classic Symbol, respectively.
2. Mr. Lin Yurong and Mr. Lin Yuhua are both Mr. Lin Yuming's brothers. Mr. Lin Yurong and Mr. Lin Yuhua hold 61% and 39% of the share capital of Harmony Care, respectively.
3. Mr. Lin Yuguo is a non-executive Director of our Company and Mr. Lin Yuming's brother. Mr. Lin Yuguo holds 24.24% of the share capital of Honeycare. The other 17 individuals include Mr. So Kin Ching holding 13.04%, Mr. Li Wenfeng holding 12.34%, Mr. Li Wenlong holding 10.16%, Mr. Chen Chunlin holding 8.04%, Mr. Lin Jinyao holding 7.05%, Mr. Lin Chaoyang holding 4.88%, Mr. Lin Wanxiang holding 4.88%, Mr. Fu Dongjun holding 2.48%, Mr. Wu Zongyong holding 2.33%, Mr. Lin Quan holding 1.98%, Mr. Xie Qisheng holding 1.81%, Mr. Li Shouliang holding 1.60%, Mr. Fang Zhifeng holding 1.28%, Mr. Li Jinyao holding 1.11%, Mr. Li Jinchun holding 1.11%, Mr. Lin Zhitong holding 0.83%, and Mr. Zhan Jianhua holding 0.81% of the share capital of Honeycare, respectively, all of whom are acting in their own capacities and there is no voting arrangement among them.
4. CDH Jiagen is held by CDH I (78%) and CDH Yuanbo (22%) as limited partners.
5. See “—History and Development—Corporate History” for details of the minority equity interests in our PRC subsidiaries.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The corporate and shareholding structure of our Company and our subsidiaries immediately upon the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and no exercise of any share option that may be granted under the Share Option Scheme) is as follows:





## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

*Notes:*

1. Please refer to footnote (1) on page 69.
2. Please refer to footnote (2) on page 70.
3. Please refer to footnote (3) on page 71.
4. Please refer to footnote (4) on page 71.
5. Please refer to footnote (5) on page 73.

### PRINCIPAL BUSINESS OF OUR OPERATING SUBSIDIARIES

As of the Latest Practicable Date, we had 16 subsidiaries in the PRC which made material contribution to our Group's results for the Track Record Period. The primary business of these subsidiaries are to operate individual standalone hospitals in different cities in China. Details of our subsidiaries are as follows:

PRC Subsidiary	Incorporation Date	Principal Business
HarMoniCare Management and Consulting . . . . .	July 31, 2014	holding company
Beijing HAD . . . . .	November 13, 2014	holding company
Guiyang HarMoniCare Hospital . . . . .	May 25, 2009	providing private obstetrics and gynecology specialty hospital services and holding company
Shanxi Wo De Investment . . .	October 26, 2009	holding company
Chongqing Bosheng Management . . . . .	August 25, 2008	holding company
Chongqing Wanzhou HarMoniCare Hospital . . . . .	March 27, 2009	providing private obstetrics and gynecology specialty hospital services
Chongqing Fuling HarMoniCare Hospital . . . . .	June 26, 2009	providing private obstetrics and gynecology specialty hospital services
Tai He Tang . . . . .	July 7, 2005	supply of pharmaceuticals and medical devices
Fuzhou Modern Woman Hospital . . . . .	January 4, 2010	providing private obstetrics and gynecology specialty hospital services
Beijing HarMoniCare Hospital . . . . .	June 14, 2011	providing private obstetrics and gynecology specialty hospital services
Shenzhen HarMoniCare Hospital . . . . .	July 29, 2010	providing private obstetrics and gynecology specialty hospital services
Wuhan Modern Hospital . . . . .	December 19, 2005	providing private obstetrics and gynecology specialty hospital services
Chongqing Modern Woman Hospital . . . . .	March 31, 2006	providing private obstetrics and gynecology specialty hospital services
Guiyang Modern Woman Hospital . . . . .	April 2007	providing private obstetrics and gynecology specialty hospital services
Guangzhou Woman Hospital . . . . .	July 16, 2008	providing private obstetrics and gynecology specialty hospital services
Chongqing Dushi Liren Hospital . . . . .	April 13, 2006	providing private obstetrics and gynecology specialty hospital services

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### PRC LEGAL COMPLIANCE

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Rules”), which were jointly promulgated by the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC and the SAFE on August 8, 2006, came into effect on September 8, 2006 and subsequently amended on June 22, 2009, require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by the relevant commerce authorities. Article 11 of the M&A Rules stipulates that an offshore special purpose vehicle established or controlled by a PRC domestic company, enterprise or natural person shall obtain approval from the MOFCOM prior to the acquisition of any domestic enterprise related to such company, enterprise or natural person. As advised by our PRC legal advisers, as the individual controlling shareholder of the Company, Mr. Lin Yuming, obtained permanent residency from The Republic of The Gambia on May 28, 2014 and cancelled his PRC residency on December 27, 2014, Mr. Lin Yuming was no longer a “PRC domestic natural person” under the M&A Rules at the time of the transfer of the 86.34% equity interest in HarMoniCare Management and Consulting to Harmonicare Medical. Accordingly, the transfer of equity interest in HarMoniCare Management and Consulting is not subject to approval from MOFCOM under the M&A Rules.

In addition, as advised by our PRC legal advisers, all of our ultimate shareholders who are subject to the registration requirements under Circular 37 completed their registrations with the SAFE on December 18, 2014. Our PRC legal advisers have confirmed that all relevant material registrations, approvals and permits required under PRC laws and regulations in relation to the Reorganization and the share transfers in respect of the PRC subsidiaries of our Group as described above have been completed and obtained.

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## INDUSTRY OVERVIEW

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*We believe that the sources of the information in this section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information that would qualify, contradict or have a material impact on such information since the date of the Frost & Sullivan Report. The information from official and non-official sources has not been independently verified by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Managers, any of the Underwriters, any of their respective directors and advisers or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. Accordingly, the information from official and non-official sources contained herein may not be accurate and should not be unduly relied upon.*

### SOURCE OF INFORMATION

We have engaged Frost & Sullivan, a market research consultant, to prepare an industry report for use in this prospectus (the “Frost & Sullivan Report”). Frost & Sullivan, founded in 1961, provides market research on a variety of industries, including healthcare. The information from Frost & Sullivan disclosed in this prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us, and is disclosed with the consent of Frost & Sullivan. In preparing the Frost & Sullivan Report, Frost & Sullivan collected and reviewed publicly available data such as government-derived information, annual reports, trade and medical journals, industry reports and other available information gathered by not-for-profit organizations. The data collected by Frost & Sullivan was last updated in March 2015 based upon data available up to then. Frost & Sullivan adopts a comprehensive data collection model, which includes primary research with the industry stakeholders, secondary research on the government statistics, industry reports and annual reports of listed companies, and data validation processes with industry key opinion leaders. Frost & Sullivan assumes that the interviewees are not intentionally providing wrong or misleading information and the government statistics do not contain errors. Frost & Sullivan also assumes that no unexpected events such as wars or disasters occurred during the relevant forecasting period.

Frost & Sullivan has developed its forecast on the following bases and assumptions:

- the social, economic and political environments of the PRC will remain stable during the forecast period, which will ensure a sustainable and steady development of the PRC healthcare industry;
- the PRC healthcare market will grow as expected due to the rising healthcare demand and supply;
- the PRC government will continue to support the healthcare reform; and
- the respective healthcare market where our Group hospitals are located will grow during the forecast period.

Frost & Sullivan and we believe that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review

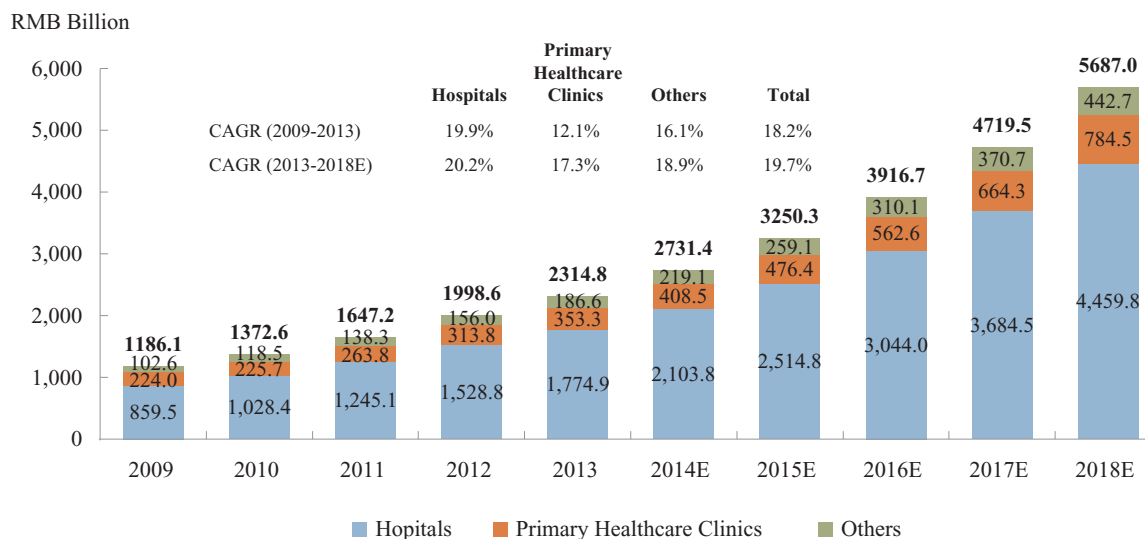
## INDUSTRY OVERVIEW

largely relies on the accuracy of the information collected. We have paid Frost & Sullivan a fee of RMB950,000 for preparation and updating of the Frost & Sullivan Report, which is not contingent upon the completion of the Global Offering.

### THE HEALTHCARE SERVICES MARKET IN CHINA

#### Overview

Healthcare services refer to the services provided by healthcare institutions for patients, including physical checkup, diagnosis, therapy, rehabilitation, preventive care, baby delivery, family planning and related services. China's healthcare institutions mainly include hospitals, community healthcare providers and other healthcare institutions, such as maternal and child healthcare institutions (婦幼保健院) and disease control centers. China's healthcare services spending is comprised of healthcare expenditures at hospitals, primary healthcare clinics and others such as sanatoriums and clinical testing centers, and has grown steadily in recent years. From 2009 to 2013, China's total healthcare services spending has grown from RMB1,186.1 billion to RMB2,314.8 billion, representing a CAGR of 18.2% in this period. According to Frost & Sullivan, China's total healthcare services spending is expected to continue its steady growth in the next few years. By 2018, China's total healthcare services spending is forecasted to increase to RMB5,687.0 billion, representing a CAGR of 19.7% from 2013 to 2018. The major portion of the healthcare services spending in China is derived from hospitals. The following chart sets forth the breakdown of China's total historical and projected healthcare services spending for the periods indicated:



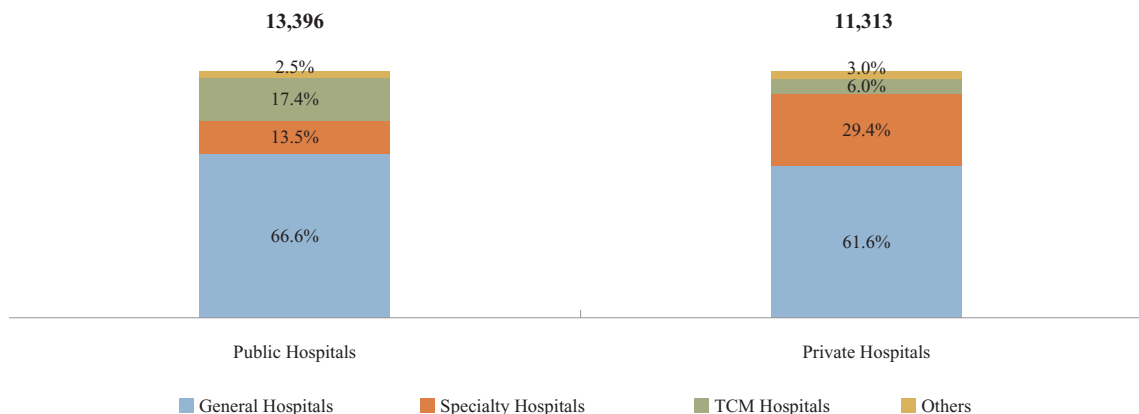
Source: Frost & Sullivan Report

### OVERVIEW OF THE HOSPITAL MARKET IN CHINA

According to Frost & Sullivan, there were 24,709 hospitals in China by the end of 2013. By the scope of healthcare services provided, China's hospitals can be classified into general hospitals, specialty hospitals, TCM hospitals and others. Alternatively, by the type of ownership, China's hospitals can be generally classified into public hospitals and private hospitals. In China, private hospitals have a higher

## INDUSTRY OVERVIEW

proportion of specialty hospitals compared to that of the public hospitals. The following chart sets forth the breakdown of China's hospitals by institution types in 2013:



Source: Frost & Sullivan Report

The following charts set forth a comparison of key metrics of public and private hospitals in China in 2013:

	Public Hospitals	Private Hospitals
Number of hospitals <sup>(1)</sup> . . . . .	13,396	11,313
Total number of beds in operation <sup>(1)</sup> . . . . .	5.4 million	0.8 million
Occupancy rate of beds . . . . .	93.5%	63.4%
Outpatient visits . . . . .	2,455.1 million	286.7 million
Inpatient visits . . . . .	123.2 million	16.9 million
Total revenue . . . . .	RMB1,643.0 billion	RMB131.9 billion

Note:

1. As of December 31, 2013

Source: Frost & Sullivan Report

The private hospital market in China has experienced rapid growth in recent years. According to Frost & Sullivan, revenue of private hospitals has increased from RMB48.7 billion in 2009 to RMB131.9 billion in 2013, representing a CAGR of 28.3%, and is expected to reach RMB463.2 billion in 2018, representing a CAGR of 28.6% from 2013. Also, the percentage of beds in operation in private hospitals is expected to reach approximately 20% of total beds in operation in China by 2015, according to China's 12th Five-Year Plan for National Economic and Social Development. The key drivers for the growth and development of private hospitals in China include the following:

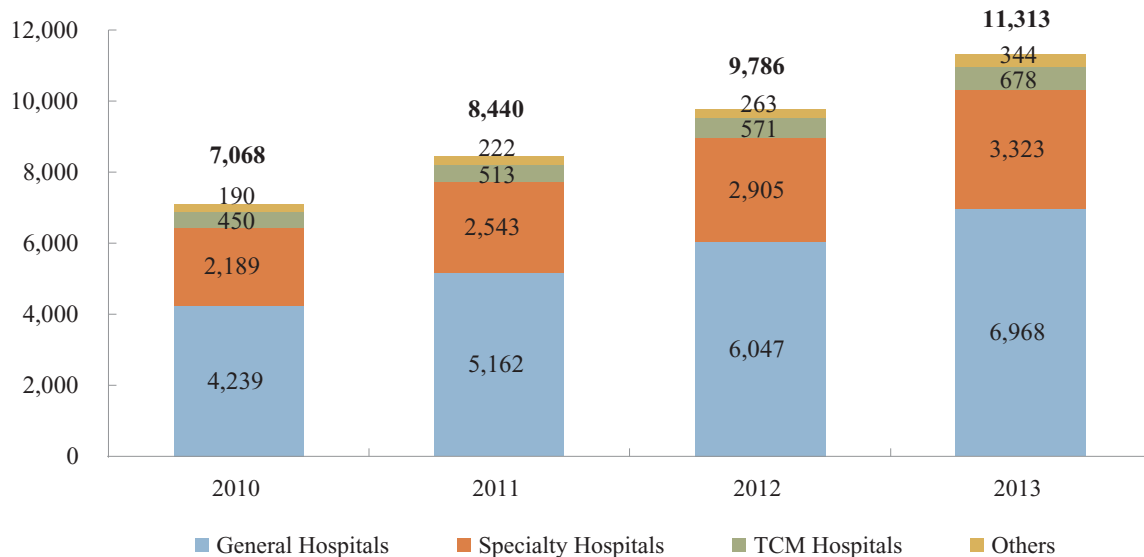
- Hospital reforms led by the government:** In recent years, the development of private hospitals has benefited significantly from favorable policies by the PRC government. Such favorable policies, among others, encourage the set-up of private hospitals and reform of public hospitals and provide favorable tax exemptions. For details of such policies, see "Appendix IV—Summary of Principal Legal and Regulatory Provisions—Laws and Regulations Related to the Healthcare Services Sector in China."

## INDUSTRY OVERVIEW

- Growth of middle class and upper class resulting in increasing demand for premium healthcare services:*** Over the past two decades, due to China’s rapid economic growth and urbanization progress, the urban resident income level has enjoyed an unprecedentedly high growth. From 2009 to 2013, per capita annual disposable income of urban households in China has grown from RMB17,175 to RMB26,955, representing a CAGR of 11.9% during this period, and is expected to reach RMB43,815 in 2018, representing a CAGR of 10.2% from 2013. As a result, there is an increasing demand from the middle and upper class patients for premium healthcare services, which are provided by private hospitals focusing on this segment of the market.
- Limited capacity of public hospitals to satisfy the increasing medical needs:*** The increasing demand for healthcare services in China has resulted in the shortage of healthcare services. All of the large domestic public healthcare institutions are facing the problems of limited capacity and high quantities of patients, thus creating growth opportunities for private hospitals which can divert patient streams.

However, the private hospitals also face certain challenges during their development, such as competition from public hospitals which may have greater operational scale, capabilities and patient recognition. The current physician registration system also limits the free flow of medical professionals, which refrains the private hospitals from accessing the talent pool. Furthermore, many private hospitals are not included in the three government medical insurance programs, which is important to attract patient flow to private hospitals, and China still lacks sophisticated commercial medical insurance programs to supplement the basic health insurance coverage.

The following chart sets forth the breakdown of numbers of private hospitals by institution types in China for the periods indicated:



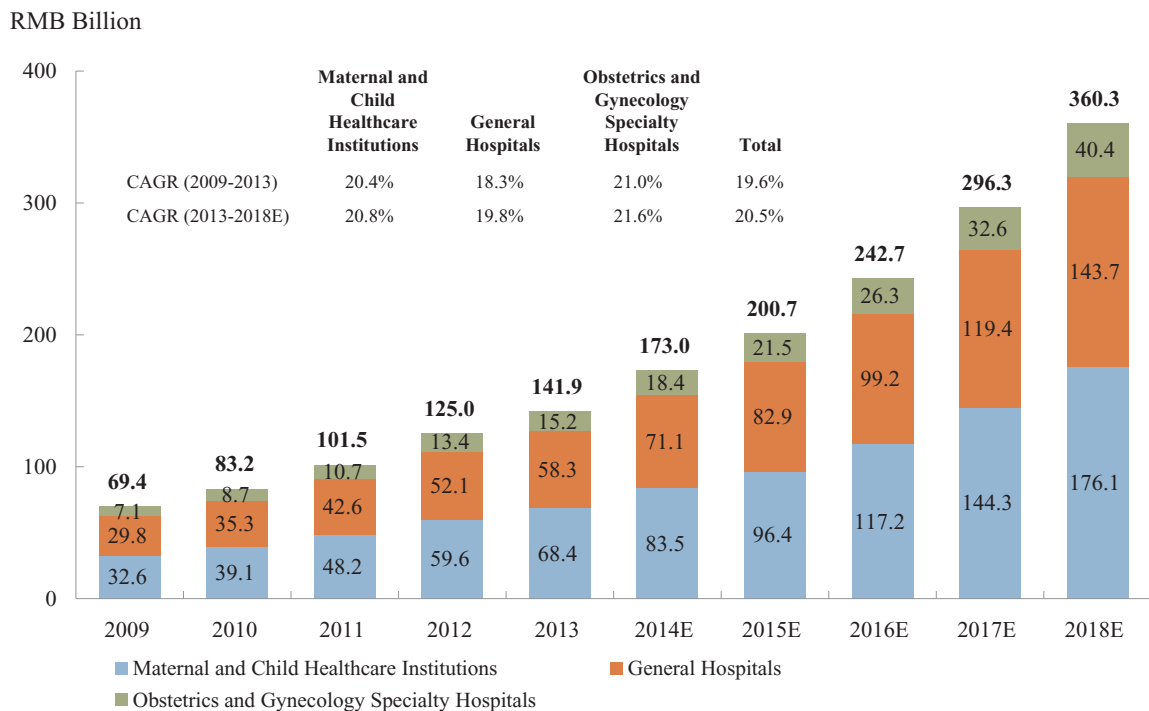
Source: Frost & Sullivan Report

## INDUSTRY OVERVIEW

### THE OBSTETRICS AND GYNECOLOGY HEALTHCARE SERVICES MARKET IN CHINA

#### Overview

China's obstetrics and gynecology healthcare services are mainly provided by hospitals and maternal and child healthcare institutions, which provide the diagnosis, therapy, baby delivery and related services. China's obstetrics and gynecology healthcare service providers can be generally categorized into (i) public and private general hospitals with obstetrics and gynecology departments; (ii) public and private obstetrics and gynecology specialty hospitals; and (iii) maternal and child healthcare institutions. In the obstetrics and gynecology healthcare services market in China, public general hospitals and maternal and child healthcare institutions are the major service providers. In 2013, the total obstetrics and gynecology patient visits in general hospitals (including both public and private) accounted for 50.5% of the total obstetrics and gynecology patient visits in China, while the patient visits in maternal and child healthcare institutions and obstetrics and gynecology specialty hospitals (including both public and private) accounted for 43.1% and 6.4%, respectively. In terms of revenue, the China obstetrics and gynecology healthcare services market has increased from RMB69.4 billion in 2009 to RMB141.9 billion in 2013, representing a CAGR of 19.6%, and is expected to reach RMB360.3 billion in 2018, representing a CAGR of 20.5% from 2013. The following chart sets forth a breakdown of China's obstetrics and gynecology healthcare services market in terms of revenue for the periods indicated:



Source: Frost & Sullivan Report

## INDUSTRY OVERVIEW

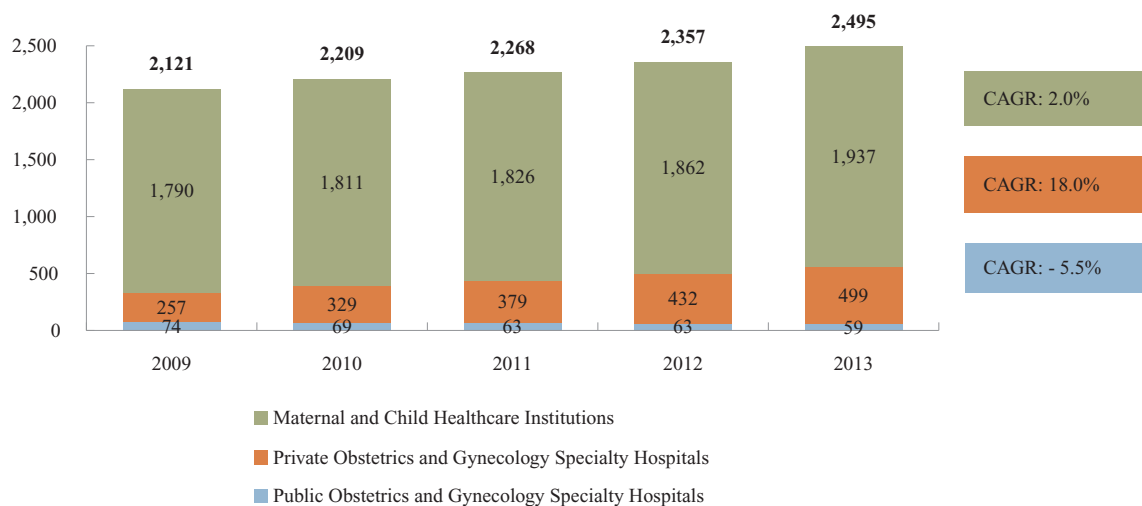
China's obstetrics and gynecology healthcare services market has grown rapidly in recent years. According to Frost & Sullivan, the key drivers for the growth and development of the obstetrics and gynecology healthcare services market in China include the following:

- Increasing target patient population in China:** (i) China's total female population has grown from 648.0 million in 2009 to 663.4 million in 2013 and is expected to reach 679.8 million in 2018; and (ii) the total female population of childbearing age has grown from 363.5 million in 2009 to 375.8 million in 2013 and is expected to reach 370.8 million in 2018. Such a large population base has led to a strong demand for the obstetrics and gynecology healthcare services in China.
- The growth of newborn population:** China's newborn population has grown from 16.0 million in 2009 to 16.4 million in 2013, and is expected to reach 16.7 million in 2018 with the gradual relaxation of the "One Child Policy".

### The Obstetrics and Gynecology Specialty Healthcare Services Market in China

#### Overview

The obstetrics and gynecology specialty healthcare services market in China generally include public and private specialty hospitals, which are specialized in providing obstetrics and gynecology healthcare services, and maternal and child healthcare institutions. The following chart sets forth the breakdown of the numbers of the obstetrics and gynecology specialty healthcare services providers in China for the periods indicated:



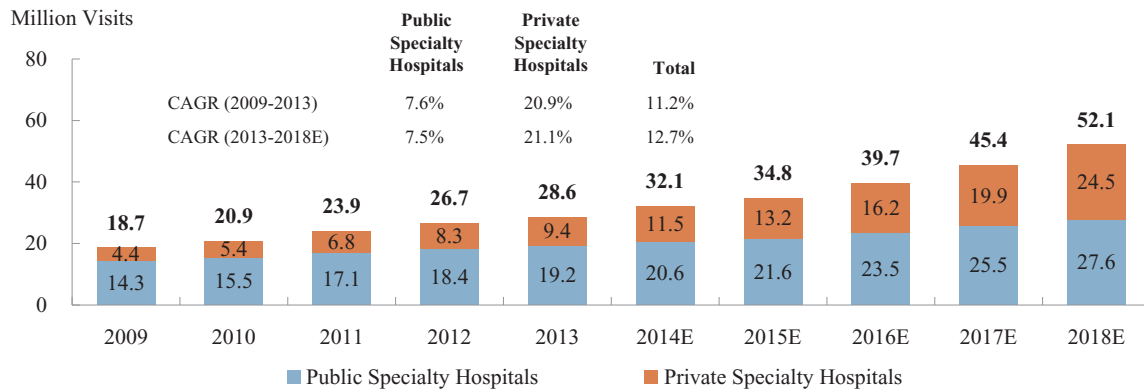
Source: Frost & Sullivan Report



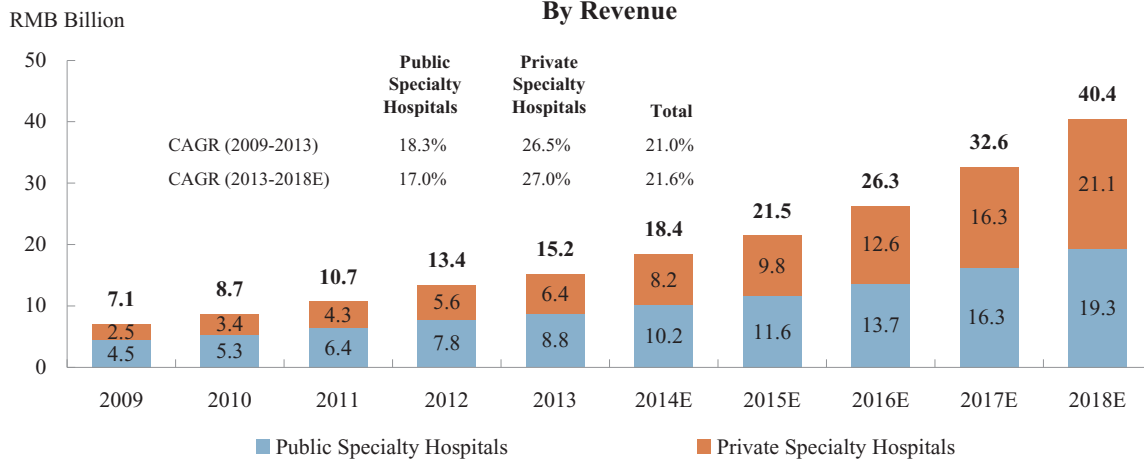
## INDUSTRY OVERVIEW

Between public and private obstetrics and gynecology specialty hospitals, although the public hospitals surpass the private hospitals in terms of both total patient visits and revenue, the private hospitals have demonstrated faster growth than the public hospitals. The following charts set forth the breakdown of total patient visits and revenue between public and private obstetrics and gynecology specialty hospitals for the periods indicated:

**By Total Patient Visits**



**By Revenue**



Source: Frost & Sullivan Report

When facing the choice between public and private specialty hospitals for obstetrics and gynecology healthcare services, female patients may select private hospitals for the following reasons:

- High-quality services:** Compared to public obstetrics and gynecology hospitals, private obstetrics and gynecology specialty hospitals can provide a comfortable hospital environment, amiable and personalized services, which all appeal to female patients. For example, some private obstetrics and gynecology specialty hospitals can offer individual diagnosis rooms to protect female patients' privacy during their visits. Some private obstetrics and gynecology specialty hospitals also provide customized services such as personalized dietary plan and one-on-one follow-up services.
- More accessible professional team:** Private obstetrics and gynecology specialty hospitals are willing to pay higher salaries to hire experienced doctors than public hospitals. This high

## INDUSTRY OVERVIEW

investment in talents leads to higher physician-per-patient ratio and experienced physicians are more accessible in private obstetrics and gynecology specialty hospitals.

- **High medical efficiency:** In public hospitals, healthcare services capacity is often overloaded and patients usually have to spend hours waiting but only have a few minutes to talk with doctors. Such low efficiency in public hospitals drives female patients to seek healthcare services in private hospitals where there are less patients and higher efficiency.

### Competitive landscape

As a result of the above competitive advantages that the private obstetrics and gynecology specialty hospitals have over the public ones, the private obstetrics and gynecology specialty hospitals in China have experienced rapid growth in recent years, despite the intense competition they face in a highly fragmented market, with the five largest private obstetrics and gynecology specialty hospital groups accounting for only 29.6% of the market in terms of revenue in 2013. They compete with each other, as well as with private general hospitals which have obstetrics and gynecology departments, public general hospitals which have obstetrics and gynecology departments and public obstetrics and gynecology specialty hospitals. They compete primarily with other hospitals in their areas of operation, and other key competitive factors including reputation, price and convenience. The following table sets forth the top five private obstetrics and gynecology specialty hospital groups in China in terms of revenue in 2013:

Rank	Hospital Group	2013 Revenue (RMB million) <sup>(1)</sup>	Market Share <sup>(2)</sup>	Obstetrics & Gynecology Specialty Hospital No. <sup>(3)</sup>
1	Our Group . . . . .	833.2	13.0%	11
2	Company A . . . . .	365.0	5.7%	3
3	Company B . . . . .	295.0	4.6%	11
4	Company C . . . . .	226.7	3.5%	3
5	Company D . . . . .	180.0	2.8%	3

*Notes:*

1. The 2013 revenue does not include the revenue of other non-obstetrics and gynecology specialty hospitals within the group.
2. The market share represents the group's revenue in 2013 as a percentage of the total private obstetrics and gynecology specialty hospital revenue in China in 2013.
3. The number of hospitals does not include other non-obstetrics and gynecology specialty hospitals within the respective group.

*Source: Frost & Sullivan Report*

For more information of our competitive advantages, see “Business—Our Competitive Strengths.”

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## INDUSTRY OVERVIEW

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### **Key entry barriers to the China private obstetrics and gynecology specialty healthcare services market**

According to Frost & Sullivan, the main entry barriers to the private obstetrics and gynecology specialty healthcare services market in China include the following:

- ***Capital-intensive nature of the industry:*** New market entrants need a large sum of initial capital for acquiring land and construction of service sites, especially if the hospital is to be located at a prime location. Some private hospitals choose to rent buildings to avoid such initial investment; however, they may be limited by working space and remote locations, which may hinder its business development. Significant investment is also required to purchase advanced medical devices to establish a private obstetrics and gynecology specialty hospital. On average, it takes around two to three years for a new market entrant to reach the breakeven point.
- ***Medical knowledge and technique requirements:*** To enter into the highly specialized area of obstetrics and gynecology, new market entrants need to possess sufficient medical knowledge and technique to be able to compete with public hospitals and other private specialty hospitals and to ensure quality and compliance with the industry safety standards.
- ***Recruitment of junior medical staff:*** In the current market, relatively inexperienced doctors are hesitant to work in private obstetrics and gynecology specialty hospitals, worrying that they cannot gain credible working experience in private obstetrics and gynecology specialty hospitals. They prefer starting their early career in public hospitals where they may gain more credibility for career developments. As such, new market entrants will continue to face challenges with recruiting a sufficient number of qualified junior medical staff when establishing new hospitals.

According to Frost & Sullivan, the key drivers and restraints for the growth and development of the private obstetrics and gynecology specialty healthcare services market in China include the following:

### **Key drivers for the private obstetrics and gynecology specialty healthcare services market in China**

- ***Ongoing urbanization and increasing disposable income:*** China's rapid urbanization and increasing per-capita disposable income are boosting the demand for high-quality living conditions, including high-quality medical services. The influx of migrants from rural to urban areas has steadily enlarged the urban population. Meanwhile, the annual per capita disposable income of urban households has remained a robust double-digit growth rate in recent years. These trends enable female patients to stop tolerating crowded healthcare services in public hospitals and seek better services in private ones.
- ***Relaxation of the "One Child Policy":*** In recent years, China has gradually relaxed its "One Child Policy", which is expected to increase baby birth rate and drive the demand for obstetrics services.
- ***A new generation of Chinese females who pursue high-quality healthcare services:*** Presently, the majority of new moms in China were born in the 1980s and 1990s. Compared with the older generations, these young women generally were raised under better living conditions and are better educated. Therefore, they have higher standards for healthcare services, especially those related to child birth.

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## INDUSTRY OVERVIEW

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- **Special services requirements:** Some patients have special requirements for healthcare services, such as patients' privacy and high-end personalized services, which cannot be satisfied by public hospitals due to public hospitals' limited resources. With the increased awareness of the importance of privacy and service quality, more patients are turning to private hospitals for healthcare services, especially patients who can afford high-end services.

### Key restraints for the private obstetrics and gynecology specialty healthcare services market in China

- **Strong competition from public hospitals:** In China, most of the medical resources have long been concentrated in public medical institutions. Public hospitals, which are invested by the government and have long operation history, are normally able to attract better medical talents, to own more advanced equipment and therefore are able to provide higher levels of disease diagnostics and treatment. However, as the PRC government is determined to encourage private investment into the healthcare sector, the private hospitals have been growing robustly in the last decade.
- **Substantial investment requirement:** The substantial acquisition costs for medical equipment and land and buildings continue to pose a high entry barrier to the private hospital market. Meanwhile, the PRC government has implemented strict standards of minimum equipment requirements for private hospitals, which prevent the investors from cutting costs when purchasing equipment.
- **Restrictions on physicians to practice at multiple medical institutions:** Private hospitals suffer from lack of medical talents, because the public hospitals usually enjoy priority in the process of selection of physicians. Although the latest PRC healthcare reform has allowed physicians to register and practice at multiple medical institutions, such policy has only been implemented in select cities, and the free-flow of the physicians from public hospitals to private hospitals is still restricted in many provinces.

## THE HOSPITAL PAYER MIX IN CHINA

### The Medical Insurance System in China

At present, China's public medical insurance system has three basic components: (1) UEBMIP, a mandatory program covering urban workers and retirees; (2) URBMIP, a voluntary program for urban residents; and (3) NRCMP, a voluntary program for the rural population. According to Frost & Sullivan, by the end of 2013, the two urban insurance programs covered over 95% of the total registered urban population and the rural insurance program covered more than 98% of the total registered rural population, and the reimbursement has been gradually expanding from inpatient expenses to some of the outpatient expenses. The proportion of out-of-pocket spending from patients is expected to continue to decrease in the next few years due to increasing coverage and rising reimbursement rates from the three government medical insurance programs.

However, these three insurance programs only provide coverage for basic healthcare services. Patients who are not covered by these three programs or need additional coverage for out-of-pocket spending may choose to purchase commercial medical insurances or participate in medical aid schemes. Commercial medical insurance in China has grown steadily in recent years with encouragement from the government to

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## INDUSTRY OVERVIEW

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provide differentiated and more comprehensive insurance coverage beyond the basic insurance programs. According to Frost & Sullivan, the China commercial medical insurance expenditure has grown from RMB21.7 billion in 2009 to RMB41.1 billion in 2013, representing a CAGR of 17.3%, while the China commercial medical insurance fund premiums have grown from RMB57.4 billion in 2009 to RMB112.3 billion in 2013, representing a CAGR of 18.3%. The commercial medical insurance industry is expected to reach RMB96 billion in terms of expenditure and RMB231 billion in terms of premiums by 2017 due to population growth, increasing income per capita and public medical insurance's limited coverage. The development of commercial medical insurance programs is beneficial to the growth of the private hospitals in China, because they provide coverage for healthcare services, especially high-end services, provided by private hospitals that are not covered by the public essential medical insurance programs. With the supplementary coverage of the commercial medical insurance programs, patients may be more willing to seek healthcare services at private hospitals. Notwithstanding the foregoing market trends, in some segments of the market, such as the high-end private obstetrics and gynecology specialty hospitals, out-of-pocket expenses are still the major component of healthcare expenditures.

### **The Maternity Insurance System in China**

China's maternity insurance system is a part of the public insurance system. It provides financial assistance to female employees and their spouses during pregnancy. Employers, instead of employees, should pay maternity insurance premiums for all their employees (both male and female). In China, maternity insurance policies and standards vary by province. For example, in Shanghai, employers pay 1% of a standard salary amount as maternity insurance premium for each of their employees as set out by the local government, while in Beijing, such percentage is 0.8%. Maternity insurance in Shanghai covers maternity allowance and medical subsidy, while maternity insurance in Beijing covers maternity allowance, medical subsidy, family planning expenses and other relevant fees.

China's maternity insurance fund premiums has reached RMB36.8 billion in 2013, representing a CAGR of 29.2% from RMB13.2 billion in 2009. The expenditure of China's maternity insurance fund has grown from RMB8.8 billion in 2009 to RMB28.3 billion in 2013, representing a CAGR of 33.9%.

**OVERVIEW**

We are the largest private obstetrics and gynecology specialty hospital group in China. According to Frost & Sullivan, we ranked No. 1 in terms of both group revenue in 2013 and the number of hospitals by the end of 2013 among all private obstetrics and gynecology specialty hospital groups in China, with a market share of approximately 13.0% by group revenue. In addition, according to Frost & Sullivan, in terms of group revenue, we accounted for approximately 5.6% of the market share among all public and private obstetrics and gynecology specialty hospitals in China in 2013. As of the Latest Practicable Date, we owned and operated 11 hospitals in 7 first- and second-tier cities in China, with a total of 566 beds in operation. We generate our revenue primarily from providing obstetrics and gynecology and other healthcare services to patients seeking medical care and related services in our hospitals. For the years ended December 31, 2012, 2013 and 2014, 94.0%, 94.5% and 96.0% of our total revenue was contributed by our provision of hospital services business, respectively. Our hospitals are for-profit private obstetrics and gynecology specialty hospitals, which are specialized in providing medical diagnosis and treatment, and preventive care to women and newborns. As a private for-profit hospital group, we are generally entitled to set the prices of our medical services at our own discretion. The main clinical departments of our hospitals are obstetrics and gynecology. Our hospitals also have other departments that support the practice of obstetrics and gynecology, such as ultrasound department, radiology department, laboratory and pharmacy. Some of our hospitals also offer other additional ancillary healthcare services such as dental care and medical aesthetic services to address different needs of our patients.

We place great emphasis on the patient experience at our hospitals and the protection of their privacy. To differentiate ourselves from public hospitals and other obstetrics and gynecology specialty hospitals, we designed our hospitals to be a comfortable, intimate and relaxing environment to make our patients feel more at ease. We provide high-quality customer service to enhance our patient experience. Each of our hospitals has a customer service team responsible for guiding the patients through our service procedures, answering patient inquiries, collecting feedbacks, following up with their recovery progress and handling complaints. We have appropriate procedures for handling medical disputes and accidents which are required to be followed by all our hospitals and staff. We believe our hospitals are also equipped with advanced equipment and diagnostic means to provide our patients with accurate diagnoses and treatments while minimizing pain, examination time and the amount of invasive procedures.

Our professional medical staff team consists of highly qualified and experienced physicians specialized in the obstetrics and gynecology areas, licensed nurses and other supporting staff. We believe we provide them with competitive compensation packages, career development opportunities and a respectful and professional working environment.

We are committed to providing high-quality and safe healthcare services to our patients and their families throughout our hospital chain. Through around a decade of operations, we have accumulated substantial operating experience in our industry and developed detailed management and operational procedures to ensure we achieve the above goal. Our Shenzhen HarMoniCare Hospital received JCI accreditation in October 2011, which has been renewed to October 31, 2017. JCI, or the Joint Commission International, is an international arm of The Joint Commission, which is a United States-based independent, not-for-profit organization which accredits and certifies healthcare organizations and programs. JCI standards are recognized worldwide as one of the highest benchmarks for quality and safe healthcare services. We have also followed JCI standards at all other hospitals, but have not obtained accreditations yet. We seek to obtain JCI or other similar accreditations for some of our other hospitals, including Beijing HarMoniCare Hospital.

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We also generate a small portion of our revenue from the distribution and sales of pharmaceuticals and medical devices (which include medical consumables) to associated companies and Independent Third Parties through our Tai He Tang subsidiary. For the years ended December 31, 2012, 2013 and 2014, 6.0%, 5.5% and 4.0% of our total revenue was contributed by our supply of pharmaceuticals and medical devices business, respectively. Tai He Tang's primary business is the procurement of pharmaceuticals and medical devices for our Group, while its secondary business is supplying pharmaceuticals and medical devices to associated companies and Independent Third Parties.

The supplies required in our operations primarily include pharmaceuticals and medical devices. We do not rely on any single supplier for any of our major pharmaceuticals or medical devices. During the Track Record Period, we did not experience any shortage of supplies that could materially and adversely affect our business, financial condition or results of operations and our inventories are stored in accordance with applicable laws and regulations in relation to the storage of pharmaceuticals and medical supplies in all material aspects.

We experienced significant growth during the Track Record Period. Our total revenue increased from RMB750.3 million in 2012, to RMB833.2 million in 2013 and to RMB935.8 million in 2014, representing a CAGR of 11.7%. Our net profit also increased from RMB20.9 million in 2012, to RMB65.7 million in 2013 and to RMB105.1 million in 2014, representing a CAGR of 124.3%.

### OUR COMPETITIVE STRENGTHS

We believe we have the following competitive strengths which differentiate us from our competitors:

#### **We are the largest private obstetrics and gynecology specialty hospital group in China with first-mover advantages.**

We are the largest private obstetrics and gynecology specialty hospital group in China. We ranked No. 1 in terms of both group revenue in 2013 and the number of hospitals by the end of 2013 among all private obstetrics and gynecology specialty hospital groups in China, according to Frost & Sullivan. For the year ended December 31, 2013, we recorded revenue of RMB833.2 million, accounting for approximately 13.0% of the market share of the private obstetrics and gynecology specialty hospital services market in China in 2013, which was more than twice the market share of the second largest competitor in the segment, according to Frost & Sullivan. As of the Latest Practicable Date, we owned and operated 11 hospitals in 7 first- and second-tier cities in China. We are primarily focused on obstetrics and gynecology practices, which have vast growth potential in China. According to Frost & Sullivan, the revenue of the obstetrics and gynecology healthcare services market in China is expected to increase from RMB141.9 billion in 2013 to RMB360.3 billion in 2018, representing a CAGR of 20.5%. We believe our large operational scale and focus on obstetrics and gynecology areas help us to attract high-caliber medical specialists, allow our physicians to benefit from a broad range of clinical experiences and give us a deep understanding of different local markets across China. Due to our large operational scale, we are also able to collect and analyze a large amount of market and patient data to develop better services and procedures to better serve our patients and their families, and enjoy economies of scale as we procure a significant portion of pharmaceuticals and medical devices for our hospitals through our centralized procurement system.

We are one of the earliest entrants in the private healthcare service market in China. With around a decade of operating history in the obstetrics and gynecology specialty healthcare services market, we

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believe we have accumulated extensive industry experience and gained deep understanding of the markets that we operate in and our patients' needs and preferences. We believe our brands are well recognized in the local markets and represent quality private obstetrics and gynecology healthcare services. We believe our first-mover advantages and our leading market position well position us in identifying and capturing the future growth opportunities in the private hospital sector in China arising from China's hospital reform and favorable government policies, such as policy on relaxed restrictions on private investment in China's hospital sector and policy on supporting the development of for-profit private hospitals. For details of such favorable government policies and regulations, see "Appendix IV—Summary of Principal Legal and Regulatory Provisions—Laws and Regulations Related to the Healthcare Services Sector in China—Regulations on the Reform of Medical Institutions."

**We have a nationwide for-profit hospital chain with strategic focus on first- and second-tier cities in China.**

We currently own and operate 11 for-profit hospitals under "HarMoniCare", "Modern Woman" and other brands in 7 first- and second-tier cities in China. We believe our hospitals enjoy a strong reputation among consumers and represent high-quality services in the private obstetrics and gynecology specialty healthcare services market in China. We have created a highly standardized and replicable business model for opening branded chain hospitals and have demonstrated our capabilities in adapting our business model to different regions in China. We maintain ownership and management control over all our hospitals, which we believe ensures the effective execution of our business plans and strategies throughout our hospital chain. We believe our for-profit business model is sustainable over the long term. As compared to public and private not-for-profit hospitals which are required to price their healthcare services within a range stipulated by the government and retain their profits for continued development, as a private for-profit hospital group, we are not subject to such price controls and can price our services at our own discretion and distribute profits to our shareholders. Furthermore, as we own all the hospitals within our Group, we are not bound by any service or management agreement which has a definitive term. Our branded chain operation and deep understanding of the local markets also allow us to conduct coordinated national advertisement campaigns at different hospitals to enhance our brand awareness in local markets as an established national healthcare service group.

We believe our highly replicable business model allows us to capture the future growth opportunities in the obstetrics and gynecology healthcare services market in China. We strategically focus on first- and second-tier cities where demand for premium obstetrics and gynecology healthcare services is high. We believe our target markets have great growth potentials. For example, according to Frost & Sullivan, Beijing, one of our key target markets, is experiencing fast population growth in recent years. Its registered population grew from 12.5 million in 2009 to 13.2 million in 2013, and is expected to reach 13.9 million in 2018. Driven by economic development, Beijing's per capita disposable income grew from RMB26,738 in 2009 to RMB40,321 in 2013, and is expected to reach RMB62,433 in 2018. Its per capita healthcare expenditure is expected to grow from RMB10,253 in 2013 to RMB24,010 in 2018.

**We have high-caliber and stable physicians and medical staff teams.**

We believe that our high-caliber physicians and medical staff are key to our success and maintaining our leading market position. We have a deep bench of qualified and experienced physicians specialized in the obstetrics and gynecology areas. As of the Latest Practicable Date, we had 484 physicians who practiced



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at our hospitals, including 66 chief physicians, 128 associate-chief physicians, 151 attending physicians and 139 resident physicians. Many of our physicians have practiced in Grade III Hospitals in China before joining us and many of them are experts and leaders in their respective fields. We have contract physicians practicing at our hospitals by taking advantage of the liberated physician registration system, which allows physicians to practice at multiple medical institutions, in select cities such as Beijing and Shenzhen. For example, we invited Dr. Zhai Guirong, Dr. Gai Mingying and Dr. Lu Hua to practice at our Beijing HarMoniCare Hospital. Dr. Zhai Guirong is a chief physician, professor and graduate student supervisor at Beijing Obstetrics and Gynecology Hospital (北京婦產醫院) and has over 50 years of professional experience as an obstetrician and gynecologist. Dr. Gai Mingying is a chief physician in the Department of Obstetrics and Gynecology of Peking Union Medical College Hospital (北京協和醫院) and has 48 years of professional experience as an obstetrician and gynecologist. Dr. Lu Hua is an expert in gynecologic oncology and gynecologic endocrine areas and has over 32 years of professional experience as an obstetrician and gynecologist. We believe our operations can benefit greatly from these renowned physicians' rich experience and strong reputation in two major aspects: (i) they can share their experience and knowledge with our other physicians and help train our junior physicians; and (ii) they can enhance patient confidence in us and attract more patients to our hospitals. We also have a high qualified healthcare staff (including physicians, nurses and technicians) per bed ratio compared to government requirements. As of December 31, 2014, we had 842 registered beds and our hospitals, on average, had a qualified healthcare staff per bed ratio and nurse per bed ratio of 1.63 and 0.86, respectively, compared to government's requirement of 0.88 and 0.4 of Grade II hospitals, respectively. We believe such a high ratio allows us to provide safe, personalized and detail-oriented services to our patients, which differentiates us from other healthcare service providers, especially public hospitals.

We believe we had a relatively stable medical staff team during the Track Record Period. We believe the stability in our physician and medical staff team is crucial to providing consistently high-quality and safe healthcare services to our patients. We have various channels to recruit high-caliber physicians and other medical staff, such as through referrals, professional recruitment agencies, recruitment meetings and advertisements. We place great emphasis on retaining them by providing them with competitive compensation packages, career development opportunities and a respectful and professional working environment. For details of our physician and medical staff compensation and incentive plans, see section "—Employees."

**We have an excellent track record of providing high-quality and safe healthcare services to our patients by emphasizing service quality, safety control and advanced technologies.**

We are committed to providing high-quality and safe healthcare services to our patients and their families throughout our hospital chain. Through around a decade of operations, we have accumulated substantial operating experience in our industry and developed detailed management and operational procedures to ensure we achieve the above goal. We believe patient safety is of great importance of our operations. We have implemented detailed risk management and internal control policies and procedures at each of our hospitals and each physician and staff member is required to strictly comply with these policies and procedures. We conduct regular evaluations and peer-to-peer reviews of the performances of our hospitals and staff to verify our operational procedures are strictly complied with. Our Shenzhen HarMoniCare Hospital received JCI accreditation in October 2011, which has been renewed to October 31, 2017. JCI standards are recognized worldwide as one of the highest benchmarks for quality and safe healthcare services. We believe that the JCI accreditation has enhanced our reputation, helped us to attract more patients to our hospitals and more experienced physicians to our platform and further attests to our

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capability and commitment to providing a safe healthcare environment for our patients and staff. We have also followed JCI standards at all other hospitals, but have not obtained accreditations yet. We believe following JCI standards has improved the quality and efficiency of our operations and we seek to obtain JCI or similar accreditations for some of our other hospitals, including Beijing HarMoniCare Hospital.

We have also adopted advanced technologies for diagnosis and treatment in order to improve our service quality and safety record. For example, we believe we are an early adopter of minimally invasive gynecologic surgery among private hospitals in China. Our Beijing HarMoniCare Hospital features an NICU and is capable of treating premature newborns with very low birth weight and newborns with birth defects or complications. We believe that our strong technical capabilities set us apart from most of other private hospitals and allow us to compete with those public hospitals that are known for their technical expertise.

**We have an experienced and dedicated management team with strong support from strategic shareholders.**

Our Group is led by an experienced and dedicated management team who are committed to providing the best private healthcare services to women and children in China. They have extensive industry and management experience, deep understanding of market trends and policy changes and proven execution capabilities to lead our Group to achieve a rapid growth over the past decade. Our senior management members, on average, have around 10 years of experience working in the medical industry in China and most of them have been working in our Group for over 10 years. Mr. Lin Yuming, our chairman, executive Director, and founder, has over 17 years of experience working in the medical industry in China and entered into China's private obstetrics and gynecology specialty hospital industry in 2003. Mr. Fang Zhifeng, our executive Director, was a physician for seven years and has over 20 years of experience working in the medical industry in China. Mr. So Kin Ching, our vice president, has over ten years of experience working in the medical industry in China and was an active promoter of the minimally invasive gynecologic surgery in China. Mr. Zhao Xingli, our executive Director, has deep understanding of the medical industry in China and one of the founders of our "HarMoniCare" brand. The general managers of our hospitals also have substantial experiences in hospital management and medical practice. The administrators of our hospitals generally have chief physician or associate-chief physician titles and have worked in other hospitals or medical institutions as administrators or held other important management positions before joining our Group.

Additionally, we have two strategic institutional investors who are committed to the success of our business and prospects. They have provided strong support by leveraging their business connections and financial resources during key stages of our development. Our largest strategic institutional shareholder, CDH Investments, has extensive experience with public and private investments in a variety of industries. Our second largest strategic institutional shareholder, CCBI Medical, is China's first healthcare industry-focused fund. It has a strong financial background, a professional investment management team and is dedicated to the development and growth of China's healthcare companies with growth potentials. These two institutional investors have been consistently supporting us in respect of development strategies, brand building, marketing events, internal control and group restructuring, all of which have helped us enhance our corporate governance and improve our performances.

**OUR STRATEGIES**

Our goal is to become a leading healthcare service provider in the premium private healthcare service market in China by offering high-quality healthcare services to women and children in China. We plan to implement the following strategies to achieve our goal:

**Strategically expand our hospital chain by opening new hospitals in existing markets, as well as in attractive new markets in first- and second-tier cities in China**

By leveraging our past decade's experience in hospital operations and standardized and replicable business model, we plan to open more new hospitals in existing markets as well as in attractive new markets in first- and second-tier cities in China. Our new hospitals will continue to focus on obstetrics and gynecology practices, which are the core practices of our operations and future development, and expand into new practice areas such as pediatrics. Our initial focus will be on the existing markets where we are familiar with the local competitive landscape and business environment, such as Beijing, and we will focus on expanding our high-end healthcare services to target the local population and take advantage of the increasing market demand for obstetrics services brought by the relaxed "One Child Policy". We will also consider opening new hospitals in other attractive new markets in first- and second-tier cities in China, such as Xiamen, Nanjing and Hangzhou, which has high population density and high disposable income level. For example, according to Frost & Sullivan, Hangzhou's registered population grew from 6.8 million in 2009 to 7.1 million in 2013, representing a CAGR of 1.1%, and its per capita disposable income of urban population grew from RMB26,864 in 2009 to RMB39,310 in 2013, representing a CAGR of 10.0%. For details of the timetable and capital commitment for expanding our hospital chain, see "—Our Hospitals."

**Continue to strengthen the leading position of our existing hospitals and increase our market shares**

We plan to continue to strengthen the leading position of our existing hospitals and increase our market shares in existing markets. To achieve this, we plan to gradually improve and upgrade the facilities and equipment of our existing hospitals, particularly in Chongqing, Guiyang, Guangzhou and Wuhan where we currently provide healthcare services in the mid-end segment of the local markets. We plan to fund the cost of purchasing new equipment and upgrading facilities with the proceeds from the Global Offering. By upgrading our facilities and equipment, we expect to enhance our capabilities in attracting the consumers in the high-end segment of the local markets to our hospitals to increase our market shares. We also plan to ramp up operations of certain hospitals by recruiting more physicians and medical staff and further increasing our service offerings. We believe this can increase the revenue generated by these hospitals and enlarge their market shares in the local markets. We also plan to enhance our service quality and increase the service offerings at selected hospitals to focus on the high-end segment of the markets in addition to the existing mid-end segment of the markets. We believe this will improve our overall profitability and market positioning. We will also continue to promote our brands and conduct marketing and promotional events to enhance our brand awareness, such as by participating in national charity events and hiring more well-known physicians as company consultants. For details of the timetable and capital commitment for upgrading our facilities and equipment, see "—Our Facilities and Equipment."

**Strengthen our neonatal and pediatric services and add other complementary services at our existing and new hospitals**

Neonatal and pediatric services are a natural extension of our obstetrics service. We plan to strengthen our neonatal and pediatric services which will complement our obstetrics services. We plan to expand our neonatal and pediatric services at existing hospitals to include newborn care, vaccination, health evaluation and children oral care services and add NICU to more hospitals in our Group in order to enhance their capabilities to deal with neonatal complications. We also plan to add pediatric inpatient and outpatient services at hospitals including Chongqing Modern Woman Hospital, Wuhan Modern Hospital and Guiyang HarMoniCare Hospital. In this regard, we plan to hire additional pediatricians and medical staff and purchase relevant equipment and devices to facilitate the growth of this practice.

Furthermore, we plan to strengthen our obstetrics and gynecology practices by improving certain complementary services, such as medical aesthetic services, women's preventive care and women's wellness management services at selected hospitals. Our Beijing HarMoniCare Hospital is in the process of establishing its infertility treatment practice using assisted reproductive technology including artificial insemination and in vitro fertilization. We expect this practice to be officially launched by the end of 2016 after obtaining requisite approvals from relevant government authorities. We may also add postpartum care centers, cosmetic dental services and blood banks to selected hospitals to enhance their capabilities to provide a more comprehensive spectrum of services to our patients.

In determining what services are to be expanded or added at which hospitals, we consider factors such as the needs and preferences of patients in the local markets, growth potential of the relevant hospitals, estimated investment amount required to upgrade facilities and purchase new equipment and devices, additional labor cost and other expenses and other regulatory or policy considerations. We will continue to evaluate the performance and prospects of each hospital and adjust the scope of their service offerings to meet the demand of the local markets.

**Further improve the quality and efficiency of our healthcare services**

We will continue to improve the quality and efficiency of our healthcare services, which remain top priorities of our operations. We will continue to attract, train, retain and develop quality physicians and medical staff to ensure they are highly motivated to provide first-class healthcare services to our patients. We plan to increase our communications and collaborations with leading institutions and experts in different medical areas in order to improve our diagnosis, treatment and research capabilities. We will continue to invest in advanced medical facilities, equipment and technologies in order to enhance the quality of our services. We plan to continue to upgrade and improve our information technology systems to support the growth and expansion of our business and operations. For details of the timetable and capital commitment for upgrading our information technology systems, see “—Information Technology Systems.” In addition to Shenzhen HarMoniCare Hospital, we plan to leverage its experience and obtain JCI or similar accreditations for other hospitals in our Group, including Beijing HarMoniCare Hospital. Our goal is to obtain JCI accreditation for all new hospitals that are to be opened. We believe the accreditations will enhance our reputation among potential patients. We will also continue to leverage our scale and market leading position to further enhance our operational efficiency and profitability by using word-of-mouth marketing and experiential marketing and lowering marketing expenses.

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### **Pursue select acquisition opportunities to accelerate strategic expansion into new cities**

In addition to organic growth, we plan to pursue select acquisition opportunities to accelerate our strategic expansion in China. By leveraging our successful experience and large operational scale, we believe we are well-positioned to take advantage of favorable government policies to encourage the development of the private hospital sector in China. We will primarily target operating obstetrics and gynecology hospitals located in first- or second-tier cities that have demonstrated a good track record and strong market reputation. We will also consider factors, such as consumer purchasing power of the local market, the existing departments, operational scale and quality of staff of the target, its reputation and its compatibility with our existing hospitals. We may acquire additional hospitals through equity acquisition or other methods. We plan to invest in and re-brand these acquired hospitals to bring them in line with our existing hospitals' standards. We believe our strong corporate culture, centralized management system and standardized operational procedures can help us successfully integrate the acquired hospitals. Currently, we have not had any specific acquisition plans or identified any targets, nor have we entered into any definitive agreements with any potential targets.

Furthermore, we do not rule out the possibility of adopting other business models such as privatizing or entering into invest-operate-transfer, or IOT, agreements with public hospitals, under which we may operate and provide management services to public hospitals and derive management fee on pre-set formula for a certain period as set out in the IOT agreements, in order to capture the opportunities arising from public hospital reform in China. Although currently we have no concrete plans, we may consider these options when opportunities arise.

### **OUR BUSINESS MODEL**

We are the largest private obstetrics and gynecology specialty hospital group in China, in terms of both group revenue in 2013 and the number of hospitals by the end of 2013, according to Frost & Sullivan. We generate our revenue primarily from providing obstetrics and gynecology and other healthcare services to patients seeking medical care and related services in our hospitals. For the years ended December 31, 2012, 2013 and 2014, 94.0%, 94.5% and 96.0% of our total revenue was contributed by our provision of hospital services business, respectively. Our hospitals are for-profit private obstetrics and gynecology specialty hospitals, which are specialized in providing medical diagnosis and treatment, and preventive care to women and newborns. We divide our practice into two major departments, obstetrics and gynecology, which we believe allows us to easily locate medical resources and specialists in a specific area and focus on the treatment of certain high-prevalence diseases. Except for Guiyang Modern Woman Hospital which currently does not have an obstetrics department, all our hospitals have obstetrics and gynecology departments. As Guiyang Modern Woman Hospital is located close to Guiyang HarMoniCare Hospital, it is convenient for patients of Guiyang Modern Woman Hospital who have a need for obstetrical treatment to be transferred to Guiyang HarMoniCare Hospital for obstetrics services. Our hospitals also have other departments that support the practice of obstetrics and gynecology, such as ultrasound department, radiology department, laboratory and pharmacy. Some of our hospitals also offer other additional ancillary healthcare services such as dental care and medical aesthetic services to address different needs of our patients. We also generate a small portion of our revenue from the sales of pharmaceuticals and medical devices to third parties through our Tai He Tang subsidiary. For the years ended December 31, 2012, 2013 and 2014, 6.0%, 5.5% and 4.0% of our total revenue was contributed by our supply of pharmaceuticals and medical devices business, respectively.

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### Our Obstetrics Services

We are committed to providing high-quality, private and personalized healthcare services to mothers and newborns by offering comprehensive prenatal, delivery and postpartum care services during pregnancy, delivery and after birth. Unlike in public hospitals, our patients normally receive healthcare services from the same physician for the entire duration of their pregnancy, delivery and postpartum care, which ensures the physician is familiar with the patient's conditions and progress. Patients can make appointment for our services in advance and receive examination results through the Internet, which significantly reduces their waiting time. Our obstetrics wards and facilities provide a comfortable, private and intimate environment for our patients, which is another factor that differentiates us from public hospitals where patients usually need to wait for a long time for services in a crowded environment. We can provide a sufficient number of private and luxury wards to our patients, compared with public hospitals which usually provide public wards to their patients. We offer state-of-the-art technologies to monitor the mothers' and the fetuses' health conditions, including blood tests, fetal ultrasounds, nuchal translucency screenings, non-stress tests and other tests and screenings. We perform both natural delivery and caesarean delivery at our hospitals, and we encourage natural delivery and breast feeding which we believe are beneficial for the mother and baby. After the baby is born, we continue to monitor the mother's and baby's health closely to ensure their smooth recovery.

We provide diagnostic and preventive medical care to newborns as an extension to our maternity care services. Our services include vaccinations, regular health assessment, laboratory tests, ultrasound examinations, physical and intelligence assessments and newborn care consultation. Our Beijing HarMoniCare Hospital features an NICU capable of treating premature newborns with very low birth weight and newborns with birth defects or complications. It primarily provides intensive medical care for newborns 28 days old or younger that are born prematurely or with congenital diseases or other diseases such as anemia, apnea and jaundice. We adopted a "one baby, one nurse" service model to ensure the newborns in the NICU receive the special care and attention they need. We also offer newborns swimming and massage classes which are beneficial for the newborns' development.

Our obstetrics services also include ancillary services such as pelvic floor rehabilitation, postnatal care and breast feeding support, which are beyond the traditional scope of obstetrics practice at most hospitals, to address special needs of our patients.

The following table sets forth certain key information about our obstetrics practice for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
Number of newborns .....	7,936	8,331	10,713
Outpatient visits .....	135,708	156,900	181,797
Inpatient visits .....	8,368	9,183	11,340

We believe the key business drivers of our obstetrics services include (i) the ongoing urbanization and increasing disposable income, which are expected to drive the demand for high-quality medical services in general. Please see "Industry Overview—The Obstetrics and Gynecology Healthcare Services Market in China" for more details; (ii) a new generation of young Chinese women who were born in the 1980s or 1990s and were the "only-child" in their families under the "One Child Policy" with increased awareness of

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healthcare quality and tend to pursue healthcare services of higher standards in relation to their pregnancy and child birth; and (iii) the relaxation of the “One Child Policy” by the PRC government, which is expected to increase the child birth rate in China.

### Our Gynecology Services

Our gynecology practice offers high-quality, private and personalized medical services to cater to the needs of female patients. In each hospital, we classify our gynecology services by diseases and hire experts and physicians who focus on these specific areas. By doing so, we believe we can provide more professional and efficient services to our patients, and our physicians at different hospitals can share their clinical experiences and consult with each other regarding a specific disease. In particular, our gynecology services cover gynecologic inflammation, gynecologic oncology, female reproductive system disorder, endometriosis, female reproductive tract abnormalities, pelvic floor dysfunction in aged women and other common gynecologic diseases. We also offer birth control management, infertility testing and treatment, menopausal care and health screening services to meet our patients’ need for a full spectrum of gynecologic services. We believe we are an early adopter of minimally invasive gynecologic surgery among private hospitals in China. Minimally invasive gynecologic surgery, which uses a few small incisions rather than one large incision, has the benefits of reduced pain and hemorrhaging and faster recovery time.

We offer diagnostic testing and consultation services, and surgical treatments including ovulation induction, tubal reversal, hydrosalpinx removal and tubal cannulation.

The following table sets forth certain key information about our gynecology practice for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
Outpatient visits . . . . .	273,936	241,525	245,639
Inpatient visits . . . . .	6,004	5,765	7,345

We believe the key business drivers of our gynecology services include (i) due to increased patients’ awareness of importance of women’s health and privacy protection, there is an increased demand for high-quality and personalized healthcare services, which include a more comfortable environment and customized treatment plans, such as periodic examinations and screening tests for breast cancer and cervical cancer. The increasing disposable income has also led to an increasing population of patients who can afford and are willing to pay for such premium healthcare services; (ii) due to increased stress from work and life faced by modern women in first- and second-tier cities, there is an increased demand for treatment of diseases related to gynecologic endocrine disorders, breast diseases, cervical diseases and infertility diseases; and (iii) due to the expected increase in child birth rate, there is an increased demand for gynecological treatment for obstetrical and postpartum complications.

### Other Healthcare Services

We aim to provide personalized and comprehensive healthcare services to our patients to address their different needs related to pregnancy, childbirth and wellness. As such, in addition to obstetrics and gynecology diagnosis and treatment, some of our hospitals also offer pediatrics for common diseases, dental care and medical aesthetic services.

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Our pediatrics practice provides diagnosis and treatment for common children's diseases. We also provide vaccinations, regular health assessment and other related services. Our pediatrics department is specially designed and decorated to create a fun and relaxing environment for our young patients and their parents. We expect to expand our pediatrics service offerings in the future by hiring additional pediatricians and nurses and upgrading our medical facilities.

Due to the changes in hormone levels and immune system during pregnancy, women can experience pregnancy gingivitis and other oral health issues. Our dental departments at three hospitals provide preventive and therapeutic dental care to our patients and their families by focusing on pregnancy related and children's dental problems.

Our medical aesthetic services at four hospitals are generally categorized into plastic surgery, clinical skin care, non-surgical treatment and TCM treatment. We offer a broad range of services including breast aesthetic and reconstructive surgery, liposuction, scar treatment, bromidrosis surgery and other surgical and non-surgical treatments.

### **Supply of Pharmaceuticals and Medical Devices**

We procure approximately 42% of our supplies through our centralized procurement platform, namely our Tai He Tang subsidiary. This percentage is calculated as total inter-segment revenue from Tai He Tang during the Track Record Period divided by the purchased amount of the hospitals within the Group excluding Tai He Tang during the Track Record Period. For details, see “—Supplies and Procurement.” Segment revenue generated by Tai He Tang from sales to our Group hospitals is recorded as inter-segment revenue and eliminated from our total revenue. In addition to supplying to hospitals within our Group, Tai He Tang also supplies pharmaceuticals and medical devices to our associated companies and independent third-party hospitals, clinics and other medical institutions. Since Tai He Tang purchases large quantities of pharmaceuticals and medical devices for our hospitals, it enjoys a certain level of economies of scale and can leverage such advantage when supplying to third parties to make a profit. For the years ended December 31, 2012, 2013 and 2014, 6.0%, 5.5% and 4.0% of our total revenue was contributed by our supply of pharmaceuticals and medical devices business conducted by Tai He Tang, respectively. However, Tai He Tang's primary business is the procurement of pharmaceuticals and medical devices for our Group, while its secondary business is supplying pharmaceuticals and medical devices to associated companies and Independent Third Parties. For the years ended December 31, 2012, 2013 and 2014, sales to third parties accounted for 8.9%, 12.9% and 8.1% of Tai He Tang's total non-consolidated revenue, respectively. Going forward, we expect the main business of Tai He Tang to remain focused on procuring for and satisfying the needs of our Group. As of the Latest Practicable Date, we had no plan to increase the scale of this business segment.

### **OUR HOSPITALS**

As of the Latest Practicable Date, we owned and operated 11 private for-profit hospitals which specialize in providing obstetrics and gynecology medical services across China. As we focus on the mid-to high-end healthcare service segments of the market, our hospitals are strategically located in first- and second-tier cities, which we believe allows us to serve patients who can afford and are willing to pay for our premium healthcare services. We believe our hospitals' focus on the first- and second-tier cities also gives us access to a high-caliber physician and medical staff talent pool and high-quality medical facilities and infrastructure, which are crucial to our operations and our success.



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Our hospitals are primarily operated under the “HarMoniCare” and “Modern Woman” brands. We opened our first hospital under the “Modern Woman” brand in 2003 with a view to attracting patients who are “modern” women and care for their own wellness. We opened our first high-end “HarMoniCare” brand hospital in Shenzhen in 2010, which emphasizes one-stop-shop family-oriented healthcare services from pregnancy to postpartum and newborn care. We position and differentiate our hospitals by their service offerings, target market and pricing of services. Our high-end hospitals, including Beijing and Shenzhen HarMoniCare Hospitals, have more comprehensive service offerings than our mid-end hospitals. Their target customers are those who can afford and are willing to pay for more expensive treatment and services. We believe their facilities, environment, service capabilities and quality are better than those of local public hospitals and mid-end private hospitals. We obtained JCI accreditation for Shenzhen HarMoniCare Hospital in October 2011, which has been renewed to October 31, 2017. We also follow JCI standards at all other hospitals, but have not obtained accreditations yet. We seek to obtain JCI or similar accreditations for some of our other hospitals, including Beijing HarMoniCare Hospital. Our mid-end hospitals, which include the other hospitals in our Group, offer a slightly narrower scope of services than our high-end hospitals and mainly target local customers. Their facilities, environment, service capabilities and quality are comparable to those of local public hospitals and other mid-end private hospitals. The following table sets forth some key information of our hospitals for the year ended or as of December 31, 2014:

<u>Hospital</u>	<u>Registered beds<sup>(1)</sup></u>	<u>Beds in operation<sup>(2)</sup></u>	<u>ALOS<sup>(3)</sup> (days)</u>	<u>Employees</u>	<u>GFA (m<sup>2</sup>)</u>
Beijing HarMoniCare Hospital .....	72	59	4.02	481	17,472
Chongqing Dushi Liren Hospital .....	80	80	6.66	249	9,300
Chongqing Modern Woman Hospital .....	120	87	6.43	465	12,573
Chongqing Fuling HarMoniCare Hospital .....	80	50	5.13	167	7,124
Chongqing Wanzhou HarMoniCare Hospital .....	30	25	5.82	146	3,400
Fuzhou Modern Woman Hospital .....	60	41	4.67	271	8,600
Guiyang HarMoniCare Hospital .....	100	50	5.22	229	10,706
Guiyang Modern Woman Hospital .....	60	22	4.84	159	2,921
Guangzhou Woman Hospital .....	50	50	2.76	321	6,980
Shenzhen HarMoniCare Hospital .....	90	30	6.02	292	9,000
Wuhan Modern Hospital .....	100	67	4.22	365	13,522

*Notes:*

1. Registered beds refer to the number of beds that are registered in a medical institution’s practicing license.
2. The numbers of beds in operation are lower than the numbers of registered beds in most of our hospitals, mainly due to (i) some of these hospitals have not reached 100% of their operational capacities; and (ii) some double or multiple-bed wards in these hospitals are used as single-bed wards to provide more room and privacy for our patients. We can adjust the set-up of the rooms based on the needs of our patients and our operations.
3. ALOS, or the average length of stay at a hospital, is equal to the aggregated hospitalization days of all inpatient visits at such hospital during a specified period divided by total inpatient visits during that period.

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The following table sets forth certain key operational information of our hospitals for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
Outpatient visits . . . . .	595,783	599,825	660,173
Inpatient visits . . . . .	20,346	21,820	24,773
Average spending per visit (RMB) <sup>(1)</sup> . . . . .	1,144.7	1,266.5	1,311.7
Number of registered beds at the end of each period . . . . .	842	842	842
Number of beds in operation at the end of each period . . . . .	511	548	561
Number of physicians at the end of each period <sup>(2)</sup> . . . . .	457	464	489
Number of employees at the end of each period . . . . .	3,170	3,171	3,187

*Notes:*

1. Average spending per visit is calculated by dividing our hospital services revenue by total patient visits.
2. All numbers include employee physicians and contract physicians at our hospitals, but do not include visiting physicians.

The following table sets forth the revenue from our top five hospitals and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,					
	2012		2013		2014	
	(RMB in thousands, except percentages)					
Beijing HarMoniCare Hospital . . . . .	68,802	9.2%	122,613	14.7%	178,683	19.1%
Chongqing Modern Woman Hospital . . . . .	112,724	15.0%	119,511	14.3%	135,644	14.5%
Guangzhou Woman Hospital . . . . .	120,710	16.1%	94,025	11.3%	109,309	11.7%
Wuhan Modern Hospital . . . . .	80,278	10.7%	80,583	9.7%	85,361	9.1%
Fuzhou Modern Woman Hospital . . . . .	58,209	7.8%	63,483	7.6%	72,377	7.7%
<b>Total</b> . . . . .	440,723	58.8%	480,215	57.6%	581,374	62.1%

The following is the summary information of our top five hospitals:

### Beijing HarMoniCare Hospital



Beijing HarMoniCare Hospital, opened in June 2011, is dedicated to providing “one-stop-shop” obstetrics, gynecology, pediatrics, postpartum recovery and oral healthcare services to domestic and foreign patients in Beijing. It features a team of medical staff with strong professional experience and track record and it provides patient-centered services in a private, comfortable and safe environment. It has its own independent blood bank, featuring advanced blood storage, testing and analyzing equipment. It has implemented security measures to ensure the safety of the blood and facilities against contaminations and damages. As of the Latest Practicable Date, it had a gross floor area of 17,472 sq.m. with 5 operating rooms and 25 consultation and treatment rooms, and 458 employees, including 29 physicians, 52 contract physicians, 150 nurses and 227 other staff. It also has an NICU providing intensive medical care for newborns that are born prematurely or with congenital diseases.

### Chongqing Modern Woman Hospital



Chongqing Modern Woman Hospital was opened in March 2006. We believe it was one of the earliest private obstetrics and gynecology specialty hospitals in Chongqing. It provides obstetrics, gynecology, TCM and other related services. As of the Latest Practicable Date, it had a gross floor area of 12,573 sq.m. with 5 operating rooms and 33 consultation and treatment rooms, and 465 employees, including 48 employee physicians, 14 contract physicians, 85 nurses and 318 other staff.

**Guangzhou Woman Hospital**



Guangzhou Woman Hospital was opened in July 2008. It provides comprehensive obstetrics, gynecology and other related services. As of the Latest Practicable Date, it had a gross floor area of 6,980 sq.m. with 7 operating rooms and 22 consultation and treatment rooms, and 313 employees, including 41 employee physicians, 11 contract physicians, 62 nurses and 199 other staff.

**Wuhan Modern Hospital**



Wuhan Modern Hospital, opened in December 2005, was one of the first hospitals established by our founders. It provides obstetrics, gynecology and other related services. As of the Latest Practicable Date, it had a gross floor area of 13,522 sq.m. with 7 operating rooms and 18 consultation and treatment rooms, and 347 employees, including 31 employee physicians, 23 contract physicians, 85 nurses and 208 other staff. Wuhan Modern Hospital was licensed as a Wuhan Maternity Insurance Designated Medical Institution in July 2007 and as a Wuhan Urban Medical Insurance Designated Medical Institution in May 2009.

### Fuzhou Modern Woman Hospital



Fuzhou Modern Woman Hospital was opened in January 2010. It provides obstetrics, gynecology and other related services. As of the Latest Practicable Date, it had a gross floor area of 8,600 sq.m. with 6 operating rooms and 16 consultation and treatment rooms, and 263 employees, including 21 employee physicians, 16 contract physicians, 52 nurses and 174 other staff.

### Hospital Expansion Plans

We plan to continue to expand our business by both organic growth and strategic acquisitions. We will focus on expansion in key first- and second-tier cities with large populations (over one million) in China and high demand for high-end healthcare services. Our new hospitals will continue to focus on obstetrics and gynecology practices with other complementary services. In particular, we will focus on establishing hospitals equipped with high-profile experts in the obstetrics and gynecology areas in the local markets and advanced equipment and facilities, and will try to maintain a high physician per bed and nurse per bed ratio for the purpose of providing personalized services to our patients.

When preparing the opening of a new hospital, our decision making process takes several key steps:

- Strategic planning: We will select a target city for the new hospital, and decide the scale and service offerings of the new hospital based on the strategic expansion need of our Group;
- Board discussion: Our board will thoroughly discuss the plan and reach a conclusion about whether to proceed, based on the plan, market conditions and other factors;
- Target region research: Upon reaching a preliminary conclusion, we will conduct further research on the target region to understand its competitive landscape, investment environment and other factors;
- Alternative location research: We may conduct further research on an alternative location for the new hospital in case the original plan encounters unforeseeable obstacles, for example, failure to obtain leased property at the desired location;
- Market demand research: We then conduct in-depth research on the local market demand which helps us to position the new hospital and price its services;

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- Investment planning: We conduct a feasibility study and budgeting for the initial investment required for the new hospital and estimate its breakeven and investment payback periods;
- Board approval: We will obtain final board approval on the construction and investment plan before we proceed to the final preparation stage; and
- Final preparation: We will carry out the final preparation work, including submitting hospital-opening applications to relevant government authorities, obtaining necessary financing, conducting environmental and other requisite studies, interior design of the hospital, obtaining leased properties and other requisite licenses, permits and certificates for opening a new hospital from relevant government authorities.

According to our past experience, the preparation stage for opening a new hospital generally takes around one to two years, and it generally takes around two to three years for our new hospitals to break even, which we consider to be the point at which a hospital starts to record net profit for the year, and even longer to recover the initial investment, which we consider to include all the costs incurred prior to the opening of the hospital. See “Financial Information—Major Factors Affecting our Financial Condition and Results of Operations—The pace and locations at which we establish our new hospitals.”

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The following table sets forth the details of our new hospital expansion plans in the near future:

<u>Location</u>	<u>Current status</u>	<u>Expected opening date</u>	<u>Estimated scale</u>	<u>Estimated capital commitment and source of funding</u>
Beijing—"HarMoniCare" high-end hospital	Location selecting stage	By the end of 2016	- GFA: 20,000 m <sup>2</sup> ; - 80 registered beds; - Obstetrics, gynecology, postpartum care, pediatrics, and other supporting departments	Approximately RMB132 million, 100% from proceeds from the Global Offering
Xiamen—"HarMoniCare" high-end hospital	Location selecting stage	By the end of 2016	- GFA: 20,000 m <sup>2</sup> ; - 80 registered beds; - Obstetrics, gynecology, postpartum care, pediatrics, and other supporting departments	Approximately RMB96 million, 100% from proceeds from the Global Offering
Nanjing—"HarMoniCare" high-end hospital	Location selecting stage	By the end of 2017	- GFA: 20,000 m <sup>2</sup> ; - 80 registered beds; - Obstetrics, gynecology, postpartum care, pediatrics, and other supporting departments	Approximately RMB90 million, 100% from proceeds from the Global Offering
Hangzhou—"HarMoniCare" high-end hospital	Location selecting stage	By the end of 2017	- GFA: 22,000 m <sup>2</sup> ; - 85 registered beds; - Obstetrics, gynecology, postpartum care, pediatrics, and other supporting departments	Approximately RMB120 million, 100% from proceeds from the Global Offering
Chongqing—"HarMoniCare" high-end hospital	Location selecting stage	By the end of 2017	- GFA: 20,000 m <sup>2</sup> ; - 80 registered beds; - Obstetrics, gynecology, postpartum care, pediatrics, and other supporting departments	Approximately RMB90 million, 100% from proceeds from the Global Offering

During the location selecting stage, we normally identify several target sites and perform feasibility study to select the final site, taking into consideration various factors, including, among other things, the rental rates, the surrounding environment and relevant government regulations. For these five new hospitals, we are still in the process of comparing a few target sites and have not selected the final sites. We expect these new hospitals to be established on schedule.

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In the future, we may also increase the number of hospitals in our Group through strategic acquisition. We believe the decision making process for acquiring a hospital will be similar to the one described above, and we will consider additional factors, such as the existing departments, scale and quality of staff of the target, its reputation and compatibility with our existing hospitals. Our priority would be obstetrics and gynecology specialty hospitals or maternal and child healthcare institutions located in first- or second-tier cities which do not have existing high-end obstetrics and gynecology specialty hospitals or lack competition. We plan to finance the acquisitions with proceeds from the Global Offering. For details, see “Future Plans and Use of Proceeds.”

As of the Latest Practicable Date, we have not had any specific acquisition plans or identified any targets, nor have we entered into any definitive agreements with any potential targets.

Under the newly amended Foreign Investment Catalogue (2015) (外商投資產業指導目錄(2015)), which was promulgated on March 10, 2015 and came into effect on April 10, 2015, foreign investment in medical institutions is restricted to the form of sino-foreign equity joint venture or cooperative joint venture. As advised by our PRC legal advisers, this restriction effectively means that any medical institutions established or acquired on or after April 10, 2015 cannot be wholly foreign owned. Although the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (the “JV Interim Measures”) (中外合資、合作醫療機構管理暫行辦法), which were promulgated by the MOFCOM and the NHFPC and have been in effect since 2000, provided that the equity percentage of the foreign partner in a sino-foreign joint venture shall not exceed 70%, the Foreign Investment Catalogue (2015) does not stipulate any such upper limit on the permitted shareholding percentage of foreign investors in the joint venture. See “Risk Factors—Risks Relating to Doing Business in the PRC—Uncertainties with respect to the PRC legal system could have a material adverse effect on us” and “Appendix IV—Summary of Principal Legal and Regulatory Provisions—Laws and Regulations Related to Foreign Investment in China.” Our Company has held over 70% equity interests in the PRC hospital subsidiaries since January 2015. The then effective Foreign Investment Catalogue (2011) did not stipulate any limitation on the shareholding percentage of foreign investment in medical institutions. We filed all required documents with Beijing MOFCOM in accordance with relevant PRC laws and regulations and the requirements of Beijing MOFCOM and obtained the approvals from Beijing MOFCOM on December 11, 2014, and December 30, 2014, respectively and then completed the registration with competent administration of industry and commerce accordingly. As advised by our PRC legal advisers, the legal formalities carried out for such acquisition and share transfer are legal and valid. In addition, as advised by our PRC legal advisers, (i) since we completed our Reorganization prior to April 10, 2015, the new restriction on foreign ownership set out in the Foreign Investment Catalogue (2015) will not have a negative impact on our current corporate structure; (ii) prior to, during and after completion of the Reorganization, none of the direct shareholders of our PRC hospitals, nor the hospitals themselves, were foreign-invested, and as such our PRC hospitals do not come within the definition of a sino-foreign joint venture medical institution as provided in the JV Interim Measures; and (iii) the JV Interim Measures do not stipulate any restriction on the equity percentage of a medical institution that can be held indirectly by a non-PRC entity through its subsidiary in the PRC. Therefore, our Reorganization does not violate relevant provisions of the JV Interim Measures. Furthermore, in implementing our future expansion plans, we will ensure that we comply with relevant foreign investment rules under the PRC laws and regulations when establishing or acquiring new hospitals. In particular, as advised by our PRC legal advisers after consultation with competent PRC regulatory authority, for the direct establishment or acquisition of new hospitals by any non-PRC entity within our Group, our shareholding in the new hospital shall not exceed 70%; while for the establishment or acquisition of new hospitals through



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any PRC-incorporated entity within our Group, our shareholding in the new hospital shall not be 100% due to the amended Foreign Investment Catalogue (2015). Therefore, we plan to encourage and introduce minority shareholders, including our senior management members and other potential domestic business contacts, to establish or acquire new hospitals with us. As a result, we do not foresee that the Foreign Investment Catalogue (2015) will have any material adverse impact on our current or future business.

### OUR FACILITIES AND EQUIPMENT

We aim to provide high-quality healthcare services to our patients in a comfortable environment. Our physicians are equipped with advanced equipment and diagnostic means to provide our patients with accurate diagnoses and treatment while minimizing pain, examination time and the amount of invasive procedures. Our advanced equipment includes imported surgical instruments for hysteroscopy and laparoscopy, various GE color Doppler ultrasound systems, Hill-Rom integrated birthing beds, and much other equipment used in different areas of our operations. Our rooms and wards are thoughtfully designed, and provide a safe, pleasant and private space for our patients and their families. Some of our obstetrics deluxe suites have their own sitting areas, dining areas, pantries and private washrooms. We also offer amenities like HDTVs, refrigerators, microwave ovens and electronic safes which are within easy reach of the patients. We aim to provide hotel-level comfort and convenience to our patients and their families, which we believe distinguishes us from many of our competitors.

#### Facility and Equipment Improvement Plan

We plan to continuously improve and upgrade our facilities and equipment to provide better services to our patients. In this regard, we plan to purchase next-generation equipment with better or more features, replace certain equipment manufactured domestically with imported equipment, and purchase additional equipment and devices. In particular, in our mid-end hospitals, we plan to (i) upgrade the ultrasound diagnosis equipment with next-generation products; (ii) upgrade the surgery room facilities and equipment, for example replacing the surgical lighting, surgical beds and hysteroscopes and laparoscopes manufactured domestically with imported ones; (iii) add new sterilization equipment; (iv) purchase additional imported integrated birthing beds and upgrade NICU facilities; (v) upgrade and purchase additional laboratory equipment; and (vi) add neonatal and pediatric services related equipment.

The total capital commitment related to our facility and equipment improvement plan is approximately RMB96 million, which will be funded with proceeds from the Global Offering. For details, see “Future Plans and Use of Proceeds.”

### MANAGEMENT AND OPERATION OF OUR HOSPITALS

We have implemented standardized management and operational procedures across our hospitals to enhance patients’ experience.

Our management team at the headquarters oversees major decisions about operations and strategies of the hospitals and the Group as a whole. The financial department at our headquarters directly leads and supervises the operations of the financial department at each hospital with respect to cash flow and budgeting management for a consistent financial planning process across our Group. In respect of medical management, our headquarters have established standardized operational procedures and protocols based on national and local laws, regulations and industry practice, which are implemented by each hospital. The

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operating protocols and standards for each medical department, qualification and experience requirements for physicians and medical staff and minimum equipment setup requirements help to ensure consistent high-quality and efficiency among our hospitals, and reduce operational risks and associated costs in our operations. We conduct regular evaluations and peer-to-peer reviews of the performances of our hospitals and staff to verify our operational procedures are strictly complied with. We encourage the hospitals within our Group to share their management and operation experiences with each other and have set up an online platform for them to communicate and share experiences, information and other resources. Our sales and marketing department at our headquarters collects sales and marketing information and experience from each hospital and ensure consistent branding strategies. It also coordinates Group-wide advertisement campaigns at different hospitals to enhance our brand awareness in the local markets as an established national healthcare service group. In terms of procurement and logistics, our headquarters coordinate a significant portion of the needs of our hospitals and conduct centralized procurement through our Tai He Tang subsidiary. For details of our procurement and logistics arrangement, see “—Supplies and Procurement.” Our human resources system collects human resources information at our hospitals. Through this system, we organize training for our medical and management staff to enhance the quality of our medical services. We also target high-end medical talents and coordinate recruiting efforts at the Group level where necessary.

At each hospital, the management and operation are generally headed by a general manager who is experienced in hospital management. Each hospital also has an administrator who is in charge of medical and quality control related matters and remains independent from the general manager on the judgment of medical matters. Our hospital administrators generally have associate-chief physician or chief physician titles, and have held administrator or similar positions in other hospitals or medical institutions before joining us. We believe this division of management responsibilities between the general manager and administrator can ensure the highly efficient operation of each hospital as a for-profit business entity while maintaining high medical service quality and safety standards. Our general managers and administrators all report to the Group-level management team. We hold monthly, quarterly and annual meetings among the group management team and hospital management teams to discuss hospital operations and performance, industry trends, development plans and strategies and other important issues. The performance of the general managers and administrators are evaluated based on an integrated performance evaluation covering different aspects of their obligations. Based on the results of the evaluations, we decide their compensation package and position changes.

Under the leadership of the general manager, each of our hospitals also has other administrative staff responsible for various aspects of the daily operations. They all maintain relevant qualifications and are required to report to the general managers on a regular basis.

### **OUR PHYSICIANS AND MEDICAL STAFF**

The qualifications and experience of our physicians and medical staff are vital to the quality of healthcare services provided at our hospitals. We place great emphasis on recruiting, training and retaining our physicians and medical staff. Many of our physicians practiced at Grade III Hospitals before joining us and some are leading experts and leaders in their respective fields. We verify their qualifications and past practice experience before we formally engage them. There are generally two types of physicians practicing at our hospitals: (i) physicians who are our employees and practice exclusively at one of our hospitals; and (ii) physicians who are not our employees and practice at our hospitals on a contractual basis.

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Physicians who are our employees are generalists or specialists who practice exclusively at our hospitals. They are registered at one of our hospitals in accordance with the physician registration system stipulated by relevant healthcare administrative authorities. We enter into employment contracts with them in accordance with relevant labor laws and regulations in the PRC. We are responsible for making social insurance and housing provident fund contributions for and on behalf of them.

Physicians who are not our employees, or our contract physicians, are employees or retirees of other third-party hospitals. They practice at one of our hospitals on a full-time or part-time basis on a contractual basis. They are permitted to practice at our hospitals as a result of the liberated physician registration regulation in some cities, such as Beijing and Shenzhen, which allows licensed physicians to practice and register at multiple medical institutions. They are mostly well-known physicians at public hospitals and acclaimed experts in their respective fields. We invite them to practice at our hospitals which we believe can enhance the quality and reputation of our practice. We enter into service contracts instead of employment contracts with them, pursuant to which they agree to practice at our hospitals on a full-time or part-time basis for compensation. Either party to the engagement agreement may terminate it with a 30-day notice. We are not responsible for making social insurance and housing provident fund contributions for and on their behalves. Such arrangement is consistent with industry practice that private hospitals seek to hire physicians from public hospitals to improve their service level and quality. Unless specified otherwise, references to physicians in this prospectus refer to both our employee physicians and our contract physicians.

Additionally, from time to time, we also have visiting physicians who are not employees of our hospitals to consult on difficult or complicated cases on an ad hoc basis. They may be invited from other third-party hospitals or medical institutions at the request of our physicians or patients. We do not have any employment relationship with them.

The following table sets forth the number of our physicians by type as of the dates indicated:

	As of December 31,		
	2012	2013	2014
Employee physicians <sup>(1)</sup> .....	274	273	287
Contract physicians .....	183	191	202
<b>Total</b> .....	457	464	489

*Note:*

1. Substantially all of our employee physicians are specialists.

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There are four qualifications and corresponding professional ranks for physicians in China: (i) chief physician; (ii) associate-chief physician; (iii) attending physician; and (iv) resident physician. The following table sets forth the number of our physicians by professional ranks and the number of other medical staff as of the dates indicated:

	As of December 31, <sup>(1)</sup>		
	2012	2013	2014
<b>Physicians</b>			
Chief physician .....	54	60	68
Associate-chief physician .....	115	121	131
Attending physician .....	160	160	148
Resident physician .....	128	123	142
<b>Other medical staff<sup>(2)</sup></b> .....	<b>766</b>	<b>813</b>	<b>882</b>

*Notes:*

1. All numbers include employee physicians and contract physicians at our hospitals, but do not include visiting physicians.
2. Other medical staff includes licensed nurses and medical technicians working in supporting departments such as the departments of radiology, laboratory and pharmacy.

We have various channels to recruit high-caliber physicians and other medical staff, such as through referrals, professional recruitment agencies, recruitment meetings and advertisements. We conduct background searches on the candidates to be recruited to ensure they have the required working experience and qualifications for the new positions. We believe we provide our medical staff with competitive compensation packages, continued medical education opportunities and a respectful and professional working environment. The relevant division at each hospital maintains the license records of our medical staff and monitors their compliance with the continued medical education requirements. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material complaints or penalties in relation to our medical staff practicing beyond the scope of their respective licenses.

We also provide periodic training to our physicians and other medical staff on topics such as the latest developments in their relevant fields and send them to other medical institutions for training. As a result of our efforts, we believe we had a relatively stable staff team during the Track Record Period.

### OUR CUSTOMERS

Our customers are primarily female patients who receive medical care and related services at our hospitals. Our target customers are patients that generally have an annual household income of above RMB200,000. No individual patient accounted for more than 5% of our total revenue for the years ended December 31, 2012, 2013 and 2014, respectively. The customers of our supply of pharmaceuticals and medical devices business, which is carried out by Tai He Tang, mainly include third-party hospitals, clinics and other medical institutions in China.

Our five largest customers during the Track Record Period were corporate customers of our supply of pharmaceuticals and medical devices business, who in aggregate contributed to less than 5% of our revenue during the Track Record Period. To the best knowledge of our Directors, none of our Directors, their

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respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period.

We do not enter into any long-term agreements with our customers.

Our patients pay for their treatment primarily on a cash basis prior to or at the time of provision of services, except for those services covered by various medical insurance programs, including public medical and maternal insurance programs and commercial medical insurance programs. If covered by insurance programs, depending on the terms of the insurance programs, patients may make full payment for services upfront then claim it later with their insurance providers, or make zero or partial payment with the remainder settled between us and the insurance providers directly. During the Track Record Period, settlement by medical insurance programs in total accounted for less than 5% of our total revenue. We generally do not extend any credit period to our patients. We typically extend a credit period of 60 to 180 days to public and commercial insurance providers. For the corporate customers of our supply of pharmaceuticals and medical devices business, we typically extend a credit period of between 0 to 90 days after issuing invoice.

### OUR CUSTOMER SERVICE

We strive to provide our patients with high-quality customer service that goes beyond medical diagnosis and treatment. We place great emphasis on the patient experience at our hospitals and the protection of their privacy by adopting a “one patient, one room, one physician” policy in terms of the layout of the hospitals and the diagnosis and treatment procedures. To adapt to the unique needs of women patients, we designed our hospitals to be a comfortable, intimate and relaxing environment to make them feel more at ease. Each of our hospitals has a customer service team responsible for walking the patients through the procedures, answering patient inquiries, collecting feedback, following up with their recovery progress and handling complaints. For example, upon arrival at our hospitals, we have dedicated staff guiding our patients through different departments and floors to reduce their waiting time. During the process, we also have assistants to physicians answering our patients’ general inquiries regarding our services and procedures. We also offer unique personalized services such as SMS reminders for appointments and pre- and post-surgery instructions. We have customer service hotlines and website-based online consultation services, through which our patients can communicate with our staff on a real-time basis. Our patients can also make appointments in person, by phone or through our online booking system, which makes it very convenient to make an appointment. We have dedicated dietitians working with our medical staff to provide appropriate nutrition care to our patients for their speedy recovery and our food service staff help our patients select their daily menus and deliver the meals to their bedside.

We carefully consider customer feedback and complaints, and respond to them quickly and in a systematic way. We have procedures for handling medical disputes and accidents which are required to be followed by all our hospitals and staff. When we receive any complaints raised by our patients or their families, the physician or nurse in charge will actively respond to the complaints and offer explanation and comfort, and report the complaints to the chief physician or the chief nurse of the department. The chief physician or chief nurse of the department shall take the lead in investigating, obtaining evidence and analyzing the complaints, and try to solve the disputes amicably with the patients on behalf of the hospital. They are required to maintain detailed records of the disputes and report the incidents to our headquarters. For any material incidents which have caused or may cause injury, death or any other serious consequences, the attending physicians and chief physicians of the relevant departments and chief nurses shall immediately

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report the incidents to the general managers and administrators of the hospitals, who shall organize a designated team to investigate the incidents, preserve relevant evidence and offer our patients and/or their families an explanation, solution or settlement amount and try to solve the disputes amicably.

Although we have adopted preventive measures, we cannot completely eliminate the inherent risks related to medical procedures. For details of our medical disputes and accidents, see “—Legal Proceedings and Compliance—Medical Disputes.”

### PRICING AND PRICE CONTROL

Pursuant to the current applicable laws and regulations, as a private for-profit hospital group, we are generally entitled to setting the prices of our services at our own discretion. We price our services based on factors including positioning of our services (high-end vs. mid-end), operating costs, market conditions, local consumer purchasing power and competitors’ pricing of similar services. Where our hospitals are “Medical Insurance Designated Medical Institutions” in China, our patients who are covered by public medical insurance programs may choose to rely on public medical insurance programs to pay for some of our services at these hospitals. As of the Latest Practicable Date, 10 of our 11 hospitals were “Medical Insurance Designated Medical Institutions.” At these hospitals, some of our service fees are subject to the pricing guidelines set by the relevant local healthcare administrative authorities. In addition, pediatric services and some other value-added and complementary services are generally not covered by public medical insurance programs. As settlement by public medical insurance programs accounted for less than 4% of our total revenue during the Track Record Period, we believe the price control measures did not have a material impact on our results of operations during the Track Record Period.

The retail prices of most pharmaceuticals sold at our hospitals are subject to government price controls in the PRC. For pharmaceuticals listed in the National Basic Drug Catalogue (國家基本藥物目錄), our retail prices are set based on the guideline prices in the catalogue and the profit margin for selling such pharmaceuticals is subject to a 15% ceiling. For pharmaceuticals that are not listed in the catalogue, our retail prices are set based on negotiation with our suppliers on a cost-plus basis, and such retail prices are subject to pricing guidelines set by the local pricing bureaus. The Opinions on Promoting Drug Pricing Reform (《推進藥品價格改革的意見》), which were promulgated on May 4, 2015, provided that other than narcotic pharmaceuticals and Class I psychotropic drugs, the restrictions on the prices of the drugs that were subject to government pricing will be cancelled, effective on June 1, 2015. Please see “Appendix IV—Summary of Principal Legal and Regulatory Provisions—Laws and Regulations Related to the Healthcare Services Sector in China—Laws and Regulations on Pharmaceutical Distribution” for more details. We believe that the pharmaceuticals market is highly competitive and the supply is sufficient. Therefore, we do not expect the lifting of government price controls will result in any significant fluctuation in the market prices of pharmaceutical products. On the other hand, we generated only a small portion of our revenue from the sales of pharmaceuticals during the Track Record Period. For the years ended December 31, 2012, 2013 and 2014, 6.0%, 5.5% and 4.0% of our total revenue was contributed by our supply of pharmaceuticals and medical devices to third parties through Tai He Tang, respectively. During the same periods, 12.5%, 12.0% and 11.7% of our total revenue was contributed by sales of pharmaceuticals and medical devices through provision of hospital services, respectively. Therefore, we do not believe this regulation will have any material adverse impact on our operations.

Our Beijing and Shenzhen HarMoniCare Hospitals have membership programs. Patients can join the membership programs and receive a VIP card by making prepayment of a minimum amount, the value of

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which is stored on the VIP card and used towards healthcare services and medicine at our hospitals. Patients who join the membership programs can enjoy discounts on certain service items and additional services such as building a private health profile for consultation purposes. We believe such membership programs can enhance customer loyalty and improve our cash flows. We only recognize revenue when related services are rendered and our obligations are fulfilled. For accounting treatment of prepayment received under such membership programs, see “Financial Information—Critical Accounting Policies and Estimates—Revenue recognition” and “Financial Information—Certain Balance Sheet Items—Other payables and accruals.”

The prices charged by our hospitals vary from hospital to hospital due to various factors, including without limitation, location, operating costs, market conditions and local consumer purchasing power. The table below sets forth the price ranges of our typical service items for our obstetrics and gynecology services charged by our high-end and mid-end hospitals:

Service Items	Gynecology/Obstetrics	Approximate Price Range	
		Our High-end Hospitals*	Our Mid-end Hospitals*
Hysterectomy	Gynecology	RMB11,900-13,000	RMB900-6,000
Cervical colposcopy	Gynecology	RMB260-700	RMB35-120
Unilateral tubectomy	Gynecology	RMB2,380-6,000	RMB550-2,000
Unilateral ovariectomy	Gynecology	RMB6,000-9,500	RMB500-2,400
Nonstress test	Obstetrics	RMB170-380	RMB20-100
Obstetrical ultrasound	Obstetrics	RMB510-1,350	RMB120-400
Down Syndrome screening	Obstetrics	RMB880-1,500	RMB100-470

*Note:*

\* Our high-end hospitals represent Beijing HarMoniCare Hospital and Shenzhen HarMoniCare Hospital and our mid-end hospitals represent other hospitals within the Group.

In addition to charging for individual service items, we also offer service packages at most of our hospitals to provide a pre-determined set of services at a discounted total price. Such packages are designed to address the comprehensive needs of our patients in certain areas. For example, our Beijing HarMoniCare Hospital’s obstetrics practice has “Prenatal Examination Package”, “Natural Birth Package” and “Caesarean Package.” Each package includes conventional service offerings and optional service offerings that are more personalized and provide more comprehensive guidance and services to our patients. Patients are required to make full payment for the whole package upfront before receiving any services. Each of our hospitals sets their package prices based on factors including the costs of the packages, local market demand, consumer purchasing power and prices of similar packages of our local competitors. For example, the prices for a basic prenatal examination package, a standard natural delivery package and a standard caesarean package in our high-end hospitals, namely, Beijing HarMoniCare Hospital and Shenzhen HarMoniCare Hospital, range from approximately RMB16,000 to RMB17,900, RMB25,000 to RMB38,000 and RMB35,000 to RMB53,000, respectively. The prices for a basic prenatal examination package, a standard natural delivery package and a standard caesarean package in our mid-end hospitals range from approximately RMB1,800 to RMB4,000, RMB3,800 to RMB8,900 and RMB5,000 to RMB13,900, respectively. Some hospitals provide options for the patients to upgrade to VIP rooms or luxury suites with extra costs. The price of the purchased package is valid for two years from the date of purchase. After two years, the unused value in the package needs to be adjusted based on the new package price or be fully refunded at the patient’s choice. We believe such service packages allow our patients to receive more

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comprehensive services at a discounted price, while increasing our revenue and improving our cash flows. For accounting treatment of prepayment received under such packages, see “Financial Information—Critical Accounting Policies and Estimates—Revenue recognition” and “Financial Information—Certain Balance Sheet Items—Other payables and accruals.”

### SALES AND MARKETING

We conduct sales and marketing mainly through the sales and marketing team at each hospital. Each of our hospitals has its own sales and marketing team which is in charge of collecting market data, organizing marketing events and designing promotional packages. We design our sales and marketing programs and strategies based on in-depth market research and thorough internal discussion among our sales and marketing team, financial, medical and other relevant departments. Each hospital’s monthly and yearly marketing budgets are reported to the headquarters for approval. We conduct themed marketing events to promote different aspects of our healthcare services and increase our brand awareness. For example, in 2012, we held free seminars, published free handbooks and opened telephone hotlines to the public to promote knowledge about maternal and child health and our related services. In 2013, we conducted a joint promotional event with the China Health Promotion Foundation to raise the public awareness of the benefits of natural delivery. In November 2014, we successfully set the Guinness World Record of the “largest prenatal yoga class (multiple venues)” in Chongqing. We also rely on word-of-mouth to market our services, as we have found recommendations from friends or families who have used our services are very important in our patients’ decision-making process. We also use social media such as Wechat public accounts, micro-blogs and our websites to engage with our patients and the public to share healthcare-related knowledge, increase our brand awareness and market our services. From time to time, we initiate Group-wide marketing campaigns about our Group and our brands and each hospital is required to design an execution plan for such marketing campaigns to adapt them to the local markets, and at the Group-level we will coordinate the final execution of such marketing campaigns.

From time to time, we publish medical advertisements on television, billboards, newspapers, magazines and online platforms such as Baidu to promote our business and increase our brand awareness. We have established a good relationship with influential media channels in local markets to promote our business and services. Medical advertising is strictly regulated in China. Medical advertisements shall be reviewed by relevant healthcare authorities and a “medical advertisement review certificate” is required before they may be released by a medical institution. The certificate has an effective term of one year and may be renewed. For details related to the regulation of medical advertising, see “Appendix IV—Summary of Principle Legal and Regulatory Provisions—Laws and Regulations Related to the Healthcare Services Sector in China—Regulations on Medical Advertising in China.” Except as disclosed in “—Legal Proceedings and Compliance—Non-compliance Incidents,” we were in compliance with laws and regulations in relation to medical advertising in all material respects during the Track Record Period.

There were news articles reporting that in 2014, Baidu rejected advertising requests from more than 7,800 hospitals affiliated with the Putian (China) Health Industry Chamber of Commerce for the reasons of false healthcare information in the advertisements. Recently, the Putian (China) Health Industry Chamber of Commerce announced that it would stop advertising on Baidu from April 5, 2015. Neither the Group nor any of our hospitals was involved in the dispute with Baidu. There has not been any material adjustment to Baidu’s advertisement pricing policy with us and we are not aware of any material adjustment to Baidu’s advertisement pricing policy with the hospitals affiliated with the Putian (China) Health Industry Chamber of Commerce. During the Track Record Period and as of the Latest Practicable Date, we had been



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maintaining a continuously good business relationship with Baidu. In addition, as of the Latest Practicable Date, all our existing contracts with Baidu were properly executed and still in effect. Therefore, we do not believe any alleged adjustment of advertisement pricing policy by Baidu will have any material adverse impact on our operations, financial condition and results of operations.

### SUPPLIES AND PROCUREMENT

The supplies required in our operations primarily include pharmaceuticals and medical devices. For the years ended December 31, 2012, 2013 and 2014, the procurement costs for pharmaceuticals and medical devices in aggregate accounted for 38.5%, 37.1% and 34.6% of our total cost of sales, respectively. We procure pharmaceuticals and medical devices primarily from distributors and we procure certain types of pharmaceuticals, such as traditional Chinese medicines, directly from manufacturers.

Our procurement department at the Group level is in charge of coordinating the medical supply needs of the whole Group and approving supply channels and procurement prices. Each hospital reports its need for supplies to Tai He Tang on a monthly basis for the next month. Tai He Tang then aggregates all procurement needs and selects qualified suppliers, and reports the same to our procurement department for approval. We procure approximately 42% of our total supplies through Tai He Tang, which functions as a centralized procurement platform for our Group. Each of our hospitals also has its own procurement team in charge of procuring supplies locally under the following circumstances: (i) if procured locally, it can save transportation costs; (ii) the supplies need “cold-chain” transportation and storage facilities, i.e., the supplies must be kept at a low temperature from the manufacturers to us; and (iii) the local governments have designated suppliers for certain supplies, such as first aid related pharmaceuticals and medical consumables. We believe centralized procurement allows us to enjoy a scale of economies where Tai He Tang has more bargaining power against our suppliers and can obtain discounts if we order large quantities from them, and allows us to better control the quality of the suppliers. For a single medical device with an estimated purchase price over RMB100,000, our procurement department needs to obtain our senior management’s prior approval before entering into the procurement procedure for such medical device.

Pursuant to relevant PRC regulations, not-for-profit hospitals, such as public hospitals established by governments or state-owned enterprises, are required to procure pharmaceuticals through public tendering on the centralized pharmaceutical procurement platforms organized by the competent government authorities. For details, please see “Appendix IV—Summary of Principal Legal and Regulatory Provisions—Laws and Regulations Related to the Healthcare Services Sector in China—Laws and Regulations on Pharmaceutical Distribution—Regulations on Centralized Pharmaceutical Procurement by Medical Institutions.” As a private for-profit hospital group, we are not subject to such requirement and we believe such regulations do not have any material impact on our business operations.

In addition, the PRC government has recently enhanced its regulation over national centralized pharmaceutical procurement by issuing the Guiding Opinions of the General Office of the State Council on Improving Centralized Procurement of Drugs for Public Hospitals (國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見) (the “Guiding Opinions”) on February 9, 2015. Please see “Appendix IV—Summary of Principal Legal and Regulatory Provisions—Laws and Regulations Related to the Healthcare Services Sector in China—Laws and Regulations on Pharmaceutical Distribution—Regulations on Centralized Pharmaceutical Procurement by Medical Institutions” for details. On April 26, 2015, the General Office of the State Council issued the Circular of the General Office of the State Council on Issuing the Work Summary in 2014 and Key Tasks in 2015 of Deepening the Medicine and Health System Reform (關於印發深化醫藥衛生體制改革2014年工作總結和2015年重點工作任務的通知) (the “Circular”), requiring each

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province or municipality to formulate and implement rules and procedures in relation to centralized pharmaceutical procurement in accordance with the Guiding Opinions. In addition, each public hospital is required to report an annual procurement plan including its minimum procurement amount of different categories of pharmaceutical products based on the actual consumption amount of the previous year, which will be taken into account in determining the procurement prices during the tendering process. The public hospitals will be bound by such minimum procurement amounts in their procurement. Furthermore, in the tendering process, some local health administrative authorities also refer to the pricing information of pharmaceuticals subject to centralized pharmaceutical procurement for public hospitals in other regions. We believe that by issuing such new regulations, the PRC government intends to curb overpricing in the pharmaceuticals market and these new regulations may therefore reduce the market prices of pharmaceuticals, alleviating the burdens on patients and benefiting the hospital industry in general.

As a private for-profit hospital group, we generate our revenue primarily from provision of healthcare services. We only generate a small portion of revenue from the supply of pharmaceuticals and medical devices by our Tai He Tang subsidiary. For the years ended December 31, 2012, 2013 and 2014, sales of pharmaceuticals and medical devices to third parties through our Tai He Tang subsidiary contributed 6.0%, 5.5% and 4.0% of our total revenue, respectively, and provision of hospital services contributed 94.0%, 94.5% and 96.0% of our total revenue, respectively. During the same periods, sales of pharmaceuticals and medical devices through provision of hospital services contributed 12.5%, 12.0% and 11.7% of our total revenue, respectively. Although the new regulations and policies regarding pharmaceutical procurement apply only to public hospitals and not to us, such regulations and policies might have the effect of reducing pharmaceutical prices, which in turn may help promote a competitive pharmaceuticals market. As the proportion of revenue generated from sales of pharmaceuticals at our Group is substantially lower than those at public hospitals, the potential reduction of pharmaceutical prices will not have a material impact on our business, financial condition and results of operations. In addition, the Guiding Opinions also encourage public hospitals to settle their procurement directly with pharmaceutical manufacturers and settle transportation expenses directly with logistics companies, with a view to further reducing the pharmaceutical prices.

We believe, as a private for-profit hospital group, we will benefit from these new regulations and policies in the following respects:

- The reduction of pharmaceutical prices in the market may decrease our procurement costs and promote cost control;
- We may rely on the information provided by the provincial centralized pharmaceutical procurement and tendering platforms by referring to the pricing information used under such platforms; and
- We will continue to rely on Tai He Tang as our Group's integrated procurement platform and negotiate with our suppliers by referring to the new tendering and procurement systems implemented in provinces where we have hospitals. As we have maintained a good credit history and we normally make payments to our suppliers within a relatively short period of time, we believe we will continue to enjoy favorable pricing from our suppliers and further reduce our pharmaceutical procurement costs and increase our profits.

We select our suppliers based on a set of stringent criteria and applicable laws and regulations to ensure the quality of our supplies. When selecting suppliers, we consider, among other things, their product

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offerings, pricing, reputation, service quality and delivery schedule. We require our suppliers to maintain requisite licenses and permits to operate their business, such as business licenses and GMP and/or GSP Certificates. Our procurement department at the Group level is in charge of approving qualified suppliers for all our hospitals to ensure that consistent quality and delivery standards are met. Each of our hospitals and Tai He Tang report their needs to procure new supplies or add new suppliers to our procurement department for approval. We conduct yearly reviews of our suppliers and will remove any suppliers who do not meet our supply standards or requirements from our list of approved suppliers. We usually have more than one supplier for each kind of our supply need to ensure we maintain sufficient inventory level and bargaining power. We do not rely on any single supplier for any of our major pharmaceuticals or medical devices. During the Track Record Period, we did not experience any shortage of supplies that could materially and adversely affect our business, financial condition or results of operations.

Depending on the different types of supplies and our relationships with the suppliers, the terms of the supply contracts with our suppliers vary from supplier to supplier. The majority of our framework supply contracts are signed on a yearly basis. We generally do not enter into any long-term agreements with our suppliers. Pursuant to these framework agreements, we will issue purchase orders based on our procurement needs, which specify detailed information of each purchase. The prices of the supplies are negotiated between Tai He Tang and the suppliers if procured by Tai He Tang, or between each hospital and their suppliers, with reference to the pricing guidelines set by local pricing bureaus where required. During the Track Record Period, we did not experience significant fluctuation in the prices of our supplies. We usually make payments to our suppliers upon delivery or on a monthly basis. We are entitled to return any supplies that do not meet our standards upon inspection after delivery. During the Track Record Period, we did not experience any significant return of supplies that did not meet our standards or damages caused by quality issues of the supplies. For large medical devices, the suppliers usually provide a warranty period and maintenance and technical support services throughout the lives of such devices.

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

For the years ended December 31, 2012, 2013 and 2014, purchases attributable to our largest supplier accounted for 6.4%, 7.7% and 5.0% of our total pharmaceuticals and medical devices purchased, and purchases attributable to our five largest suppliers accounted for 24.0%, 25.1% and 20.0% of our total pharmaceuticals and medical devices purchased, respectively. To the best knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period.

### INVENTORY

Our medical supplies are delivered by our suppliers to either Tai He Tang for further delivery to our hospitals or to each hospital in accordance with the terms of our supply contracts. Upon inspection by our quality control teams, the medical supplies are then put into storage areas with controlled temperature and humidity in accordance with the storage requirements of the medical supplies and applicable laws and regulations. During the Track Record Period, we were in full compliance with the applicable laws and regulations in relation to the storage of medical supplies in all material aspects, in particular with regard to narcotic pharmaceuticals and psychotropic substances. For details of the applicable laws and regulations with regard to the storage and usage of medical supplies, see “Appendix IV—Summary of Principal Legal and Regulatory Provisions—Laws and Regulations Related to the Healthcare Services Sector in China—Regulations on the Supervision over Pharmaceuticals in Medical Institutions.”

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We generally maintain 30 days of inventory to meet the needs of our hospitals. We closely monitor the level of inventory at each hospital and identify obsolete and slow-moving inventories. Occasionally, our hospitals may transfer certain medical devices between themselves to optimize the utility of such medical devices. We carry out regular physical inventory counts and shelf life examinations for all medical supplies. Once the medicines or supplies are expired, or the medical devices have reached the end of their service lives, we will safely dispose them in accordance with applicable laws and regulations, and such medical supplies will be written off accordingly. During the Track Record Period, we did not experience any significant write-offs of our inventories.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

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

Our risk management and internal control efforts are mainly focused on two areas: (i) customer and staff safety; and (ii) customer information security.

#### **Customer and Staff Safety**

Customer and staff safety management mainly involves security division, infrastructure division, food and beverage division, ward division, information division and medical service division at each of our hospitals. These divisions are in charge of the implementation and enforcement of our risk management and internal control policies and procedures.

Our security division ensures the personal safety of our customers and staff while they are in our hospital premises. Our hospitals have adopted a set of stringent security protocols and fire and explosive protection procedures in case of emergency.

Our infrastructure division is responsible for responding to emergency water, electricity and gas situations, such as power outage or water leakage at our hospitals. We have backup generators at each of our hospitals in case of emergency power failure to ensure the proper functions of our operations, in particular those that require life-supporting systems, such as operating rooms, NICUs and integrated delivery rooms.

Our food and beverage division oversees the procurement of food and beverages that are consumed at our hospitals and ensures their quality and safety. To comply with relevant laws and regulations, we are required to keep samples of food consumed at our hospitals for purposes of analysis in case of food poisoning. We have detailed protocols regulating how such food samples should be collected, stored, labeled and inspected. We only procure from qualified food and beverage suppliers that maintain proper licenses and permits and keep detailed records of their profiles and supplies.

Our ward division is responsible for the cleaning and disinfection of our wards and examination rooms and ensures the proper cleaning protocols are followed by the staff.

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Our information division is responsible for controlling the surveillance systems installed at our hospitals. We installed CCTV and other electronic security and surveillance systems at our hospitals to monitor the premises and record emergency events and incidents, which may provide crucial evidence in case of disputes or investigations.

Our medical service division ensures our physicians and other medical staff strictly follow relevant laws, regulations, industry standards and hospital protocols in carrying out diagnosis, treatment and other medical procedures. We have a Medical Supervision and Examination Handbook stipulated by our headquarters and implemented at each hospital, which lays out the detailed protocols for each department's medical practice and examination standards. For unexpected complications and emergencies during pregnancy and delivery that we are unable to handle, we have established cooperation with local Grade III Hospitals that are capable of handling such cases to set up "green channels" for our patients to get emergency medical assistance at these hospitals. The current version of JCI standards contains over 300 standards and over 1,000 measureable elements covering, among others, patient safety, continuity of care, continuous quality improvement, medication management, and patient and family education. Our Shenzhen HarMoniCare Hospital received JCI accreditation in October 2011, which has been renewed to October 31, 2017. We have also followed JCI standards at all other hospitals, but have not obtained accreditations yet. We seek to obtain JCI or similar accreditations in other hospitals in our Group, including our Beijing HarMoniCare Hospital. The JCI accreditation is valid for three years, and after it expires we plan to apply for re-accreditation.

During the Track Record Period, as a result of our comprehensive safety management and internal control procedures, no material medical accidents or work-related injuries happened at our hospitals which could cause a material adverse effect on our business, financial condition or results of operations.

### **Customer Information Security**

Our customer information security management mainly ensures the safe storage and usage of customer information, which includes personal information, medical records, diagnosis, prescription and other data. We have designated personnel who are responsible for the safekeeping of the customer information and maintenance of relevant systems for data processing and storage. During the Track Record Period, we did not experience any breach of customer confidential information or any other customer information related incidents which could cause a material adverse effect on our business, financial condition or results of operations.

### **Government Regulations and Inspections**

We are subject to numerous rules and regulations that regulate the qualifications and conduct of medical professionals and standards for healthcare services. We are committed to complying with relevant rules and regulations in the prevention and reduction of various risks and hazards associated with our operations. For example, our risk management procedures include the 14 core procedures promulgated by the NHFPC to ensure healthcare quality, which include proper procedures for initial diagnosis, ward inspection, consultation, discussions of death cases, medical record keeping, pre-operation discussions, care of critically ill patients and shift relief system. In addition to the 14 core procedures, we have an additional procedure for doctor and patient communication. Additionally, our hospitals are subject to unscheduled inspections by relevant government authorities, including the local municipal health bureaus, which review healthcare services provided by us, inspect the implementation of the relevant rules and procedures, and determine areas that can be further improved. During the Track Record Period, our hospitals had not been

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notified of any material non-compliance of the relevant rules and procedures promulgated by relevant government authorities. None of our hospitals has been found to be in any other material violations during the inspections conducted by local municipal health bureaus, the clearance of which is a prerequisite for our hospitals to renew their Medical Institution Practice Licenses.

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

- The design and implementation of our anti-corruption policies and procedures are overseen by our audit committee, while the audit department at our headquarters is responsible for daily affairs in respect of implementation of such policies and procedures. Related policies are set forth in our employee handbook and code of conduct. We provide anti-corruption training to our senior management and employees on an annual basis and will give periodic updates on recent anti-corruption issues as such issues arise.
- We have a zero-tolerance policy towards acceptance of any bribes by our physicians and medical staff. We also have an independent medical quality management committee (醫療質量管理委員會) at the hospital level, comprising of the general manager of the hospital and hospital administrator as well as the head of the clerical department (醫務科), nursing department (護理部) and pharmacy department (藥劑科) of the hospital. The medical quality management committee is responsible for conducting a monthly review and assessment of the compliance and reasonableness of pharmaceutical prescriptions on a random sampling basis. Any irregularities, which might indicate instances of prescription abuse or corruption, are immediately reported to the audit department at our headquarters for further review.
- We have also established a whistle blower program, including a dedicated hotline and an email address, to receive anonymous or unanonymous reports of corruption charges. We have also established stringent investigation protocols. Any employee found in breach of our anti-corruption policy will be dismissed.

### INFORMATION TECHNOLOGY SYSTEMS

Our information technology systems mainly include HIS, EAS and SIS. Additionally, our Beijing HarMoniCare and Shenzhen HarMoniCare Hospitals have a PACS and a LIS. Our Beijing HarMoniCare Hospital also has an advanced customer relationship management system, which we use to manage our patients' information. We also use this system for ward management, appointment scheduling, staffing, marketing activity management and other purposes. Our patients can also make appointments and consult with our staff through the system.

HIS is a comprehensive system that supports the daily operations of our hospitals by managing all clinical, medical, financial and administrative information, such as the management of patient records and billing history, customer service and the staffing of physicians and nurses. EAS covers financial management, budget management, capital management and supply chain management at the Group level. SIS digitally connects our hospitals' billing records with the local medical insurance centers and calculates the amount of medical insurance reimbursement payments. PACS is an integrated application system for digital medical equipment, such as ultrasound systems. LIS performs various functions, including sample collection and data processing. These systems are developed, provided and maintained by independent third-party providers. We are licensed to use them for a fee.


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All our hospitals have both HIS and EAS installed. All our hospitals' EASs are connected and form a network where data is gathered, shared and analyzed at the Group level, while the HIS at each hospital is relatively independent, except for five hospitals where the HIS and EAS are connected. We plan to continue to upgrade and improve our information technology systems to support the growth and expansion of our business and operations. We are in the process of integrating the inventory management modules of the HISs with those of the EASs at all our hospitals, which is expected to be completed by December 2015. Upon completion, the integrated systems will allow us to manage our inventory and related financial data on a real-time basis at the Group level and more efficiently. The following table illustrates our information technology systems upgrade and integration plan and related information:

<u>Plan</u>	<u>Expected completion date</u>	<u>Estimated expenditure</u>	<u>Expected source of funding</u>
<ul style="list-style-type: none"> <li>● Upgrade the HIS and integrate its inventory management module with the EAS at Chongqing Modern Woman, Chongqing Dushi Liren, Chongqing Fuling HarMoniCare, Chongqing Wanzhou HarMoniCare, Beijing HarMoniCare and Shenzhen HarMoniCare Hospitals</li> </ul>	December 2015	RMB1.4 million	Proceeds from the Global Offering
<ul style="list-style-type: none"> <li>● Upgrade EASs at all hospitals</li> </ul>	December 2015	RMB3.0 million	Proceeds from the Global Offering
<ul style="list-style-type: none"> <li>● Integrate HISs at all hospitals and establish an information center at the headquarters to centralize data management</li> </ul>	March 2016	RMB2.0 million	Proceeds from the Global Offering
<ul style="list-style-type: none"> <li>● Implement office automation system and human resources system at headquarters and all hospitals</li> </ul>	June 2016	RMB2.6 million	Proceeds from the Global Offering
<ul style="list-style-type: none"> <li>● Other hardware and software upgrade and purchases</li> </ul>	August 2016	RMB8.0 million	Proceeds from the Global Offering
<ul style="list-style-type: none"> <li>● Establish Group-level information system integration platform</li> </ul>	December 2016	RMB9.0 million	Proceeds from the Global Offering
<b>Total:</b>		RMB26.0 million	

For further details of our planned expenditures related to our information technology systems upgrade and expansion, see “Future Plans and Use of Proceeds.”

### TRADEMARKS AND DOMAIN NAMES

As of the Latest Practicable Date, we held one registered trademark and 39 registered domain names in China and Hong Kong that are material to our business. We are also in the process of applying for the transfer of five additional trademarks in China. Our key intellectual properties are our registered trademark “” and those to be transferred from Bosheng Medical to us pending registration. They are material to our business operations. For details of our trademarks and domain names, see “Appendix VI—Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights of our Group.”

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We have licensed and are expected to continue to license the “HarMoniCare”, “Modern Woman” and “Dushi Liren” trademarks from Bosheng Medical before and after the Listing. Each hospital has been granted a non-exclusive right to use the relevant trademarks primarily on an annual royalty basis for various periods. The amounts of the royalty were negotiated on an arm’s length basis between Bosheng Medical and each hospital but are capped at 3% of the turnover of the licensed hospital for each year. On March 5, 2015, Bosheng Medical and our Company entered into a trademark transfer agreement, pursuant to which Bosheng Medical agreed to transfer the relevant trademarks to our Company for a total consideration of RMB33.2 million. As of the Latest Practicable Date, we had submitted the application to the Trademark Office of the SAIC (國家商標局) for approving this transfer. We expect this approval process will be completed within one year from the date of submission of the application, upon which our Company will become the legal owner of the relevant trademarks and will license these trademarks to our hospitals. For details of these transactions, see “Connected Transactions—Exempt Continuing Connected Transaction—Trademark Licensing Arrangement.”

These trademarks had also been licensed to Shenyang HarMoniCare Hospital and certain Excluded Companies. In 2014, we disposed of our equity interest in Shenyang HarMoniCare Hospital as part of our Reorganization and Bosheng Medical disposed of its equity interests in the Excluded Companies to Independent Third Parties. Please see “History, Reorganization and Corporate Structure—Onshore Reorganization” and “Relationship with Our Controlling Shareholders—Companies Previously Owned by the Controlling Shareholders and Subsequently Disposed of” for details. From December 2014 to April 2015, Bosheng Medical entered into supplemental agreements to the equity interest transfer agreements with the acquirers of certain Excluded Companies and a supplemental agreement to the trademark licensing agreement with Shenyang HarMoniCare Hospital, pursuant to which the Excluded Companies and Shenyang HarMoniCare Hospital are required to change the names of the respective hospitals without using similar names as ours and complete relevant SAIC registrations by a respective agreed date set forth in the agreements, which is no later than December 31, 2015. In addition, the trademark licensing arrangements between Bosheng Medical on one hand and Shenyang HarMoniCare Hospital or certain Excluded Company on the other hand will be terminated by a respective agreed date set forth in the agreements, which is no later than December 31, 2015. The supplemental agreements also require Shenyang HarMoniCare Hospital and the Excluded Companies to comply with relevant PRC laws and regulations as well as industry standards while using the relevant trademarks and they will be liable for improper or illegal use of such trademarks. In the event that their use of the relevant trademarks may adversely affect our reputation, business, operations and financial condition, Bosheng Medical is entitled to terminate the trademark licensing arrangement immediately by written notice. We allow Shenyang HarMoniCare Hospital and the Excluded Companies to continue to use the relevant trademarks during the transition period for the purpose of ensuring the efficient transition of the respective hospitals under new names as they had been operated with these trademarks for several years. Given that the trademark licensing arrangements will be terminated within one year and neither of Shenyang HarMoniCare Hospital nor any of the Excluded Companies operates in the same city as any of our existing hospitals or new hospitals under our expansion plan, we believe the use of same trademarks or similar names by Shenyang HarMoniCare Hospital and the Excluded Companies would not have a material negative impact on our operations and reputation.

In addition, we have implemented the following policies and procedures to protect our trademarks:

- We have designated the legal department at our headquarters responsible for overseeing the application and use of trademarks.



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- We place strong emphasis on the protection of our trademarks and the operating department at our headquarters is responsible for monitoring the market for possible trademark infringements. The operating department will report to the legal department and our president if it identifies third-party application for registration or use of trademarks that might be confused with our trademarks or unauthorized use of our trademarks, and we will file opposition actions or resort to legal actions in accordance with the applicable laws and regulations.
- Any proposal for trademark licensing should be submitted to the legal department for analysis and approved by our president. Our operating department also monitors the trademarks used by third parties that are licensed from us and will report to the legal department and our president for further action if it discovers any improper or illegal use of our trademarks.

We recognize the importance of our intellectual property rights and will protect and enforce our intellectual property rights if we discover any infringement on our rights. During the Track Record Period and as of the Latest Practicable Date, we were not engaged in or threatened with any claim for any material infringement of any intellectual property rights, whether as a claimant or as a defendant.

We did not incur any research and development expenses during the Track Record Period.

### MAJOR AWARDS

We believe our high-quality and patient-oriented services have earned us a strong reputation among the customers and industry peers alike. The following table sets forth the recent major awards and achievements won by our hospitals and our senior management:

Year	Awards and Achievements	Award Issuing Body
2009	Chongqing Dushi Liren Hospital was awarded one of the “National Top Ten Infertility Diagnosis and Treatment Institutions” (全國十大不孕不育診療機構).	China Population Association (中國人口協會), China Women and Children Development Center
2010	Fuzhou Modern Woman Hospital was awarded the “National People Trusted Obstetrics and Gynecology Hospital” (全國百姓放心婦產醫院) and “Fuzhou People Trusted Obstetrics Model Hospital” (福建省百姓放心產科示範醫院).	China Famous Doctor Association (中國名醫協會)
2011	Shenzhen HarMoniCare Hospital received JCI accreditation.	Joint Commission International
2012	Beijing HarMoniCare Hospital was awarded the “2012 Hospital Reform and Innovation Award” (2012年醫院改革創新獎).	Department of Medical Administration of Ministry of Health (衛生部) (later reorganized as the NHFPC) and Health News Agency (健康報社)
2013	Chongqing Modern Woman Hospital was awarded the “China Women’s Favorite Brand” (中國婦女喜愛品牌).	All-China Women’s Federation (中華全國婦女聯合會) and United Nations’ World Conference on Women Preparation Committee (世界婦女第四次代表大會籌委會)

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Year	Awards and Achievements	Award Issuing Body
2013	Guiyang Modern Woman Hospital was awarded the “Guiyang High-integrity Private Hospital” (貴陽市誠信民營醫院).	Guiyang Municipal Health Bureau (貴陽市衛生局), Guiyang Municipal Office of Civilization (貴陽市文明辦) and Guiyang Municipal Human Resources and Social Security Bureau (貴陽市人力資源和社會保障局)
2014	Mr. Lin Yuming was awarded the “Beijing Excellent Entrepreneur” (北京優秀創業企業家稱號).  Beijing HarMoniCare, Shenzhen HarMoniCare, Fuzhou Modern Woman and Chongqing Modern Woman Hospitals were awarded the “2014 National Excellent Private Hospital” (2014年度全國優秀民營醫院).	Beijing Enterprises Committee (北京企業聯合會) and eight other Beijing trade unions and committees  Health News Agency (健康報社) and China Private Hospital Development Association (中國民營醫院發展聯盟)

### COMPETITION

The obstetrics and gynecology healthcare services market in China is highly fragmented. According to Frost & Sullivan, at the end of 2013, there were approximately 15,887 general hospitals, approximately 558 obstetrics and gynecology specialty hospitals and approximately 1,937 maternal and child healthcare institutions in operation in China. According to Frost & Sullivan, we accounted for approximately 13.0% and 5.6% of the market share of the private obstetrics and gynecology specialty hospital market and the total obstetrics and gynecology specialty hospital market in China, respectively, in terms of revenue in 2013, while the private obstetrics and gynecology specialty healthcare services market accounted for approximately 42.2% of the total obstetrics and gynecology specialty healthcare services market in China in terms of revenue in 2013, which in turn accounted for approximately 10.7% of the total obstetrics and gynecology healthcare services market in China in terms of revenue in 2013.

We face competition primarily from other hospitals and medical institutions that provide obstetrics and gynecology services in our areas of operation, in particular public hospitals with obstetrics and gynecology departments, private general hospitals with obstetrics and gynecology departments and private obstetrics and gynecology specialty hospitals that target mid- to high-end segments of the market like we do. Due to the nature of obstetrics and gynecology healthcare services, our hospitals generally only compete with hospitals located within their local markets as patients usually do not travel over long distances to deliver babies or seek medical help if they can receive the medical services they need at local hospitals.

Our main competitors at the Group level include other private hospital groups that focus on obstetrics and gynecology, such as Amcare Women’s and Children’s Hospital, Baijia Woman’s and Children’s Health Holding Group and Beijing Wuzhou Investment Group. Our hospitals also compete in the local markets with private obstetrics and gynecology specialty hospitals and private general hospitals with obstetrics and gynecology practices, such as Elizabeth Women’s Hospital in Guangzhou and United Family Healthcare in Beijing. Our competitors also include major public hospitals in our local markets, which have strong obstetrics and gynecology practices. As we are expanding into other cities, we may face additional competition from both local public and private hospitals that we currently do not compete with. For more details on our market position and the competitive landscape of the market we operate in, see “Industry Overview—The Obstetrics and Gynecology Healthcare Services Market in China” and “Industry Overview—The Obstetrics and Gynecology Healthcare Services Market in China—Competitive Landscape.”

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In addition, certain leading technology companies and pharmaceutical companies are actively investing in emerging mHealth or eHealth businesses through online platforms. While we utilize information technology and online platform to add value to our customer services, we are focused on medical diagnosis and treatment practices. According to relevant PRC regulations, non-medical institutions including mHealth or eHealth business providers without a Medical Institution Practicing License are not allowed to provide remote medical services through information technology methods (such as telecommunication, computer and internet), including online medical diagnosis and treatment. As a result, such mHealth or eHealth business providers are focused on responding to general online medical inquiries only. Therefore, we do not believe we face direct competition from such mHealth or eHealth business providers, nor will this development have any material adverse impact on our operations in the foreseeable future.

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

## EMPLOYEES

As of the Latest Practicable Date, we employed 3,137 employees in China. The following table sets forth a breakdown of our employees by function as of that date:

<u>Function</u>	<u>Number of employees</u>	<u>Percentage of employees</u>
Physicians . . . . .	484	15.4%
Other medical staff . . . . .	850	27.1%
Management staff . . . . .	175	5.6%
Financial Staff . . . . .	135	4.3%
Human resources and administrative staff . . . . .	494	15.7%
Customer service staff . . . . .	630	20.1%
Sales and marketing staff . . . . .	369	11.8%
<b>Total</b> . . . . .	<b>3,137</b>	<b>100.0%</b>

We believe we maintain good relationships with our employees. During the Track Record Period, we did not experience any significant staff turnover or any disruption to our business operations due to labor disputes.

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Our employees typically enter into employment contracts with us. Each hospital enters into employment contracts with their employees. Each hospital independently manages its recruitment efforts, provides wages and employee benefits within its annual budget, hires part-time employees as needed, and conducts its own employee performance reviews, which are all under the general framework developed and approved at the Group level. Remuneration packages for our employees mainly comprise of base salary, overtime allowance, performance-related bonus and discretionary bonus. We set performance targets for our employees based on their position and department and regularly review their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. We contribute to various government-sponsored employee benefit plans in accordance with applicable laws and regulations, which include housing fund, pension, medical, maternity and unemployment benefits. Our employees are not represented by a labor union. All labor disputes are handled in accordance with all applicable laws, rules and regulations generally at the hospital level.

We provide ongoing training for our employees. Our physicians and other medical staff regularly receive technical training on the operation of medical devices, treatment procedures and latest technologies or developments in their relevant fields. We also have mentoring programs where our less experienced physicians and nurses can learn techniques from and perform procedures under the supervision of our experienced physicians and nurses. Our administrative and management staff also receives systematic training on management skills and business operations. We have collaborated with external training institutions in providing modern hospital management training courses to the senior management of our hospitals to enhance their management capabilities and skills.

Except for those disclosed below in this prospectus, during the Track Record Period, all of our hospitals complied with applicable laws and regulations related to labor and employee benefit plans in all material aspects.

### ENVIRONMENTAL MATTERS

We are subject to various PRC laws, rules and regulations with regard to environmental matters, including hospital sanitation, disease control, disposal of medical waste, and discharge of wastewater, pollutants and radioactive substances. For details of relevant laws, rules and regulations, see “Appendix IV—Summary of Principal Legal and Regulatory Provisions—Laws and Regulations Related to the Healthcare Services Sector in China—Regulations on Environmental Protection related to Medical Institutions.”

During the Track Record Period, our businesses were in compliance with all applicable laws and regulations with regard to environmental protection in all material aspects. We have implemented internal policies and procedures in this regard and require all our hospitals to engage qualified service providers to dispose of medical waste and radioactive substances. For the years ended December 31, 2012, 2013 and 2014, our cost of compliance with environmental protection rules and regulations was RMB3.1 million, RMB3.6 million and RMB4.1 million, respectively. We expect such compliance cost to increase in the future in line with the growth and expansion of our business.

### INSURANCE

Some of our hospitals maintain their insurance by purchasing commercial insurance from Independent Third Parties, which mainly includes medical liability insurance and accident insurance for their employees.

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Each hospital makes its own independent judgment as to the type and coverage of insurance needed. The insurance policy generally has a one-year term and is renewed on an annual basis. We do not maintain any product liability insurance, which we believe is in line with industry practice in China.

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

For the years ended December 31, 2012, 2013 and 2014, our cost of insurance premium was approximately RMB1.0 million, RMB0.8 million and RMB0.8 million, respectively. Our Directors have confirmed that the insurance coverage for our hospitals was adequate as of the Latest Practicable Date.

### LICENSES, PERMITS AND CERTIFICATES

We operate in a heavily regulated industry. As a result, we are required to obtain various licenses, permits, approvals and certificates for our operations. For details of the relevant requirements, see “Appendix IV—Summary of Principal Legal and Regulatory Provisions—Laws and Regulations Related to the Healthcare Services Sector in China.” As advised by our PRC legal advisers, we had obtained all necessary licenses, permits, approvals and certificates for our operations as of the Latest Practicable Date. The following table sets forth the major licenses, permits and certificates for our hospitals and PRC subsidiaries as of the Latest Practicable Date:

<u>License/permit/certificate</u>	<u>Effective Date</u> (YYYY/MM/ DD)	<u>Expiration Date</u> (YYYY/MM/ DD)
<b>Beijing HarMoniCare Hospital</b>		
Medical Institution Practicing License (醫療機構執業許可證) .....	2014/12/22	2016/12/31
Permit for Performing Technical Services for Mother and Child Healthcare (I) (母嬰保健技術服務執業許可證) .....	2014/06/15	2017/06/14
Permit for Performing Technical Services for Mother and Child Healthcare (II) .....	2014/08/19	2017/08/18
<b>Chongqing Dushi Liren Hospital</b>		
Medical Institution Practicing License .....	2013/05/31	2018/05/30
Permit for Performing Technical Services for Mother and Child Healthcare .....	2015/03/12	2018/03/11
<b>Chongqing Modern Woman Hospital</b>		
Medical Institution Practicing License .....	2006/01/23	2021/01/23
Permit for Performing Technical Services for Mother and Child Healthcare .....	2013/08/09	2016/08/08
<b>Chongqing Fuling HarMoniCare Hospital</b>		
Medical Institution Practicing License .....	2015/01/01	2029/12/31
Permit for Performing Technical Services for Mother and Child Healthcare .....	2012/06/26	2015/06/25*

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<u>License/permit/certificate</u>	<u>Effective Date (YYYY/MM/ DD)</u>	<u>Expiration Date (YYYY/MM/ DD)</u>
<b>Chongqing Wanzhou HarMoniCare Hospital</b>		
Medical Institution Practicing License .....	2015/01/23	2020/01/22
Permit for Performing Technical Services for Mother and Child Healthcare .....	2014/01/01	2016/12/31
<b>Fuzhou Modern Woman Hospital</b>		
Medical Institution Practicing License .....	2009/11/20	2015/11/19
Permit for Performing Technical Services for Mother and Child Healthcare .....	2013/03/05	2016/03/04
<b>Guiyang HarMoniCare Hospital</b>		
Medical Institution Practicing License .....	2014/12/19	2029/12/18
Permit for Performing Technical Services for Mother and Child Healthcare .....	2012/07/12	2015/07/11*
<b>Guiyang Modern Woman Hospital</b>		
Medical Institution Practicing License .....	2015/06/30	2020/06/29
Permit for Performing Technical Services for Mother and Child Healthcare .....	2013/05/01	2016/04/30
<b>Guangzhou Woman Hospital</b>		
Medical Institution Practicing License .....	2014/08/26	2017/08/25
Permit for Performing Technical Services for Mother and Child Healthcare .....	2013/10/25	2016/10/24
<b>Shenzhen HarMoniCare Hospital</b>		
Medical Institution Practicing License .....	2015/03/23	2020/03/23
Permit for Performing Technical Services for Mother and Child Healthcare .....	2013/11/04	2016/11/03
<b>Wuhan Modern Hospital</b>		
Medical Institution Practicing License .....	2013/05/17	2028/05/16
Permit for Performing Technical Services for Mother and Child Healthcare .....	2014/12/19	2017/12/19
<b>Tai He Tang</b>		
Pharmaceutical Distribution Certificate (藥品經營許可證) .....	2015/01/19	2020/01/18
Good Supply Practice for Pharmaceutical Products Certificate (藥品經營質量管理規範認證證書) .....	2015/01/19	2020/01/18
Medical Device Marketing Enterprise License (醫療器械經營企業許可證) ..	2011/06/17	2016/04/12

*Note:*

\* We are in the process of renewing these certificates and, as advised by our PRC legal advisers, there is no material legal impediment in renewing such certificates as long as we are in compliance with relevant PRC laws and regulations.

We plan to renew the necessary licenses, permits, approvals and certificates upon expiration. Our PRC legal advisers are of the view that, there is no material legal impediment in renewing these licenses, permits, approvals and certificates as long as we are in compliance with applicable rules, laws and regulations.

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### PROPERTIES

We occupy certain properties in China in connection with our business operations. We do not directly or indirectly hold or develop properties for letting or retention as investments, nor do we purchase or develop properties for subsequent sale or for retention as investments.

According to Chapter 5 of the Listing Rules and Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all of our interests in land and buildings, because as of December 31, 2014, we had no single property interest with a carrying amount of 15% or more of our total assets.

#### Owned Properties

As of the Latest Practicable Date, we owned one parcel of land with a total area of 1,250 sq.m. and the building ownership right to one building with an aggregate GFA of 5,201.46 sq.m. located on this parcel of land in Nan'an district, Chongqing, which is the premises for our Chongqing Modern Woman Hospital. We have obtained the land use right, which will expire on December 28, 2044, and building ownership certificate for this land and building, which was registered on May 9, 2007. We acquired this property from an Independent Third Party for a consideration of RMB13.8 million in 2004.

#### Leased Properties

As of the Latest Practicable Date, we leased and occupied a total of 18 properties with a total gross floor area of approximately 93,357.96 sq.m. for premises of our hospitals, offices and warehouses. All our hospitals are located on these leased properties. Our lease agreements for our hospitals typically have a term ranging from 10 to 20 years. The following table sets forth a summary of the properties leased by us which are considered material as they are used as the premises for our hospitals and warehouses:

<u>Address</u>	<u>Use of Property</u>	<u>GFA (sq.m.)</u>
Guiyang HarMoniCare Hospital, Guizhou . . . . .	Hospital premises	10,706.35
Guiyang Modern Woman Hospital, Guizhou . . . . .	Hospital premises	2,591.88
Tai He Tang, Taiyuan, Shanxi . . . . .	Office, warehouse	<u>1,589.98</u>
Wuhan Modern Hospital, Hubei . . . . .	Hospital premises	13,223.00
Chongqing Dushi Liren Hospital . . . . .	Hospital premises	9,406.46
Chongqing Modern Woman Hospital . . . . .	Hospital premises	<u>5,266.75</u>
Chongqing Fuling HarMoniCare Hospital . . . . .	Hospital premises	6,945.29
Chongqing Wanzhou HarMoniCare Hospital . . . . .	Hospital premises	3,963.40
Guangzhou Woman Hospital, Guangdong . . . . .	Hospital premises	7,130.88
Fuzhou Modern Woman Hospital, Fujian . . . . .	Hospital premises	8,600.00
Beijing HarMoniCare Hospital . . . . .	Hospital premises	17,471.47
Shenzhen HarMoniCare Hospital . . . . .	Hospital premises	6,152.11

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### Property-related Non-compliance Incidents

During the Track Record Period, some of our leased properties had title defects as described below. Our Directors believe that if our leased properties had no title defects, the rental payment for such properties would have been similar to our current rental payment.

#### *Failure to Register Lease Agreements*

Some of our leased properties are divided into small units, which are owned by separated owners and leased to us under separate lease agreements. As of the Latest Practicable Date, 54 lease agreements with respect to 7 out of 18 of our leased properties had not been registered with the relevant PRC government authorities because the relevant parties failed to fulfill their obligations under the relevant PRC laws and regulations to register the leases with the local government authorities. These lease agreements cover properties with an aggregate GFA of approximately 13,509.05 sq.m. and are mainly used for hospital premises, offices and warehouse of Tai He Tang.

The table below sets forth details of these lease agreements:

<u>Hospital/Subsidiary</u>	<u>Number of Lease Agreements Not Registered</u>	<u>Range of Expiry Date</u>	<u>GFA (sq.m.)</u>
Shenzhen HarMoniCare Hospital .....	47	October 19, 2018 – October 31, 2026	1,682.39
Shanxi Wo De Investment .....	1	April 14, 2016	132.78
Chongqing Fuling HarMoniCare Hospital .....	1	March 1, 2018	553.93
Fuzhou Modern Woman Hospital .....	2	March 31, 2022 – December 31, 2022	8,600.00
Guiyang Modern Woman Hospital .....	1	April 14, 2016	59.75
Tai He Tang .....	1	November 30, 2019	1,589.98
Chongqing Modern Woman Hospital .....	1	June 1, 2018	890.13

As advised by our PRC legal advisers, failure to register an executed lease agreement will not affect its legality, validity or enforceability. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify such non-compliance and we fail to do so within the specified time. We estimate that the maximum fine we may be subject to for these unregistered lease agreements will be approximately RMB540,000, which we believe is immaterial. As a result, we did not make any provision in relation to this type of non-compliance and we plan to continue to lease such properties. For relevant risks, see “Risk Factors—Risks Related to our Business and Industry—Failure to comply with PRC property laws and regulations regarding certain of our leased premises may materially and adversely affect our business, financial condition and results of operations.” We did not experience any difficulty in renewing our lease agreements during the Track Record Period and do not foresee any material impediment in renewing these lease agreements upon their expiry.

We are in the process of remedying these non-compliance incidents related to lease agreement registration.



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Our Directors believe that the risk of us being fined by the relevant local government authorities for failure to register the relevant lease agreements is remote, on the basis that: during the Track Record Period and up to the Latest Practicable Date, (i) we had not been penalized for failure to register these lease agreements; and (ii) we had not received any notice or order from the relevant local government authorities requiring us to rectify such failure to register these lease agreements. Based on the above, our Directors believe that the aforesaid non-registration of lease agreements is not critical to our operations and will not have any material adverse impact on our operations, financial condition and results of operations.

### *Use of Illegal Structure*

During the Track Record Period and up to the Latest Practicable Date, Tai He Tang leased part of a building as a warehouse and offices with a gross floor area of 1,589.98 sq.m. The relevant lease agreement will expire on November 30, 2019. Substantially all inventory of Tai He Tang is stored in this warehouse. Our PRC legal advisers have advised us that since this building has not been granted any construction work planning permit or building ownership certificate, (i) it is an illegal structure and may be ordered by the relevant PRC government authorities to be demolished within a prescribed period of time; (ii) in the event that the owner fails to demolish the building within the prescribed time, the relevant PRC government authorities may demolish such building at the expense of the owner; and (iii) the lease agreement in respect of this building would be deemed invalid by a competent authority and therefore cannot be registered with the relevant PRC government authorities. Moreover, the lessor of the property has not provided us with any proof of authorization to lease the building to us. Our PRC legal advisers have also advised us that as the lessee of this building, we will not be required to pay any penalties in respect of the lack of a planning permit and ownership certificate; however, if the owner is required by the relevant authorities to demolish the building or if the lease agreement is deemed invalid on the basis the lessor is not authorized to lease the building to us, we will be forced to relocate our warehouse, and we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for failure to register the lease agreement. Based on our due inquiries, we do not believe that we enjoy any discount on the rent due to the lack of a construction work planning permit or building ownership certificate. For relevant risks, see “Risk Factors—Risks Related to our Business and Industry—Failure to comply with PRC property laws and regulations regarding certain of our leased premises may materially and adversely affect our business, financial condition and results of operations.”

As of the Latest Practicable Date, to the best of our knowledge, the owner of this building had not received any notice from the relevant PRC government authorities to demolish it and our use of this building had not been challenged by the owner or any third party. Based on a safety appraisal report issued by a qualified appraisal agency engaged by us, Shanxi Academy of Building Research (山西省建築科學研究院), our Directors are of the view that this building is in compliance with all relevant safety requirements and can be used safely in accordance with such requirements. In addition, our Directors believe the fact that we were able to obtain a GSP Certificate for this building indicated that its safety conditions are suitable for our operations. Accordingly, our Directors believe that we will not be required to relocate or carry out any immediate remedial action in respect of this building.

Tai He Tang’s warehouse supplies approximately 42% of the total supplies of our Group in terms of procurement cost. As such, in the light of the possibility that our right to lease this building may be challenged, we have developed a contingency plan to relocate Tai He Tang’s warehouse to an alternative site if necessary, as described below.

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On February 10, 2015, we also entered into a pharmaceuticals and medical devices procurement framework agreement with Sichuan Hexin Pharmaceutical Company Limited (“Sichuan Hexin”), an Independent Third Party. Sichuan Hexin has warehousing spaces with a GFA of over 2,000 sq.m. and generated sales revenue of over RMB90 million and RMB100 million for the years ended December 31, 2013 and 2014, respectively. As pharmaceuticals and medical devices market is demand-driven with ample supply sources from upstream manufacturers, distributors such as Sichuan Hexin are able to source from various manufacturers based on their customers’ demand for medical supplies. Therefore, we believe we would be able to obtain sufficient supplies from Sichuan Hexin or other suppliers, if needed, on a timely basis during Tai He Tang’s relocation. Pursuant to this agreement, upon Tai He Tang’s relocation until Tai He Tang obtains a GSP Certificate for new premises, Sichuan Hexin shall supply to our Group various pharmaceuticals and medical devices that are currently supplied by Tai He Tang at prices not higher than those supplied by Tai He Tang as of the date of this agreement. During the term of the agreement, based on the needs of our Group, the types and prices of the supplies can be adjusted from time to time through negotiations between parties. Tai He Tang will place written orders on behalf of our Group with Sichuan Hexin from time to time which will confirm the orders and supply to our Group accordingly. Payment for the supplies shall be made by our hospitals directly to Sichuan Hexin and facilitated by Tai He Tang. Sichuan Hexin is directly responsible to our hospitals for any defects or delays in the supplies, and shall indemnify Tai He Tang and our hospitals for any direct or indirect damages caused by its breach of agreement.

In addition, on March 12, 2015, we consulted with Shanxi Food and Drug Administration (“Shanxi FDA”), which is the competent authority for the administration of GSP certificate and has confirmed that, in the case that Tai He Tang relocates its warehouse to a new location, Shanxi FDA will issue Tai He Tang a new GSP Certificate for such new premises in accordance with the Administrative Measures for the Certification of GSP for Pharmaceutical Products. Accordingly, our PRC legal advisers have advised us that, provided all conditions applicable to the grant of a GSP Certificate are fulfilled, there is no legal impediment for us to obtain a new GSP Certificate for such new premises.

Furthermore, we entered into an indemnity agreement with the lessor of this building on February 26, 2015, pursuant to which the lessor has agreed to indemnify us against any relocation costs, renovation costs, loss of profit, claims, damages, penalties or other adverse impact that may result from our use of this building.

In light of the possibility that the building occupied by Tai He Tang’s warehouse may be demolished, we have commenced the process of searching for an alternative location suitable for a warehouse. In the event that we are required to relocate, we estimate that (i) the renovation of the new warehouse may take approximately 15 days and cost approximately RMB300,000; and (ii) we will need to suspend the operations at the current warehouse for approximately five days for the relocation which will cost approximately RMB200,000. We have identified alternative premises located in Taiyuan, Shanxi Province with a GFA of 1,577.07 sq.m. The owner has obtained a valid building ownership certificate for such premises. We entered into a letter of intent to lease such premises from the owner on April 16, 2015. Pursuant to the letter of intent, we are required to pay a good faith deposit of RMB50,000 and the owner has allowed us to have a 60-day inspection period to determine if the premises are suitable for relocation of Tai He Tang’s warehouse and the owner will be liable if it does not enter into a formal lease agreement with us upon satisfactory inspection by us within the inspection period. Upon completion of inspection, we can enter into a formal lease agreement with the owner for a mutually agreed term. If the premises are not in satisfactory condition, we are not required to enter into a formal lease agreement with the owner and the

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owner should return the deposit to us. After signing the formal lease agreement, the owner and us will register such lease in accordance with requirements under relevant PRC laws and regulations. On May 8, 2015, we entered into a supplemental agreement to the letter of intent with the owner. Pursuant to the supplemental agreement, the owner has agreed to reserve the premises for us and not to lease to any third party for a specified period starting from the expiry of the inspection period and last until signing of formal lease agreement or our written notice of termination. The specified period will end no later than December 31, 2015. We are required to pay the owner RMB600 per day during the specified period. If we decide not to lease the premises, the good faith deposit we paid after deducting the payment of RMB600 per day (if any) will be forfeited.

On one hand, we have requested the current lessor to communicate with the owner to rectify the title defects and obtain proof of authorization to lease the building to us. To our best knowledge, the owner is in the process of applying for relevant title documents from the local government authorities and expects the process will take a few months. On May 9, 2015, we entered into a supplemental agreement to the lease agreement with the current lessor. Pursuant to the supplemental agreement, the current lessor is required to use its best efforts to provide the relevant title documents and proof of authorization to lease the building and we are entitled to terminate the lease agreement if the required documents cannot be provided by December 31, 2015. The current lessor will not be entitled to any compensation for such termination and has agreed to allow us a 90-day rent free period after the termination for our relocation. On the other hand, we have made the above contingency relocation plan. If the title defects cannot be rectified or the proof of authorization to lease the building cannot be obtained by December 31, 2015, we will immediately enter into a formal lease agreement with the owner of the alternative premises. Upon entering into a formal lease agreement with the owner of the alternative premises, we will immediately apply for the relevant licenses, permits and certificates for the new premises, including the GSP Certificate, and commence renovation. The Directors expect that the relocation of Tai He Tang will be substantially completed by March 31, 2016. Based on the above, our Directors are of the view that the title defects of this building are not critical to our operations and that the potential relocation will not have any material and adverse impact on our business, financial condition and results of operations.

### *Controlling Shareholders' Indemnity*

Our Controlling Shareholders, Mr. Lin Yuming and Homecare, have entered into a deed of indemnity with us to jointly and severally indemnify us against any claims, costs, penalties, fines, damages, losses, fees, expenses and liabilities which may be incurred or suffered by our Group relating to the property-related non-compliance incidents described above. For details, see "Appendix VI—Statutory and General Information—E. Other Information—2. Indemnities."

## LEGAL PROCEEDINGS AND COMPLIANCE

### **Medical Disputes**

#### *Summary*

Our hospitals and operations are subject to legal proceedings and claims that arise in the ordinary course of business, which primarily include medical disputes brought by our patients and/or their families against us. Some of our hospitals maintain medical liability insurance, but such insurance may cover only a

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portion of these claims. For more details of our medical liability insurance, see “—Insurance.” These medical disputes were mostly related to bodily injuries that the patients suffered during or after receiving medical treatments at our hospitals. Most of these bodily injuries were not material and could not be completely avoided due to the inherent risks related to diagnoses, treatments or procedures or unforeseeable conditions which may result in complications, bodily injuries or even death of the patients in some cases. As part of our risk management and internal control procedures, we have fully informed our patients of these inherent risks and obtained their consents before conducting the relevant treatments or procedures. Most of the medical disputes with our patients and/or their families were settled through direct negotiations between the relevant hospitals and them. However, they may choose to seek claims against us through legal proceedings if initial negotiation to reach a settlement fails. During the Track Record Period, we did not experience any material medical disputes that could cause a material adverse effect on our business, financial condition or results of operations. During the Track Record Period, there were 59 cases of medical disputes with our patients and/or their families which resulted in, or are likely to result in, monetary compensation to them. For the years ended December 31, 2012, 2013 and 2014, the total amount of settlement and other types of monetary compensation paid to our patients and/or their families by us was approximately RMB1.5 million, RMB1.8 million and RMB2.7 million, representing 0.20%, 0.22% and 0.28% of our total revenue, respectively. According to Frost & Sullivan, due to the inherent risks associated with the clinical activities and operations of hospitals related to diagnoses, treatments or procedures or unforeseeable conditions which may result in unfavorable medical outcomes, medical disputes are not uncommon. As such, our Directors believe that the medical disputes we had during the Track Record Period were consistent with industry norms. In addition, none of these medical disputes was caused by the malpractice of our physicians or medical staff, nor resulted in any material liability or adverse consequence to the relevant physicians. In some cases, we may face critical or uncommon medical conditions which involve high risks and complexity and we believe are not suitable for treatment at a obstetrics and gynecology specialty hospital. As such, we transfer these patients to public general hospitals for further treatment in accordance with the relevant PRC medical regulations to ensure such patients’ safety.

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The following table sets forth the numbers of medical disputes which resulted in or are likely to result in monetary compensation to our patients and/or their families during the Track Record Period:

	Year Ended December 31,		
	2012	2013	2014
Beijing HarMoniCare Hospital .....	1	1	3
Chongqing Dushi Liren Hospital .....	1	1	0
Chongqing Modern Woman Hospital .....	2	3	2
Chongqing Fuling HarMoniCare Hospital .....	1	1	1
Chongqing Wanzhou HarMoniCare Hospital .....	1	0	4
Fuzhou Modern Woman Hospital .....	0	0	2
Guiyang HarMoniCare Hospital .....	1	1	2
Guiyang Modern Woman Hospital .....	1	1	6
Guangzhou Woman Hospital .....	1	2	4
Shenyang HarMoniCare Hospital <sup>(1)</sup> .....	0	3	1
Shenzhen HarMoniCare Hospital .....	0	1	1
Wuhan Modern Hospital .....	5	4	1
<b>Total</b> .....	<u>14</u>	<u>18</u>	<u>27</u>

*Note:*

1. The number in 2014 did not include those medical disputes which occurred after Shenyang HarMoniCare Hospital's disposal in August 2014.

### ***Ongoing medical disputes***

As of the Latest Practicable Date, there were three material ongoing medical disputes which have not been settled:

1. On January 7, 2011, a patient was admitted to Wuhan Modern Hospital and diagnosed with placental abruption, and was transferred to a third-party public hospital where she received further treatment, which resulted in partial hysterectomy and a fetal mortality. The patient claimed that we delayed her treatment, which we disputed. The patient then requested a medical accident appraisal, which was conducted by Wuhan Medical Association (武漢市醫學會) in May 2012. The committee drew the conclusion that it was a Class III Grade 3 medical accident where the patient should be primarily responsible for seeking medical help too late. The patient disagreed with this conclusion, and on May 30, 2014, requested the Wuhan Qiaokou District People's Court (武漢市礄口區人民法院) to appoint Wuhan Pingan Forensic Appraisal Clinic (武漢平安法醫司法鑑定所) to conduct an appraisal again. On July 28, 2014, Wuhan Pingan Forensic Appraisal Clinic reached the conclusion that Wuhan Modern Hospital should be primarily responsible for the medical accident. We disagreed with this conclusion on the basis that Wuhan Pingan Forensic Appraisal Clinic, a private institution, does not have the authority to overturn Wuhan Medical Association's previous conclusion. We subsequently appealed to Wuhan Qiaokou District People's Court. We consulted Wuhan Health and Family Planning Commission (武漢市衛生和計劃生育委員會) and we were advised that Wuhan Pingan Forensic Appraisal Clinic does not have the authority to overturn Wuhan Medical Association's conclusion. As of the Latest Practicable Date, we did not receive any conclusion

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from Wuhan Qiaokou District People's Court. We will continue to monitor the development of this incident and try to minimize any potential adverse impact on our Group.

Based on the best estimate of our management and the opinions of an external legal adviser who advised us on this dispute, that our maximum exposure in relation to this outstanding dispute is around RMB700,000, which we believe we have made sufficient provision for. Based on the above, our Directors do not believe that this incident would cause any material adverse impact on our business, financial condition or results of operations.

2. On February 23, 2014, a patient delivered a newborn with congenital heart disease at Guiyang HarMoniCare Hospital. The newborn was subsequently transferred to a third-party public hospital for further treatment. The patient alleged that it was due to our negligence that the disease was not discovered during the prenatal examinations conducted at our hospital. The patient then brought a lawsuit against Guiyang HarMoniCare Hospital at Guiyang Nanming District People's Court. On January 14, 2015, an appraisal conducted by Forensic Science Center of Southwest University of Political Science and Law (西南政法大學司法鑒定中心) concluded that it was a medical accident where Guiyang HarMoniCare Hospital should not be primarily responsible for.

The Guiyang Nanning District People's Court reached a decision in favor of the patient and awarded damages with a total amount of RMB245,732. We are in the process of appealing such decision. We will continue to monitor the development of this incident and try to minimize any potential adverse impact on our Group.

Based on the best estimate of our management, our Directors estimated that our maximum exposure in relation to this outstanding dispute is around RMB100,000, which we believe we have made sufficient provision for. Based on the above, our Directors do not believe that this incident would cause any material adverse impact on our business, financial condition or results of operations.

3. In addition, prior to the Track Record Period, there was one medical accident which resulted in us paying accumulative compensation of over RMB1 million during the Track Record Period. In May 2011, a female patient fell into a coma after delivery at Wuhan Modern Hospital. It was caused by alleged complications related to anesthesia. The patient subsequently received treatment at other hospitals but remained unconscious. Since the incident, we have volunteered to pay for the patient's treatment and care out of good will. As of the Latest Practicable Date, we had paid accumulatively RMB2.1 million to the patient's family, of which RMB1.5 million was paid during the Track Record Period. We expect to settle with the patient's family with a final payment of not more than RMB400,000 in 2015, for which we believe we have made sufficient provision. Although the patient's family can make further claims against us under the relevant PRC laws and regulations, we had not received any such claim as of the Latest Practicable Date. As advised by our PRC legal advisers, depending on whether the claim is compensation for bodily injuries or default of medical service contract, the limitation period is typically up to two years under the relevant PRC laws and regulations. However, the courts have the right to determine when the limitation period commences and may extend it under special circumstances. After consultation with a local law firm, we believe that the amount of damages to be awarded by the court (if any) for this type of medical dispute will normally be no more than RMB1.2 million.

Based on the above, our Directors do not believe that this incident would cause any material adverse impact on our business, financial condition or results of operations.

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### *Medical disputes involving fatalities*

During the Track Record Period, there were four cases of medical disputes involving fatalities of patients. We paid RMB1.6 million for these four disputes during the Track Record Period, which have all been settled. In each of these incidents, our medical staff have followed appropriate treatment procedures and protocols and we believe that these fatalities could not have been avoided even with proper diagnosis and treatment. The following table sets forth the details of these disputes:

<u>Hospital</u>	<u>Date of Incident</u>	<u>Nature of Incident</u>	<u>Amount Paid</u>
Fuzhou Modern Woman Hospital	June 2014	A newborn delivered at our hospital died due to an unknown reason after transfer to a third-party hospital.	RMB50,000
Guiyang HarMoniCare Hospital	March 2013	Patient died due to an unknown reason eight days after receiving a dilation and curettage procedure at the hospital.	RMB600,000
Chongqing Wanzhou HarMoniCare Hospital	November 2014	One infant mortality caused by premature birth.	RMB29,000
Shenyang HarMoniCare Hospital	March 2014	One maternal mortality after delivery caused by alleged acute pulmonary embolism, a common severe complication associated with pregnancy and delivery.	RMB950,000

We believe these are isolated cases and reflect the inherent risks related to our business and operations. We may continue to face potential legal proceedings and claims in our operations. See “Risk Factors—Risks Related to Our Business and Industry—Failure to properly manage our physicians’ or other medical staff’s clinical activities may expose us to medical disputes, which may harm our reputation and our business.”

As of Latest Practicable Date, other than those disclosed above, we were not a party to any ongoing material litigation, arbitration or administrative proceedings, and we are not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business, financial conditions or results of operations. Our Directors are not involved in any actual or threatened material claims or litigation.

**Non-compliance Incidents**

During the Track Record Period and up to the Latest Practicable Date, except for the property-related non-compliance incidents disclosed above, we had certain material non-compliance incidents, a summary of which is set forth below:

<b>Non-compliance incident</b>	<b>Reason(s) for the non-compliance</b>	<b>Remedial actions taken and to be taken</b>	<b>Legal consequences and maximum potential penalty</b>
<p><b>Housing provident funds</b></p> <p>During the Track Record Period, our hospitals did not open accounts for and/or contribute the full amount of housing provident funds for their employees. We estimate that the total outstanding housing provident funds as of December 31, 2014 amounted to approximately RMB6.8 million.</p>	<p>Some of our employees did not participate in the housing provident funds because they did not want to bear their portion of the contributions to the funds.</p>	<p>As of the Latest Practicable Date, all of our relevant PRC subsidiaries have opened accounts for housing provident funds contributions and commenced payment of contributions in accordance with relevant regulations, and we will require all such employees to participate in the housing provident funds contributions.</p>	<p>The relevant authorities may demand that we pay the outstanding contributions within a prescribed period. In the event that we fail to pay the outstanding contributions before the expiry of such prescribed period, we may be subject to an order from the relevant people's court to make such payment. We have made provision of approximately RMB3.1 million, RMB4.8 million and RMB6.8 million for the outstanding housing provident funds as of December 31, 2012, 2013 and 2014, respectively.</p>
<p><b>Medical advertisement</b></p> <p>During the Track Record Period and up to the Latest Practicable Date, there were 19 incidents where 8 of our hospitals received administrative warnings and/or were fined for publishing medical advertisements without obtaining a Medical Advertisement Examination Certificate or the content of the medical advertisements published violated relevant laws and regulations, among which we received administrative penalties for 9, 6 and 3</p>	<p>The incidents were primarily caused by some of our sales teams at the relevant hospitals who failed to obtain Medical Advertisement Examination Certificates in time or conducted aggressive marketing campaigns in violation of content requirements for medical advertisements.</p>	<p>We terminated or rectified the relevant non-compliance medical advertisements immediately after we were notified by the relevant government authorities of such non-compliance and we have adopted formulated media and advertisement policies and procedures to regulate the publishing and advertising activities of the hospitals and the Group as a whole. All employees of our Group are required to observe these policies and procedures, pursuant to which all publishing and</p>	<p>As a result of these incidents, we received administrative warnings and paid penalties of RMB330,000 in total. Our Directors believe that the administrative penalties we received for such non-compliant medical advertisements did not cause any material adverse effects on our business, financial condition and results of operations during the Track Record Period. In addition, our Directors believe that the non-compliant medical advertisements did not have a material adverse</p>



<u>Non-compliance incident</u>	<b>Reason(s) for the non-compliance</b>	<b>Remedial actions taken and to be taken</b>	<b>Legal consequences and maximum potential penalty</b>
<p>incidents during the years ended December 31, 2012, 2013 and 2014, respectively.</p>	<p>non-compliance</p>	<p>advertising activities must comply with relevant laws and regulations including obtaining requisite approvals from relevant authorities beforehand.</p> <p>Our Directors are of the view that these non-compliance incidents did not have a material adverse effect on our business, financial condition or results of operations and further confirm that we have taken all reasonable steps to adopt an effective internal control system to prevent the future re-occurrence of such non-compliance incidents.</p>	<p>effect on our financial performance during the Track Record Period.</p>

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As advised by our PRC legal advisers, other than those disclosed in this prospectus, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with all relevant PRC laws, rules and regulations in all material aspects and had obtained the necessary licenses, approvals and permits for our business operations.

### **Internal Control and Remedial Actions**

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

- (i) Our Directors have attended trainings conducted by our Hong Kong legal advisors on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and our Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong.
- (ii) We have established effective lines of communication and provided a process by which our employees can identify and report potential non-compliance exposures.
- (iii) We have appointed First Shanghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines.
- (iv) We have established an audit committee which comprises three independent non-executive Directors. The audit committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

In addition, we have implemented the following internal control measures to prevent recurrence of our past non-compliance incidents:

### ***Property-Related Internal Control Measures***

To prevent the recurrence of property-related non-compliance incidents, we have adopted the following enhanced internal control measure:

- we have compiled a list of our leased properties with title defects, and will assess the risks arising from the title defects and disclose the progress of rectifying such title defects in our annual/interim reports after the Listing;
- we will review more prudently our future properties, particularly the nature, designated usage and title certificates of the relevant properties;

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- we will strengthen the implementation of our internal control procedures to prevent recurrence of non-compliance incidents, establish mechanisms of accountability for non-compliance incidents, and seek advice from outside property experts and counsel as appropriate for new projects, especially at the planning stage; and
- we may also submit material projects for approval by our Board of Directors or Shareholders.

### *Medical Disputes Related Internal Control Measures*

In order to prevent the occurrence of medical disputes and ensure medical safety, our Group has implemented the following internal control measures:

- Our Group has adopted the Medical Disputes Prevention, Settlement and Management Procedures (the “Procedures”) in accordance with relevant PRC laws and regulations governing medical professionals and medical institutions. Each of our hospitals may adopt its own implementation procedures to carry out the principles of our Group’s procedures. Our Office of the President, Medical Management Department and Audit Department shall supervise the implementation of the Procedures.
- We have delegated responsibilities for medical safety within our Group: the general manager of the hospital shall be primarily responsible for the quality of our medical services and medical safety, the President of the hospital shall be responsible for the implementation of medical safety measures, and each department head shall be responsible for settling medical disputes.
- Our principles of prevention of medical disputes and incidents include, among other things, (i) the implementation of relevant laws, regulations, professional protocols and procedures; (ii) the provision of regular training to all medical staff on the prevention and settlement of medical disputes and incidents; and (iii) the regular inspection by the medical service quality management committee on the implementation of safety procedures and quality of medical services of each clinical department.
- Our principles of settling medical disputes and incidents include, among other things, (i) the coordination among the Group, the hospital and all relevant departments; (ii) the set-up of an emergency committee comprising of the president and members from various departments, and (iii) the retention of all medical records and other evidences.

### *Housing Provident Funds Related Internal Control Measures*

- All of our relevant PRC subsidiaries have opened accounts for housing provident funds contributions and commenced payment of contributions in accordance with relevant regulations, and we will require all such employees to participate in the housing provident funds contributions.

### *Medical Advertisement Related Internal Control Measures*

- Our designated staff members will review every medical advertisement in detail to ensure that the contents are in compliance with the permitted advertisement scope for each subsidiary and obtain the requisite Medical Advertisement Examination Certificate in advance; and we will continuously inspect the published medical advertisement.

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Our Directors are of the view that each of the non-compliance incidents disclosed in this prospectus is an isolated event, which was primarily due to inadequate legal knowledge of the relevant personnel. Since we have taken all reasonable steps to enhance our internal control system and implement corporate governance measures to monitor ongoing compliance and prevent future non-compliance with relevant laws and regulations, our Directors believe that our current internal control system and corporate governance measures are adequate and effective to ensure our ongoing compliance with relevant laws and regulations.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders are Mr. Lin Yuming and Homecare. As of the Latest Practicable Date, Homecare directly owned approximately 37.43% of our issued share capital. As Homecare is wholly-owned by Mr. Lin Yuming, Mr. Lin Yuming is also entitled to exercise 37.43% of the voting power at the general meeting of our Company, and shall be regarded as our Controlling Shareholder. Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and no exercise of any share option which may be granted under the Share Option Scheme, Mr. Lin Yuming and Homecare will be directly and indirectly interested in approximately 28.07% of our issued share capital, and hence will cease to be our Controlling Shareholders. For the background of Mr. Lin Yuming, see “Directors and Senior Management.” As of the Latest Practicable Date, Mr. Lin Yuming held 37.43% of the equity interest in Bosheng Medical. As such, Bosheng Medical is a close associate of Mr. Lin Yuming.

Save and except for their interests in our Company and its subsidiaries, neither our Controlling Shareholders nor any of their associates had interests in any other companies as of the Latest Practicable Date which may, directly or indirectly, compete with or is likely to compete with our business.

We have entered into a certain connected transaction with Bosheng Medical, which is expected to continue following the Listing. For details of the transaction, see “Connected Transactions.”

### 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 associates (other than our Group) after the Global Offering.

#### Management Independence

Our Board consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors.

We consider that our Board and senior management will function independently from our Controlling Shareholders because:

- each of our Directors is aware of his fiduciary duties as a director which require, among others things, that he 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 duties as a Director and his personal interests;
- the three independent non-executive Directors have extensive experience in different areas and have 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;
- each of our Directors will not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest and shall not be counted in the quorum present at the particular Board meeting;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- connected transactions between our Group and our Controlling Shareholders or their respective associates are subject to the requirements under the Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (where applicable);
- 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; and
- based on the above, our Directors are satisfied that they are able to perform their roles as Directors independently and manage our business independently from our Controlling Shareholders after the Listing.

### Operational Independence

Our Directors consider that our operations do not depend on our Controlling Shareholders for the following reasons:

- there is no competing business between our Group and our Controlling Shareholders;
- apart from Mr. Lin Yuguo, who is the organizer (舉辦人) of Changsha Liren Obstetrics and Gynecology Hospital (長沙麗人婦產醫院), or Changsha Liren Hospital, in Changsha, Hunan Province, none of our Directors has an interest in any business which competes or is likely to compete, either directly or indirectly, with our business (see “—Potential Competing Interests”, for details of Mr. Lin Yuguo's interest in Changsha Liren Hospital);
- we have our own independent operation capabilities and independent access to customers. The continuing connected transactions of our Group as set out in “Connected Transactions” have been entered into and will continue to be entered into on normal commercial terms and in our ordinary course of business; and
- our Group is not operationally dependent on the Controlling Shareholders. We do not rely on the Controlling Shareholders for our business development, staffing or marketing and sales activities. Our Directors and senior management are responsible for the conduct of our business. We have independent access to our customers, suppliers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses that are material to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors are satisfied that we are able to operate independently from our Controlling Shareholders and their associates.

### 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.

We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent financial

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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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system and makes financial decision according to its own business needs. We are financially independent of our Controlling Shareholders and their close associates. All loans, advances and balances due to and from our Controlling Shareholders and their close associates had been fully settled as of the Latest Practicable Date.

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

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### COMPANIES PREVIOUSLY OWNED BY THE CONTROLLING SHAREHOLDERS AND SUBSEQUENTLY DISPOSED OF

Mr. Lin Yuming, through Bosheng Medical, had interests in the following companies, which are not included in our Group as they are not in line with our Group's positioning and development (the "Excluded Companies"). In 2014, Bosheng Medical transferred all its respective equity interests in the Excluded Companies to Independent Third Parties, to avoid potential competition with our Group. In addition, Shanxi Wo De Investment also transferred all its respective equity interests in certain Excluded Companies to Independent Third Parties based on arm's length negotiations in line with the Group's positioning and business strategies. We disposed of these Excluded Companies mainly for the purpose of optimizing our management and other resources to focus on providing high-quality and safe healthcare services to women and children through our mid- to high-end hospitals in the first- and second-tier cities in China. The details of these Excluded Companies and their respective disposals are set forth below:

Excluded Company	Bosheng Medical's shareholding		Date of disposal	Total consideration	GFA (m <sup>2</sup> )	Registered beds	Qualified physicians	Reason for the disposal
	prior to disposal	disposal						
Baotou Modern Maternity Hospital Co., Ltd. (包頭現代婦產醫院有限責任公司) ("Baotou Modern Woman Hospital" and previously known as Baotou Modern Woman Hospital Co., Ltd (包頭現代女子醫院有限責任公司)) <sup>(1)</sup> . . . . .	100%		April 4, 2014	RMB10,265,000	4,000	80	14	Baotou is not a first- or second-tier city in China, and our management was of the view that the continuing operations in the local market would be inconsistent with our strategies and development plans.
Changsha Songziniiao Hospital <sup>(2)</sup> . . . . .	89%		July 31, 2014	RMB445,000	3,055	30	12	Changsha Songziniiao Hospital does not provide obstetrics services. It is our management's view that both obstetrics and gynecology departments are the core and essential departments of each of our hospitals. Therefore, the business model of Changsha Songziniiao Hospital is not in line with our strategies and positioning.
Dongguan Modern Woman Hospital . . . . .	99%		October 29, 2014	RMB3,000,000	10,947	90	15	Dongguan is not a first- or second-tier city in China, and our management was of the view that the continuing operations in the local market would be inconsistent with our strategies and development plans.



## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Excluded Company	Bosheng Medical's shareholding prior to the disposal	Date of the disposal	Total consideration	GFA (m <sup>2</sup> )	Registered beds	Qualified physicians	Reason for the disposal
Heilongjiang HarMoniCare Hospital .....	95%	December 24, 2014	RMB3,000,000	11,800	100	23	Taking into account the economic development, disposable income and population density of the local market, our management was of the view that the local demand for the mid- to high-end obstetrics and gynecology services could not meet our target profitability level.
Jincheng Modern Woman Hospital .....	51%	December 26, 2014	RMB3,000,000	5,500	49	33	
Linfen Modern Woman Hospital Co., Ltd (临汾现代女子醫院有限公司) ("Linfen Modern Woman Hospital") .....	100%	December 26, 2014	RMB4,000,000	3,697	48	15	Linfen is not a first- or second-tier city in China, and our management was of the view that the continuing operations in the local market would be inconsistent with our strategies and development plans.
Shanxi Modern Woman Hospital .....	97.5%	January 4, 2015	RMB34,000,000	7,315	50	76	Taking into account the economic development, disposable income and population density of the local market, our management was of the view that the local demand for the mid- to high-end obstetrics and gynecology services could not meet our target profitability level.

(As of the time of the disposal)

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Excluded Company	Bosheng Medical's shareholding prior to the disposal	Date of the disposal	Total consideration	GFA (m <sup>2</sup> )	Registered beds	Qualified physicians	Reason for the disposal
Tianjin Hebei Modern Woman Hospital .....	98%	December 29, 2014	RMB5,000,000	8,006	100	30	Tianjin Hebei Modern Woman Hospital does not provide obstetrics services. It is our management's view that both obstetrics and gynecology departments are the core and essential departments of each of our hospitals. Therefore, the business model of Tianjin Hebei Modern Woman Hospital is not in line with our strategies and positioning.
Weihai Modern Woman Hospital .....	98%	October 24, 2014	RMB9,800,000	4,667	52	20	Weihai is not a first- or second-tier city in China, and our management was of the view that the continuing operations in the local market would be inconsistent with our strategies and development plans.
Xi'an Liren Hospital Co., Ltd. (西安麗人醫院有限公司) ("Xi'an Liren Hospital") .....	100%	January 6, 2015	RMB8,000,000	8,849	88	23	Taking into account the economic development, disposable income and population density of the local market, our management was of the view that the local demand for the mid- to high-end obstetrics and gynecology services could not meet our target profitability level.
Yanji Bosheng Modern Woman Hospital .....	55%	September 15, 2014	RMB940,000	3,350	20	3	Yanji is not a first- or second-tier city in China, and our management is of the view that the continuing operations in the local market would be inconsistent with our strategies and development plans.

(As of the time of the disposal)

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Excluded Company	Bosheng Medical's shareholding prior to the disposal	Date of the disposal	Total consideration	GFA (m <sup>2</sup> )	Registered beds	Qualified physicians	Reason for the disposal
Zhongsan Modern Woman Hospital .....	98%	November 19, 2014	RMB5,880,000	5,902	50	13	Zhongsan is not a first- or second-tier city in China, and our management is of the view that the continuing operations in the local market would be inconsistent with our strategies and development plans.
Zhoushan Modern Woman Hospital Co., Ltd (舟山現代女子醫院有限公司) ("Zhoushan Modern Woman Hospital") .....	100%	June 20, 2014	RMB4,620,000	1,896	20	11	Zhoushan is not a first- or second-tier city in China, and our management is of the view that the continuing operations in the local market would be inconsistent with our strategies and development plans.

(As of the time of the disposal)

*Notes:*

- Bosheng Medical directly held 75% equity interests of Baotou Modern Woman Hospital and indirectly held 25% equity interests of Baotou Modern Woman Hospital through Shanxi Wo De Investment.
- Bosheng Medical directly held 65% equity interests of Changsha Songziniiao Hospital and indirectly held 24% equity interests of Changsha Songziniiao Hospital through Shanxi Wo De Investment.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The considerations of the above transactions were based on arm's length negotiation with reference to the relevant net asset value together with the shareholders' original capital contribution amounts, and taking into account the operating size and maturity of the operation of each relevant individual hospital. Our Directors confirmed that the Excluded Companies did not have any material non-compliance incidents, material medical disputes or contingent liabilities during the Track Record Period. Our Directors further confirmed that none of the Excluded Companies is located in the first- and second-tier cities where our Group intends to expand. Subsequent to the disposals, Bosheng Medical ceased to hold any equity interest in any hospital business or other business which competes or is likely to compete with the business of our Group.

### POTENTIAL COMPETING INTERESTS

Mr. Lin Yuguo, one of our non-executive Directors, is the organizer<sup>(1)</sup> of Changsha Liren Hospital, a not-for-profit hospital which provides specialized obstetrics and gynecology services in Changsha, Hunan Province. As of December 31, 2014, Changsha Liren Hospital had a gross floor area of approximately 8,800 sq.m., 80 registered beds and 30 qualified physicians. Changsha Liren Hospital uses the brand "Liren" (麗人) which is distinct and separate from our trademark "Dushi Liren" (都市麗人) but it may potentially result in a confusion on our trademark.

### Delineation of Business

We believe there is clear delineation between the business of our Group and that of Changsha Liren Hospital and therefore the potential competition between our Group and Changsha Liren Hospital is de minimis:

- Changsha Liren Hospital is a not-for-profit hospital rather than a for-profit hospital, and it targets the mass patients in the local market with an affordable price setting. Our Group positions and differentiates distinctly from Changsha Liren Hospital in terms of target customers, service offerings and price setting;
- Changsha Liren Hospital is located in the Changsha, Hunan Province. As of the Latest Practicable Date, we had no hospital located in the proximity of Hunan Province;
- We currently do not, and in a foreseeable future will not, have any expansion plan in the proximity of Hunan Province;
- Changsha Liren Hospital currently does not, and in a foreseeable future will not, have any expansion plan to other provinces in the PRC apart from Hunan Province;

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*Note:*

1. As advised by our PRC legal advisers, under the relevant PRC laws, the "organizer" (舉辦者) is a person or an entity who funds the establishment of a privately-funded non-enterprise entity (民辦非企業單位), such as a not-for-profit organization. Unlike the shareholder of a company, the organizer of a privately-funded non-enterprise entity is not entitled to any economic interests through dividends or distributions from the entity. Nor is the organizer entitled to any shareholding in the entity.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- As the organizer of Changsha Liren Hospital, Mr. Lin Yuguo does not have any shareholding in this hospital and will not receive any economic interests through dividends or distributions from Changsha Liren Hospital, hence there is no economic incentive for Mr. Lin Yuguo to expand the business of Changsha Liren Hospital beyond its current geographical market so that it may compete with us in the future;
- As confirmed by Changsha Liren Hospital, Mr. Lin Yuguo did not have any control in the hospital during the Track Record Period;
- Changsha Liren Hospital and our Group have independent management teams and financial systems; and
- Changsha Liren Hospital and our Group have different operational personnel and staff. These personnel and staff are paid by their respective employers.

Based on the above, our Directors are of the view that there is a clear delineation between Changsha Liren Hospital and our Group. We do not expect any overlap or competition between Changsha Liren Hospital and our Group after Listing.

### NON-COMPETITION UNDERTAKING

On June 9, 2015, our Controlling Shareholders entered into the Deed of Non-competition in favor of our Company (for itself and on behalf of all members of the Group), pursuant to which they have undertaken, subject to and except as mentioned in this prospectus, that they, would not, and would procure that none of their associates (other than any member of our Group) will directly or indirectly, engage in any business which competes or is likely to compete, directly or indirectly, with our Group's business as described in this prospectus in the PRC or any other places in which our Group carries on business (the "Restricted Business").

If there is any new business opportunity in the Restricted Business, the Controlling Shareholders shall within seven (7) days refer such new business opportunity to our Group. Such business opportunity shall have first been offered or made handling available to us and be considered by our Board or its committees which do not have a material interest in the business opportunity. Each of the Controlling Shareholders shall not invest, participate in, be engaged in and/or operate in such business opportunity unless our Board or its committees have declined in writing or failed to respond within six (6) months after being notified of such opportunity.

The aforesaid undertakings do not apply with respect to an investment or interest in units or shares of, inter alia, any company which engages in any Restricted Business where such investment or interest does not exceed 5% of the outstanding voting shares of the relevant company, provided that such investment or interest does not grant such Controlling Shareholders and/or their associates (other than any member of our Group) any right to control the composition of the board of directors or managers of such a company nor any right to participate, directly or indirectly, in the management of such company. The non-competition undertakings and the rights and obligations thereunder are subject to and conditional upon the Global Offering becoming unconditional as specified under the section "Structure of the Global Offering."

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The obligations of the Controlling Shareholders under the Deed of Non-competition will remain in effect until:

- (i) the date on which the Shares cease to be listed on the Hong Kong Stock Exchange (except for temporary suspension of trading of the Shares); or
- (ii) the relevant Controlling Shareholders and/or their associates (other than any member of our Group) cease to hold or otherwise be interested in, whether directly or indirectly, 10% or more of the voting rights of our Company, whichever occurs first.

Even if Mr. Lin Yuming and Homecare will cease to be our Controlling Shareholders immediately following the completion of the Global Offering, Mr. Lin Yuming and Homecare will voluntarily undertake to comply with the Deed of Non-competition upon the Listing.

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to manage any potential or actual conflict of interests and to safeguard the interests of our Shareholders:

- in the event that connected transactions, if any, between our Group and other business in which any of our Directors or their respective associates has any interest are submitted to the Board for consideration, the relevant interested Director will not be counted in the quorum and will abstain from voting on such matters, and majority votes by non-conflicted Directors are required to decide on such connected transactions;
- the independent directors undertake to review options, pre-emptive rights or rights of first refusal granted by the Controlling Shareholders and our Directors over its or their future competing businesses and decide whether to exercise these rights;
- the Controlling Shareholders and our Directors undertake to provide all information necessary for the enforcement of the options, pre-emptive rights or rights of first refusal over future opportunities;
- our Company will disclose decisions on matters reviewed by the independent directors relating to the exercise or non-exercise of options, pre-emptive rights or rights of first refusal either through the annual report, or by way of announcements to the public;
- we have appointed First Shanghai Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules;
- our Directors operate in accordance with the Articles 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 associates is materially interested; and
- pursuant to the Corporate Governance Code and Corporate Governance Report (the “CG Code”) in accordance with Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company’s cost.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Save as disclosed in “Directors and Senior Management—Board of Directors—Executive Directors—Mr. Lin Yuming” in relation to the Code provision A.2.1 of the CG Code, our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

We are committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element on the Board which can effectively exercise independent judgment. We are also committed to the view that our independent non-executive Directors should be of sufficient caliber and number for their views to carry weight. Our independent non-executive Directors, details of whom are set forth in “Directors and Senior Management,” are free of any business or other relationships which could interfere in any material manner with the exercise of their independent judgment. Our Company is expected to comply with the CG Code which sets our principles of good corporate governance in relation to, among others, Directors, the chairman, 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 deviations from it in our corporate governance report which will be included in our annual report.

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## CONNECTED TRANSACTIONS

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### OVERVIEW

We have entered into certain agreements with our connected persons (as defined under Chapter 14A of the Listing Rules) in our ordinary and usual course of business. Following the Listing, the transaction contemplated under such agreements will constitute our continuing connected transaction under the Listing Rules.

### CONNECTED PERSONS

As Mr. Lin Yuming is a Controlling Shareholder, president and an executive Director of our Company, he is a connected person of our Company according to Rule 14A.07(1) of the Listing Rules. As of the Latest Practicable Date, Mr. Lin Yuming held 37.43% of the equity interest in Bosheng Medical. As such, Bosheng Medical is an associate of Mr. Lin Yuming and hence a connected person of our Company according to Rule 14A.07(4) of the Listing Rules. Therefore, the transaction between our Group and Bosheng Medical, which will continue after the Listing, will constitute continuing connected transaction under Chapter 14A of the Listing Rules.

### EXEMPT CONTINUING CONNECTED TRANSACTION

The following transaction is made in the ordinary and usual course of business and on normal commercial terms where each of the relevant percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, not exceed 0.1% on an annual basis. Under Rule 14A.76(1)(a) of the Listing Rules, the transaction is exempt from reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **Trademark Licensing Arrangement**







##### *Parties and major terms*

Bosheng Medical, as the trademark licensor, entered into a series of trademark licensing agreements with certain PRC subsidiaries of our Group ("Trademark Licensing Agreements") as the trademark licensees, pursuant to which Bosheng Medical agreed to grant such subsidiaries a non-exclusive right to use certain trademarks primarily on an annual royalty basis for various periods. The amounts were negotiated on an arm's length basis between Bosheng Medical and each subsidiary but are capped at 3% of the turnover of the relevant subsidiary for each year.



## CONNECTED TRANSACTIONS

The major terms of the Trademark Licensing Agreements are listed below:

Subsidiary	Trademarks authorized to be used by the subsidiary (trademark registration number)	Commencement date of the trademark license	Pricing Term
Beijing HarMoniCare Hospital	 (7810235)	January 1, 2013	An annual royalty and service fee negotiated by the parties capped at 3% of the total revenue generated from the licensee's products and services of the preceding year generated by Beijing HarMoniCare Hospital.
Chongqing Dushi Liren Hospital	 (6694004)	April 1, 2011	An annual royalty and service fee negotiated by the parties capped at 3% of the total revenue generated from the licensee's products and services of the preceding year generated by Chongqing Dushi Liren Hospital.
Chongqing Fuling HarMoniCare Hospital	 (3069945)	January 1, 2011	An annual royalty and service fee negotiated by the parties capped at 3% of the total revenue generated from the licensee's products and services of the preceding year generated by Chongqing Fuling HarMoniCare Hospital.
	 (3605075)		
	 (3605077)		
	 (7810235)	January 1, 2015	The trademark is licensed on a royalty-free basis.





## CONNECTED TRANSACTIONS

Subsidiary	Trademarks authorized to be used by the subsidiary (trademark registration number)	Commencement date of the trademark license	Pricing Term
Chongqing Modern Woman Hospital	 (3069945)	January 1, 2011	An annual royalty and service fee negotiated by the parties capped at 3% of the total revenue generated from the licensee's products and services of the preceding year generated by Chongqing Modern Woman Hospital.
	 (3605075)		
	 (3605077)		
Chongqing Wanzhou HarMoniCare Hospital	 (3069945)	January 1, 2011	An annual royalty and service fee negotiated by the parties capped at 3% of the total revenue generated from the licensee's products and services of the preceding year generated by Chongqing Wanzhou HarMoniCare Hospital.
	 (3605075)		
	 (3605077)		
Fuzhou Modern Woman Hospital	 (7810235)	January 1, 2015	The trademark is licensed on a royalty-free basis.
	 (3069945)		
	 (3605075)		
	 (3605077)		




## CONNECTED TRANSACTIONS

Subsidiary	Trademarks authorized to be used by the subsidiary (trademark registration number)	Commencement date of the trademark license	Pricing Term
Guangzhou Woman Hospital	 (3069945)	January 1, 2011	An annual royalty and service fee negotiated by the parties capped at 3% of the total revenue generated from the licensee's products and services of the preceding year generated by Guangzhou Woman Hospital.
	 (3605075)		
	 (3605077)		
Guiyang HarMoniCare Hospital	 (7810235)	January 1, 2013	An annual royalty and service fee negotiated by the parties capped at 3% of the total revenue generated from the licensee's products and services of the preceding year generated by Guiyang HarMoniCare Hospital. The annual amount of 2013 was determined to be 2% of the licensee's total revenue of 2013.
Guiyang Modern Woman Hospital	 (3069945)	April 1, 2011	An annual royalty and service fee negotiated by the parties capped at 3% of the total revenue generated from the licensee's products and services of the preceding year generated by Guiyang Modern Woman Hospital.
	 (3605075)		
	 (3605077)		
Shenyang HarMoniCare Hospital	 (7810235)	January 1, 2013	An annual royalty and service fee negotiated by the parties capped at 3% of the total revenue generated from the licensee's products and services of the preceding year generated by Shenyang HarMoniCare Hospital. The annual amount of 2013 was determined to be 2% of the licensee's total revenue of 2013.

## CONNECTED TRANSACTIONS

Subsidiary	Trademarks authorized to be used by the subsidiary (trademark registration number)	Commencement date of the trademark license	Pricing Term
Shenzhen HarMoniCare Hospital	 (7810235)	January 1, 2013	An annual royalty and service fee negotiated by the parties capped at 3% of the total revenue generated from the licensee's products and services of the preceding year generated by Shenzhen HarMoniCare Hospital. The annual amount of 2013 was determined to be 2% of the licensee's total revenue of 2013.
Wuhan Modern Hospital	 现代女子 MODERN WOMAN (3069945)  (3605075)  (3605077)	January 1, 2011	An annual royalty and service fee negotiated by the parties capped at 3% of the total revenue generated from the licensee's products and services of the preceding year generated by Wuhan Modern Hospital.

### ***Reasons for the transaction***

Historically, Bosheng Medical was the holding company of our operating subsidiaries in the PRC. In order to centralize the management of our intellectual property rights, Bosheng Medical was the sole owner of the trademarks that we registered for our operation, and our chain hospitals were authorized to use the trademarks through the Trademark Licensing Agreements. On March 5, 2015, Bosheng Medical and Harmonicare Medical entered into a trademark transfer agreement (“Trademark Transfer Agreement”), pursuant to which Bosheng Medical agreed to transfer the trademarks comprising trademark number 3069945 “现代女子 Modern Woman”, trademark number 3605075 “现代女子”, trademark number 3605077 “”, trademark number 6694004 “” and trademark number 7810235 “” to Harmonicare Medical for a total consideration of RMB33.2 million which was determined based on a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent appraiser. As of the Latest Practicable Date, we had submitted the application to the Trademark Office of the SAIC (國家商標局) for approving this transfer. We expect this approval process to be completed within one year, upon which Harmonicare Medical will become the legal owner of the relevant trademarks and will license these trademarks to our hospitals.

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## CONNECTED TRANSACTIONS

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Pursuant to the Trademark Licensing Agreements, we will continue to use the trademarks and promote our hospital brands on a royalty-free basis until the legal titles to the trademarks vest in our Company under the Trademark Transfer Agreement and the due registration of such transfer with the Trademark Office of the SAIC.

### *Historical amounts*

The expenses incurred for the trademark licenses for the years ended December 31, 2012, 2013 and 2014 were approximately RMB18.7 million, RMB15.7 million and RMB18.0 million, respectively. The Directors are of the view that the Trademark Licensing Agreements have been entered into on normal commercial terms, in the ordinary and usual course of business of our Group and the terms are fair and reasonable and in the interests of the Company and Shareholders as a whole. The royalty and service fees for the trademark licenses were reasonable and were negotiated on an arm's length basis.

Since March 5, 2015, pursuant to the Trademark Transfer Agreement, we have and will continue to use the trademarks at nil consideration until the legal titles to the trademarks vest in Harmonicare Medical and the due registration of such transfer with the Trademark Office of the SAIC.

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## DIRECTORS AND SENIOR MANAGEMENT

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The table below sets forth information regarding our current Directors and senior management members:

### DIRECTORS

<u>Name</u>	<u>Age</u>	<u>Date of appointment as Director</u>	<u>Date of joining our Group</u>	<u>Current position in our Company, roles and responsibilities</u>
Mr. Lin Yuming (林玉明) . . . . .	45	August 26, 2014	December 2005	chairman, executive Director and president; overall strategic planning and business development
Mr. Fang Zhifeng (方志鋒) . . . .	41	March 18, 2015	December 2005	executive Director, vice president; medical and human resource management
Mr. Zhao Xingli (趙興力) . . . . .	42	March 18, 2015	July 2008	executive Director, vice president; investment and IT development
Mr. Lin Yuguo (林玉國) . . . . .	42	March 18, 2015	July 2014	non-executive Director
Mr. Wang Lin (王霖) . . . . .	46	March 18, 2015	July 2014	non-executive Director
Mr. Cheng Ruozhi (成若之) . . . .	35	March 18, 2015	July 2014	non-executive Director
Mr. Cai Jiangnan (蔡江南) . . . . .	57	March 18, 2015	March 2015	independent non-executive Director
Mr. Kong Aiguo (孔愛國) . . . . .	47	March 18, 2015	March 2015	independent non-executive Director
Ms. Fang Lan (方嵐) . . . . .	44	March 18, 2015	March 2015	independent non-executive Director

### SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Date of appointment as a member of the senior management</u>	<u>Date of joining our Group</u>	<u>Current position in our Company, roles and responsibilities</u>
Mr. Lin Yuming (林玉明) . . . . .	45	March 18, 2015	December 2005	chairman, executive Director and president
Mr. So Kin Ching (蘇建清) . . . .	43	March 18, 2015	November 2004	vice president; overall management of business operations
Mr. Fang Zhifeng (方志鋒) . . . . .	41	March 18, 2015	December 2005	executive Director, vice president; medical and human resource management

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## DIRECTORS AND SENIOR MANAGEMENT

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<u>Name</u>	<u>Age</u>	<u>Date of appointment as a member of the senior management</u>	<u>Date of joining our Group</u>	<u>Current position in our Company, roles and responsibilities</u>
Mr. Zhao Xingli (趙興力) . . . . .	41	March 18, 2015	July 2008	executive Director, vice president; investment and IT development
Mr. Li Wenfeng (李文鳳) . . . . .	60	March 18, 2015	October 2009	vice president; sourcing and audit management
Mr. Chen Wei (陳偉) . . . . .	36	March 18, 2015	March 2015	vice president and joint company secretary
Mr. Ren Jinhui (任金輝) . . . . .	39	March 18, 2015	March 2015	assistant of the chairman; assisting the chairman in discharging his duties for the day-to-day management of business operations and financial management
Mr. Chen Longzhen (陳隆禎) . . .	57	March 18, 2015	March 2015	chief financial officer

### BOARD OF DIRECTORS

The Board currently consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The functions and duties of the Board include meeting the Company's objectives and managing the business of the Company, developing and reviewing the Company's policies and practices on corporate governance; reviewing and monitoring the training and continuous professional development of Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with applicable legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors, reviewing the Company's compliance with the code and disclosure in the Corporate Governance Report set out in Appendix 14 to the Listing Rules, and doing any such things to enable the Board to discharge its obligations and responsibilities. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

#### *Executive Directors*

**Mr. Lin Yuming (林玉明)**, aged 45, founder of our Group, is the chairman of the Board, an executive Director and the president of our Company, mainly responsible for overall strategic planning and business development of our Group. He served as the general manager of Shanxi Modern Woman Hospital from August 2003 to July 2004, and the executive director and general manager of Beijing Modern Woman Hospital Investment Management Co., Ltd. (北京現代女子醫院投資管理有限公司) from July 2004 to March 2012, both mainly responsible for general management and operation of the two hospitals. He established Bosheng Medical and has served as its chairman and president since December 2007, mainly responsible for general management and operation of Bosheng Medical. Mr. Lin has also served as the executive director of some other members of the Group, such as (i) Wuhan Modern Hospital since December 2005, (ii) Guangzhou Woman Hospital since July 2008; (iii) Chongqing Wanzhou HarMoniCare Hospital since March 2009;

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## DIRECTORS AND SENIOR MANAGEMENT

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(iv) Guiyang HarMoniCare Hospital since May 2009; (v) Chongqing Fuling HarMoniCare Hospital since June 2009; (vi) Fuzhou Modern Woman Hospital since January 2010; (vii) Shenzhen HarMoniCare Hospital since July 2010; (viii) Guiyang Modern Woman Hospital since March 2011; (ix) Beijing HarMoniCare Hospital since June 2011; (x) Chongqing Dushi Liren Hospital since August 2013; and (xi) Chongqing Modern Woman Hospital since April 2014. Mr. Lin studied in law at Central China Normal University (華中師範大學) from March 2008 to January 2010 and obtained a bachelor's degree in business management in July 2012 through online education.

The Code provision A.2.1 of the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lin is the chairman of the Board and the president of the Company—the title which is equivalent to the chief executive officer of our Company. As Mr. Lin is the founder of our Group and had been managing our Group's business and overall strategic planning since its establishment, our Directors consider that the vesting of the roles of chairman and president in Mr. Lin is beneficial to the business prospects and management of our Group by ensuring consistent leadership within our Group and enabling more effective and efficient overall strategic planning for our Group. Taking into account all the corporate governance measures that we are going to implement upon Listing, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, our Company had not segregated the roles of its chairman and president. Our Board will continue to review and consider splitting the roles of chairman of our Board and the president of our Company at an appropriate time, taking into account the circumstances of our Group as a whole.

**Mr. Fang Zhifeng (方志鋒)**, aged 41, is a vice president and an executive Director of our Company. Mr. Fang joined our Group in December 2005 and served as the general manager of Wuhan Modern Hospital from December 2005 to March 2010, mainly responsible for the operation and management of Wuhan Modern Hospital. Mr. Fang has served as the vice president of Bosheng Medical from December 2007 to December 2014, mainly responsible for the management of Wuhan Modern Hospital and Fuzhou Modern Woman Hospital. Mr. Fang has also served as a director and a vice president of HarMoniCare Management and Consulting since September 2014 and January 2015, respectively, mainly responsible for medical and human resource management. Prior to joining our Group, Mr. Fang was a physician at Putian Licheng District Xitianwei Town Clinic Center (莆田市荔城區西天尾鎮衛生院) from August 1995 to October 2002. He also worked for Putian Food and Drug Administration (莆田市食品藥品監督管理局) from August 2002 to October 2005. Mr. Fang studied in clinical medicine at Fujian Medical School (福建醫學院) from September 1992 to July 1995, and obtained a bachelor of law degree from Fujian Normal University (福建師範大學) in July 2006 through online education. Mr. Fang obtained the qualification of a physician from Fujian Provincial Department of Health in December 1999.

**Mr. Zhao Xingli (趙興力)**, aged 42, is a vice president and an executive Director of our Company. Mr. Zhao joined our Group in July 2008, and served as the general manager of Guangzhou Woman Hospital from July 2008 to June 2010 and Shenzhen HarMoniCare Hospital from January 2009 to March 2010, mainly responsible for the general management of these two hospitals. Mr. Zhao served as a vice president of Bosheng Medical from April 2010 to December 2014, mainly responsible for the management of Beijing HarMoniCare Hospital and Shenzhen HarMoniCare Hospital, and the general manager of Beijing HarMoniCare Hospital from June 2011 to February 2015, mainly responsible for the management of Beijing HarMoniCare Hospital. Mr. Zhao has served as a director and a vice president of HarMoniCare Management and Consulting since July 2014 and January 2015, respectively, mainly responsible for



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## DIRECTORS AND SENIOR MANAGEMENT

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investment and IT development. Prior to joining our Group, Mr. Zhao also served as the assistant to the chairman of Shanxi Modern Woman Hospital from August 2003 to July 2004, mainly responsible for assisting the chairman in managing the Shanxi Modern Woman Hospital. He served as the assistant to the general manager of Beijing Modern Woman Hospital Investment Management Co., Ltd. (北京現代女子醫院投資管理公司) from August 2004 to December 2005, mainly responsible for the general management of the hospital. Mr. Zhao studied in public relations at Taiyuan University (太原大學) from September 1993 to July 1996 and obtained a certificate of completion in modern hospital management from the School of Continuing Education, Tsinghua University in September 2010.

### *Non-executive Directors*

**Mr. Wang Lin (王霖)**, aged 46, joined our Group in July 2014 and is a non-executive Director of our Company. Mr. Wang has served as a director of HarMoniCare Management and Consulting since July 2014. Prior to joining our Group, Mr. Wang served as a senior manager of China National Investment & Guaranty Co., Ltd. (中國投融資擔保有限公司) from August 1994 to March 1999. He served as a senior manager at investment advisory department of China International Capital Corporation Limited (中國國際金融有限公司) from April 1999 to August 2002. He has served as the managing director of CDH Investment Consulting Company Limited (北京鼎暉創新投資顧問有限公司) since August 2002. He has served as a director of Bosheng Medical since November 2008. Mr. Wang obtained a bachelor's degree in engineering from East China Jiaotong University (華東交通大學) in July 1989 and both master's and doctoral degrees in economics from Research Institute for Fiscal Science, Ministry of Finance (財政部財政科學研究所) in July 1993 and July 2002, respectively.

**Mr. Cheng Ruozhi (成若之)**, aged 35, joined our Group in July 2014 and is a non-executive Director of our Company. Mr. Cheng has served as a director of HarMoniCare Management and Consulting since July 2014. Mr. Cheng has successively served as a senior fund manager, a deputy investment director and an investment director of CCB International Medical Industry Equity Investment (Tianjin) Limited Company (建銀國際醫療保健股權投資管理(天津)有限公司) since July 2009, mainly responsible for investment management. Mr. Cheng has also served as a director of Bosheng Medical since July 2014. Mr. Cheng obtained a bachelor's degree in science and a bachelor's degree in economics from Peking University (北京大學) in July 2001 and a master's degree in arts from Harvard University in June 2006.

**Mr. Lin Yuguo (林玉國)**, aged 42, is the sibling of Mr. Lin Yuming and a non-executive director of our Company. Mr. Lin Yuguo joined our Group in July 2014 and has served as a director of HarMoniCare Management and Consulting since July 2014. Mr. Lin Yuguo is the organizer of Changsha Liren Hospital since March 2007. Mr. Lin Yuguo has served as a director of Bosheng Medical since December 2007. He has served as the chairman of the board of Shanghai Mayo Hospital Investment Co., Ltd. (上海美奧醫院投資管理有限公司) since August 2008, mainly responsible for the general management of the company. Mr. Lin Yuguo obtained a certificate of completion in modern hospital management from Shenzhen Research Institute affiliated with Peking University and the Hong Kong University of Science and Technology (北京大學香港科技大學深圳研修院) in May 2006. Mr. Lin Yuguo also obtained an executive master of business administration degree from Fudan University (復旦大學) in January 2010.

### *Independent non-executive Directors*

**Mr. Kong Aiguo (孔愛國)**, aged 47, joined our Group in March 2015 and is an independent non-executive Director of our Company. Prior to joining our Group, Mr. Kong has successively served as a

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## DIRECTORS AND SENIOR MANAGEMENT

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corporate finance teacher, deputy professor and professor in the School of Management of Fudan University (復旦大學) since September 1998, mainly responsible for teaching and research. He has also served as an independent director of Simei Media Co., Ltd. (思美傳媒股份有限公司) listed in the Shenzhen Stock Exchange (Stock Code: 002712) since November 2013, as well as an independent director of Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司) listed in the Shenzhen Stock Exchange (Stock Code: 000046) since July 2014, respectively. Mr. Kong obtained a bachelor's degree in science from Jilin University (吉林大學) in July 1989, a doctoral degree in economics from Fudan University in January 1997 and worked as a post doctorate researcher in Mathematics Department of Fudan University from December 1996 to July 1998. Mr. Kong also obtained a certificate of completion in independent director qualification training from the Shanghai Stock Exchange in December 2011.

**Ms. Fang Lan (方嵐)**, aged 44, joined our Group in March 2015 and is an independent non-executive Director of our Company. Prior to joining our Group, Ms. Fang is the chairman of the board of directors of Shanghai KRDream Co., Ltd. (上海坤睿企業管理諮詢有限公司) since August 2010, mainly responsible for overall management and operation. Ms. Fang served as the finance director of InBev Management (Shanghai) Co., Ltd. (英博企業管理(上海)有限公司) from June 2007 to June 2010, mainly responsible for finance management. Ms. Fang has also served as an independent director of Zhejiang Hixin Industry Group Co., Ltd. (浙江禾欣實業集團股份有限公司) listed in the Shenzhen Stock Exchange (Stock Code: 002343) since May 2014. Ms. Fang obtained a bachelor's degree in science from Oxford Brookes University in 2007. Ms. Fang obtained a CPA certificate from the Shanghai Institute of Certified Public Accountants in December 2009, and an ACCA certificate from ACCA in March 2006. Ms. Fang also obtained a certificate of completion in independent director qualification training from the Shenzhen Stock Exchange in April 2014.

**Mr. Cai Jiangnan (蔡江南)**, aged 57, joined our Group in March 2015, is an independent non-executive Director of our Company. Prior to joining our Group, Mr. Cai assumed various positions including human services program planner, reimbursement analyst, and contracted program coordinator at the Center for Health Information and Analysis at Massachusetts from April 1999 to June 2012. Mr. Cai has served as a part-time professor in economics and the director at Centre for Healthcare Management and Policy in the China Europe International Business School (中歐國際工商學院) since April 2012. Mr. Cai has also served as an independent director of Zhejiang Dian Diagnostics Co., Ltd. (浙江迪安診斷技術股份有限公司) listed in Shenzhen Stock Exchange (Stock Code: 300244) since May 2014. Mr. Cai obtained a master's degree in economics from Fudan University in 1985 and a doctorate degree in philosophy from Brandeis University in February 1997. Mr. Cai also obtained a certificate in training for senior management of public companies from Shenzhen Stock Exchange in April 2014. Mr. Cai obtained a Sun Yefang Award in economic science paper in 1991 from Sun Yefang Foundation (孫冶方經濟科學基金會), and an Excellent Paper Award in Shanghai Federation of Social Science Associations Seventh Annual Academic Seminar from Shanghai Federation of Social Science Associations (上海市社會科學界聯合會) in 2009.

Each of the executive Directors has entered into a service contract with our Company on June 9, 2015, 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 in accordance with the terms of the service contracts.

Each of the non-executive Directors and the independent non-executive Directors has signed a letter of appointment with our Company on June 9, 2015, for a term of three years with effect from the Listing Date, and such appointment may be terminated in accordance with the terms of the letters of appointment.

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## DIRECTORS AND SENIOR MANAGEMENT

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Save as disclosed above, each of our Directors has confirmed that he or she has not held any other directorships in listed companies during the three years immediately prior to the date of this prospectus and that there is no other information in respect of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention to our Shareholders.

### SENIOR MANAGEMENT

**Mr. Lin Yuming** (林玉明), please refer to “—Board of Directors—Executive Directors” for his biographical details.

**Mr. So Kin Ching** (蘇建清), aged 43, is a vice president of our Company. Mr. So joined our Group in November 2004 and served as the general manager of Chongqing Modern Woman Hospital from November 2004 to January 2014, mainly responsible for general management and operation of the hospital. Mr. So served as a vice president and a director of Bosheng Medical from December 2007 to December 2014 and since December 2007, respectively, mainly responsible for the management of Guiyang HarMoniCare Hospital, Chongqing Dushi Liren Hospital, Chongqing Wanzhou HarMoniCare Hospital, Chongqing Fuling HarMoniCare Hospital, Guangzhou Woman Hospital, Chongqing Modern Women Hospital and Guiyang Modern Woman Hospital. Mr. So has served as the supervisor of Guiyang Modern Woman Hospital since March 2011 and Chongqing Dushi Liren Hospital since August 2013. He also served as a director and vice president of HarMoniCare Management and Consulting from July to September 2014 and since January 2015, respectively, mainly responsible for the general management of our Group. Prior to joining our Group, Mr. So successively served as a business director of Putian International Economics Cooperation Co., Ltd. (莆田市國際經濟合作公司) from September 1993 to June 1996, and the sales engineer of Iwaki Pumps Co., Ltd. (易威奇有限公司) from July 1998 to June 2004. Mr. So obtained a bachelor’s degree in science from Fuzhou University (福州大學) in July 1993, and an EMBA certificate from Peking University (北京大學) in August 2007. Mr. So also obtained a certificate of completion in modern hospital management from the School of Continuing Education, Tsinghua University in September 2010.

**Mr. Zhao Xingli** (趙興力), please refer to “—Board of Directors—Executive Directors” for his biographical details.

**Mr. Fang Zhifeng** (方志鋒), please refer to “Board of Directors—Executive Directors” for his biographical details.

**Mr. Chen Wei** (陳偉), aged 36, joined our Group in March 2015 and is a vice president and a joint company secretary of our Company, mainly responsible for management of the securities investment and legal departments of our Company. Mr. Chen served as a project manager at the investment banking department of Huaxi Securities Co., Ltd. (華西證券有限責任公司) from March 2005 to May 2007, mainly responsible for investment banking business. He has also served as a managing director at investment banking of Guosen Securities Co., Ltd. (國信證券股份有限公司) since May 2007 and subsequently tender his resignation in March 2015. He was mainly responsible for investment banking business and team management. Mr. Chen obtained a bachelor’s degree in management from Jilin University (吉林大學) in July 2002 and a master’s degree in management from Shanghai University of Finance and Economics (上海財經大學) in March 2005. Mr. Chen obtained a CPA certificate from Shanghai Institute of Certified Public Accountants in December 2009.

**Mr. Chen Longzhen** (陳隆禎), aged 57, is a chief financial officer of our Company. Mr. Chen joined our Group in March 2015 and has served as the chief financial officer of HarMoniCare Management and

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## DIRECTORS AND SENIOR MANAGEMENT

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Consulting since March 2015, mainly responsible for general finance management of our Group. Mr. Chen served as a vice finance director and vice director in securities investment department of Bosheng Medical from June 2010 to February 2015, mainly responsible for management of finance, securities and investment. Mr. Chen successively served as a finance director of Xiamen Tianwei Industrial Co., Ltd. (廈門天威實業有限公司) from March 2008 to May 2010, and a finance director of Gaode Zhongcai Technology Co., Ltd. (高德中彩科技有限公司) from August 2006 to March 2008, mainly responsible for finance management. Mr. Chen served as a finance director of Shandong Juli Co., Ltd. (山東巨力股份有限公司) (currently known as Weichai Heavy Machinery Co., Ltd. (濰柴重機股份有限公司)) listed in the Shenzhen Stock Exchange (stock code: 000880) from March 2004 to August 2005, mainly responsible for finance management. Mr. Chen successively served as an assistant of general manager and finance director of China Crcjh Resources Jinhua Co., Ltd. (華潤錦華股份有限公司) (currently known as Skyworth Digital Co., Ltd. (創維數字股份有限公司)) listed in the Shenzhen Stock Exchange (stock code: 000810) from October 2001 to February 2004, mainly responsible for finance management. Mr. Chen also served as finance manager of Shandong Huimin Huarun Textile Co., Ltd. (山東惠民華潤紡織有限公司) from December 1999 to October 2001, mainly responsible for finance management. Mr. Chen obtained an associate degree in industry accountant at Shandong TV University (山東廣播電視大學) in July 1986, and studied in economics management from Shandong Cadres Correspondence College (山東幹部函授大學) from July 1994 to June 1997. Mr. Chen also obtained the qualification of senior accountant from Shandong Provincial Human Resources and Social Security Department (山東省人力資源和社會保障廳) in November 1997.

**Mr. Li Wenfeng (李文鳳)**, aged 60, joined our Group in January 2015, is the uncle of Mr. Lin Yuming and a vice president of our Company. Mr. Li has served as a vice president of HarMoniCare Management and Consulting since January 2015, mainly responsible for procurement and internal administration. Mr. Li served as a deputy general manager of Shanxi Modern Woman Hospital from August 2003 to December 2007, and the vice president of Bosheng Medical from December 2007 to December 2014, mainly responsible for management of logistics department, audit department, president's office, information department and medical management department. Mr. Li has also served as the supervisor of some other members of the Group, such as (i) Shanxi Wo De Investment since October 2009; (ii) Tai He Tang since April 2013; (iii) Chongqing Wanzhou HarMoniCare Hospital since December 2013; (iv) Chongqing Fuling HarMoniCare Hospital since December 2013; (v) Beijing HarMoniCare Hospital since December 2013; (vi) Guiyang HarMoniCare Hospital since August 2014; and (vii) Chongqing Modern Woman Hospital since April 2014. Mr. Li obtained a certificate of completion in modern hospital management from School of Continuing Education, Tsinghua University in September 2010.

**Mr. Ren Jinhui (任金輝)**, aged 39, is an assistant of the chairman of our Company who is primarily responsible for the Company's financial management. Mr. Ren joined our Group in March 2015 and has served as an assistant of the chairman of HarMoniCare Management and Consulting since March 2015, mainly responsible for assisting the chairman in discharging his duties. Mr. Ren served as an auditing director and a finance director of Bosheng Medical from December 2007 to December 2012 and from March 2013 to December 2014, respectively, mainly responsible for management of the auditing department and financial management department. Mr. Ren obtained two bachelor's degrees in economics and laws, respectively, from Jiangxi University of Finance and Economics (江西財經大學) in July 1999. Mr. Ren also obtained the qualification of a registered public accountant from MOF in December 2002, and the qualification of a registered tax agent from the Ministry of Personnel of the PRC and the SAT in September 2002.

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## DIRECTORS AND SENIOR MANAGEMENT

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### JOINT COMPANY SECRETARIES

**Mr. Chen Wei**, please refer to “—Board of Directors—Senior Management” for the biographical details of Mr. Chen.

**Ms. Ng Sin Yee, Clare** (吳倩儀), aged 54, was appointed as a joint company secretary of our Company on March 18, 2015. Ms. Ng is a director of the Corporate Services Department of Tricor Services Limited. She is a Fellow of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Before joining the Tricor Group, Ms. Ng worked in the Company Secretarial Department of Secretaries Limited, a professional service company wholly owned by Deloitte Touche Tohmatsu. Ms. Ng has more than 25 years of experience in the company secretarial field and has been providing corporate services to both multi-national companies and listed companies in Hong Kong. Ms. Ng is the joint company secretary of China Conch Venture Holdings Limited 中國海螺創業控股有限公司 (stock code: 586) and company secretary of Mongolian Mining Corporation (stock code: 975), both are listed on the Main Board of the Hong Kong Stock Exchange.

### BOARD COMMITTEE

#### *Audit Committee*

We established an audit committee on June 9, 2015 which will take effect from the Listing, with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee include reviewing and supervising our financial reporting procedures, including proposing on appointing or changing the external auditors; supervising our Company’s internal audit system and its implementation; communication between the internal auditors and external auditors; auditing the financial information and its disclosure; reviewing our Company’s internal control system and auditing the significant connected transactions; nominating the heads of the internal audit department; other matters that the Board of Directors has authorized it to deal with.

The audit committee currently comprises Ms. Fang Lan, Mr. Kong Aiguo and Mr. Cai Jiangnan, our independent non-executive Directors and Mr. Wang Lin, our non-executive Director. Ms. Fang Lan is the chairman of the audit committee.

#### *Remuneration Committee*

We established a remuneration committee on June 9, 2015 which will take effect from the Listing, with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee include formulating the criteria for and conducting assessment on the Directors and senior management as well as determining and reviewing the remuneration policies and plans for the Directors and senior management, including formulating remuneration plans and proposals in accordance with the terms of reference of the Directors and senior management and the importance of their positions as well as the remuneration benchmarks for the relevant positions in the other comparable companies; the remuneration plans and proposals include, but not limited to criteria, procedures and main assessment system for performance assessment, main proposals and regulations on award and

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## DIRECTORS AND SENIOR MANAGEMENT

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punishment; reviewing the performance of the Directors and senior management and conducting annual assessment on their performance and results; supervising the implementation of the remuneration policies of our Company; other matters that the Board of Directors has authorized it to deal with.

The remuneration committee currently comprises Mr. Kong Aiguo, Mr. Cai Jiangnan and Ms. Fang Lan, our independent non-executive Directors, Mr. Lin Yuguo, our non-executive Director, and Mr. Zhao Xingli, our executive Director. Mr. Kong Aiguo is the chairman of the remuneration committee.

### *Nomination Committee*

We established a nomination committee on June 9, 2015, which will take effect from the Listing, with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary responsibilities of the nomination committee include preparing the procedures and criteria for determining the candidates for the directors and senior management of our Company and conducting preliminary review on their qualifications and credentials, including proposing to the Board on its size and composition in accordance with our Company's operating results, assets and shareholding structure; reviewing the procedures and criteria for determining the candidates for the directors and general managers of our Company and make proposals to the Board of Directors; looking widely for the qualified candidates for the directors and general managers; reviewing and making proposals on the candidates for the directors and managers; reviewing and making proposals on the candidates for the other senior management such as the vice general managers, secretary to the Board of Directors and chief accountant, on which the Board of Directors need to resolve; other matters that the Board of Directors has authorized it to deal with.

The nomination committee currently comprises Mr. Lin Yuming, our chairman, executive Director and president, Ms. Fang Lan, Mr. Cai Jiangnan and Mr. Kong Aiguo, our independent non-executive Directors, and Mr. Cheng Ruozhi, our non-executive Director. Mr. Lin Yuming is the chairman of the nomination committee.

## COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits-in-kind, including our contribution to the pension scheme for our executive Directors, in their capacity as employees, according to the laws of the relevant jurisdiction.

The aggregate amount of salaries, allowances, discretionary bonus and retirement benefits scheme contributions paid and benefits in kind granted for the years ended December 31, 2012, 2013 and 2014 to our (i) Directors, and (ii) senior management were approximately RMB374,000, RMB332,000 and RMB368,000; and RMB1,058,000, RMB1,067,000 and RMB1,259,000, respectively.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid by our Group to our five highest paid individuals for the years ended December 31, 2012, 2013 and 2014 were approximately RMB2.4 million, RMB1.9 million and RMB2.0 million, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the years ended

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## DIRECTORS AND SENIOR MANAGEMENT

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December 31, 2012, 2013 and 2014. None of our Director waived or agreed to waive any emoluments during the years ended December 31, 2012, 2013 and 2014.

Under the arrangements presently in force, the aggregate remuneration of the Directors for the year ending December 31, 2015, excluding discretionary bonus, is approximately RMB2.2 million.

For information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, see Note 12 of our combined financial statements included in the Accountant's Report set out in Appendix I to this prospectus and "Statutory and General Information" in Appendix VI to this prospectus.

### COMPLIANCE ADVISER

We have appointed First Shanghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

- i. before the publication of any regulatory announcement, circular or financial report;
- ii. where a transaction, which might be a notifiable or connected transaction, is contemplated, including Share issues and Share repurchases;
- iii. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- iv. where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

### COMPLIANCE WITH THE CODE PROVISIONS OF APPENDIX 14 TO THE LISTING RULES

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, we will comply with the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules after the Listing.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised and no exercise of any share option which may be granted under the Share Option Scheme, 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	Number of Shares held immediately following the completion of the Capitalization Issue and the Global Offering	Percentage of shareholding immediately prior to the Capitalization Issue and the Global Offering	Percentage of shareholding immediately following the completion of the Capitalization Issue and the Global Offering
Homecare . . . . .	Beneficial owner	215,407,390	37.43%	28.07%
Mr. Lin Yuming <sup>(1)</sup> . . . . .	Interest in a controlled corporation	215,407,390	37.43%	28.07%
Honeycare . . . . .	Beneficial owner	130,137,845	25.48%	16.96%
CDH Harmony . . . . .	Beneficial owner	78,621,620	13.66%	10.25%
CDH Jiangen <sup>(2)</sup> . . . . .	Interest in a controlled corporation	78,621,620	13.66%	10.25%
CDH I <sup>(3)</sup> . . . . .	Interest in a controlled corporation	78,621,620	13.66%	10.25%
Ms. Zhang Qing Hua <sup>(4)</sup> . . . . .	Interest of spouse	215,407,390	37.43%	28.07%

*Notes:*

1. Mr. Lin Yuming holds 100% of the issued share capital of Homecare and therefore Mr. Lin Yuming is deemed or taken to be interested in the issued share capital of our Company in which Homecare has shareholding interests.
2. CDH Jiangen holds 100% of the issued share capital of CDH Harmony and therefore CDH Jiangen is deemed or taken to be interested in the issued share capital of our Company in which CDH Harmony has shareholding interests.
3. CDH Jiangen is held by CDH I (78%) and CDH Yuanbo (22%) as limited partners. Therefore, CDH I is deemed or taken to be interested in the issued share capital of our Company in which the CDH Jiangen has shareholding interests.
4. Ms. Zhang Qing Hua is the wife of Mr. Lin Yuming and is therefore deemed to be interested in the Shares that Mr. Lin Yuming is interested in under the SFO.
5. For details of relationships among our substantial shareholders, see “History, Reorganization and Corporate Structure—History and Development—Corporate History.”

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised and no exercise of any share option which may be granted under the Share Option Scheme, 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 under 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 any other member of the Group.



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## SHARE CAPITAL

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### AUTHORIZED AND ISSUED SHARE CAPITAL

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

	<u>Number of Shares</u>	<u>HK\$</u>
<i>Authorized share capital:</i>		
Shares .....	1,140,000,000	1,140,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
Shares in issue as of the date of this prospectus .....	115,083,817	115,083.817
Shares to be issued pursuant to the Capitalization Issue .....	460,335,268	460,335.268
Shares to be issued pursuant to the Global Offering .....	<u>191,810,000</u>	<u>191,810</u>
Total .....	767,229,085	767,229.085

### ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Capitalization Issue and the Global Offering. The above does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option, any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased by us 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.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Islands Companies Law and the terms of the Company's Memorandum and Articles of Association, the Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, the Company may reduce or redeem its share capital by shareholders' special resolution. For details, see "Appendix V—Summary of the Constitution of the Company and Cayman Islands Company Law—2. Articles of Association—(c) Alteration of capital."

Pursuant to the Cayman Islands Companies Law and the terms of the Company's Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be

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## SHARE CAPITAL

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varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to “Appendix V—Summary of the Constitution of the Company and Cayman Islands Company Law—2. Articles of Association—(d) Variation of rights of existing shares or classes of shares.”

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. See “Statutory and General Information—D. Share Option Scheme” in Appendix VI to this prospectus for details of the Share Option Scheme.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in “Structure of the Global Offering—Conditions of the Global Offering”, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of 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 total nominal value of our share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and
- (ii) the total nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to in the sub-section headed “—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.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in “Structure 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

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## SHARE CAPITAL

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repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and no exercise of any share option which may be granted under the Share Option Scheme).

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 “Appendix VI—Statutory and General Information—A. Further Information about Our Group—5. Repurchases of Our Own Securities.”

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.

### **RULE 8.08 OF THE LISTING RULES**

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, we must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public.

### **RULE 10.08 OF THE LISTING RULES**

Our Directors confirm that we will comply with the requirements of Rule 10.08 of the Listing Rules upon Listing. Rule 10.08 of the Listing Rules provides that we may not issue any further Shares or securities convertible into equity securities or enter into any agreement to make such an issue within six months from the Listing Date.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our combined financial statements as of and for each of the years ended December 31, 2012, 2013 and 2014 and related notes in the Accountants' Report included in Appendix I in this prospectus, which have been prepared in accordance with IFRS. You should read the whole of the Accountants' Report included in Appendix I in this prospectus and not rely merely on the information contained in this section.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results and the timing of selected events could differ significantly from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.*

### OVERVIEW

We are the largest private obstetrics and gynecology specialty hospital group in China, according to Frost & Sullivan. As of the Latest Practicable Date, we owned and operated 11 hospitals in 7 first- and second-tier cities in China, with a total of 566 beds in operation. We generate our revenue primarily from providing obstetrics and gynecology and other healthcare services to patients seeking medical care and related services in our hospitals. Our hospitals are for-profit private obstetrics and gynecology specialty hospitals, which are specialized in providing medical diagnosis and treatment, and preventive care to women and newborns. For the years ended December 31, 2012, 2013 and 2014, 94.0%, 94.5% and 96.0% of our total revenue was contributed by our provision of hospital services business, respectively. We also generate a small portion of our revenue from supplying pharmaceuticals and medical devices to associated companies and independent third-party hospitals, clinics and other medical institutions through our Tai He Tang subsidiary. For the years ended December 31, 2012, 2013 and 2014, 6.0%, 5.5% and 4.0% of our total revenue was contributed by our supply of pharmaceuticals and medical devices business, respectively. Tai He Tang's primary business is procurement of pharmaceuticals and medical devices for our Group, while its secondary business is supplying pharmaceuticals and medical devices to associated companies and Independent Third Parties.

We experienced rapid growth in recent years. Our revenue increased from RMB750.3 million in 2012 to RMB833.2 million in 2013, and to RMB935.8 million in 2014, representing a CAGR of 11.7%. Our net profit increased from RMB20.9 million in 2012 to RMB65.7 million in 2013, and to RMB105.1 million in 2014, representing a CAGR of 124.3%.

### BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on August 26, 2014 as an exempted company with limited liability. Upon completion of the Reorganization, our Company became the holding company of the companies comprising the Group. The Group comprising the Company and its subsidiaries resulting from the Reorganization is regarded as a continuing entity and our combined financial statements are prepared as if the current group structure had been in existence through the Track Record Period, or since the respective dates of incorporation or acquisition of the relevant entity where this is a shorter period. For details of the Reorganization, see "History, Reorganization and Corporate Structure."

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## FINANCIAL INFORMATION

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The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period and the combined statements of financial position as of December 31, 2012, 2013 and 2014 are prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation or acquisition of the relevant entity, as applicable.

### MAJOR FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be materially affected by a number of factors and developments, including the following:

#### **The pace and locations at which we establish our new hospitals**

During the Track Record Period, we opened one new hospital in 2012. The pace of the opening of new hospitals directly affects our results of operations because new hospitals generally have lower income and higher operating costs initially. We also incur substantial initial costs and expenses before the opening of new hospitals, such as renovation costs, rental expenses and equipment costs, which vary from hospital to hospital depending on its location, service offerings and operational scale and other factors. According to our past experience, it generally takes around two to three years for a new hospital to break even, which we consider to be the point at which the hospital starts to record net profit for the year, and even longer to recover the initial investment, which we consider to include all the costs incurred prior to the opening of the hospital. The investment payback period may vary significantly from hospital to hospital depending on the initial investment amount, profitability of the hospital, market conditions and other factors. For example, it took two years for Guangzhou Woman Hospital to recover its initial investment, while six years for Chongqing Modern Woman Hospital to recover its initial investment. As of April 30, 2015, 4 out of 11 of our hospitals had not recovered their initial investments. Our progress in opening new hospitals from period to period may also occur at an uneven rate. As a result, our profitability may fluctuate from period to period. For the opening time of our hospitals, see “History, Reorganization and Corporate Structure—History and Development—Corporate History.”

In addition, the locations at which we establish our new hospitals may also affect our results of operations significantly. We believe the consumers in first- and second tier-cities have stronger demand and purchasing power for high-end medical services. Although competition may be more intense in these locations as there are more market players, we believe the consumers are more aware of the benefits of the high-end hospital services offered by private specialty hospitals. As a result, we expect hospitals in these locations may experience faster growth than hospitals in other cities. For example, revenue of our Beijing HarMoniCare Hospital amounted to RMB68.8 million, RMB122.6 million and RMB178.7 million in 2012, 2013 and 2014, respectively, representing a CAGR of 61.2%, higher than the revenue growth rate of the other hospitals in our Group during the same periods. We also have access to a wider pool of physician and medical staff candidates and other medical resources in first- and second-tier cities.

In the future, we plan to open more new hospitals in existing markets as well as in attractive new markets in first- and second-tier cities in China. Our initial focus will be on the existing markets where we are familiar with the local competitive landscape and business environment. We will also consider opening new hospitals in other attractive new markets in first- and second-tier cities in China. For details of the timetable and capital commitment for expanding our business, see “Business—Our Hospitals.”

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## FINANCIAL INFORMATION

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### **The growth of newborn population**

As our obstetrics services include prenatal, delivery and postpartum care services during pregnancy, delivery and after birth, our results of operations are affected by the birth rate of China in general and the birth rates of the cities where we operate in particular. We expect the increased number of newborns in the markets that we serve will increase the demand for our obstetrics services. On the contrary, a decreasing birth rate will adversely affect the demand for our services and our results of operations. According to Frost & Sullivan, China's newborn population has grown from 16.0 million to 16.4 million from 2009 to 2013. With the gradual relaxation of the "One Child Policy", China's newborn population is expected to reach 16.7 million in 2018. Birth rates are affected by many factors that are beyond our control, such as government population policy, economic conditions, environmental impact, social and religious beliefs, etc. For example, in certain years that are considered more auspicious according to the Chinese zodiac, we may receive more obstetrics patients and deliver more babies compared to other years. We expect the growth of newborn population in China will remain stable in the future which will positively affect our business and results of operations.

### **Demand for high-end services**

Our revenue from provision of hospital services business primarily depends on the number of patient visits, which are driven by the demand for our services. The number of total patient visits increased from 616,129 in 2012 to 621,645 in 2013 and to 684,946 in 2014, while our revenue from provision of hospital services business increased from RMB705.3 million in 2012 to RMB787.3 million in 2013 and to RMB898.4 million in 2014. We focus on the mid-to-high-end healthcare service segments of the market and target patients who can afford and is willing to pay for our premium healthcare services. Patients come to our hospitals for privacy and high-end personalized services, which cannot be satisfied by public hospitals due to public hospitals' limited resources. With the increased awareness of the importance of privacy and service quality, we expect more patients are turning to private hospitals for healthcare services, especially patients who can afford high-end services. For key drivers for the private obstetrics and gynecology specialized healthcare services market in China, see "Industry Overview—The Obstetrics and Gynecology Healthcare Services Market in China." We believe that in the long run, an increased demand for high-end services will allow us to expand our business significantly and will improve our overall profitability and market positioning.

### **Cost and expenses relating to employees**

Our ability to control the cost and expenses relating to employees affects our profitability as increased cost and expenses negatively affect our profitability. We have experienced pressure to increase staff salaries and benefits in order to recruit and retain qualified physicians and other medical staff, and expect such pressure to continue to exist in the near future. Our total staff costs (excluding Directors' emoluments) increased from RMB222.8 million in 2012 to RMB256.4 million in 2013 and to RMB283.0 million in 2014, accounting for 29.7%, 30.8% and 30.2% of our total revenue, respectively. These increases in staff costs were primarily attributable to increased compensation level.

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## FINANCIAL INFORMATION

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### Seasonality

We experience seasonal fluctuations in our revenue and profitability. Our gynecology practice typically experiences relatively fewer patient visits in the first quarter of a year due to the effect of the Chinese New Year holiday, during which Chinese people usually avoid visiting hospitals. As a result of the foregoing, our interim results of operations, including our revenue and profits, may fluctuate from period to period.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements have been prepared in accordance with IFRSs. Our significant accounting policies are set forth in note 4 to the Accountants' Report, attached as Appendix I to this prospectus. IFRSs require that we adopt accounting policies and make estimates that our Directors believe are most appropriate under the circumstances for the purposes of giving a true and fair view of our results and financial position. Critical accounting policies are those that require management to exercise judgment and make estimates which yield materially different results if management were to apply different assumptions or make different estimates. We believe that the most complex and sensitive judgments, because of their significance to our financial information, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas may differ from our estimates. We have identified below the accounting policies that we believe are the most critical to the preparation of our combined financial statements. For more details of our accounting policies, see Appendix I to this prospectus.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. Service income, which includes hospital services income, is recognized when the related services are rendered and when it is probable that the economic benefits from the services rendered will flow to us and such benefit could be reliably measured. Advanced receipts in respect of certain package for which the relevant services have yet to be rendered are deferred.

Provision of hospital services in package is accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated to each kind of services under the package. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the Group's obligations have been fulfilled.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied: (i) we have transferred to the buyer the significant risks and rewards of ownership of the goods; (ii) we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to us and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to us and the amount of income can be measured reliably. Interest income from a financial asset is

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## FINANCIAL INFORMATION

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accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### **Property, plant and equipment**

Property, plant and equipment, other than construction in progress as described below, are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognized impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### **Estimated useful lives and impairment of property, plant and equipment**

Our management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for our property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions taking into account of a variety of factors, including relevant PRC tax regulations. In addition, our management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Our management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the period in which such event takes place. As of December 31, 2012, 2013 and 2014, the carrying amount of property, plant and equipment was RMB270.2 million, RMB255.1 million and RMB203.1 million, respectively. During the Track Record Period, there was no change in the estimated useful lives of property, plant and equipment. As of the Latest Practicable Date, we were not aware of any events or circumstances that will cause us to change the estimated useful lives.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.



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## FINANCIAL INFORMATION

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### Deferred tax assets

Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable temporary difference and taxable profit will be available against which the losses can be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits together with future tax planning strategies. As of December 31, 2012, 2013 and 2014, the carrying amount of deferred tax assets was RMB42.7 million, RMB41.2 million and RMB32.1 million, respectively.

### Provision for medical dispute claims

We may be subject to legal proceedings and claims that arise in the ordinary course of business, which primarily include medical dispute claims brought by patients and/or their families. Provision for medical dispute claims is made based on the status of potential and active claims outstanding at the end of each reporting period, and takes into consideration the assessment and analysis of outside counsel and the total claim exposure. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within our control.

### SUMMARY FINANCIAL INFORMATION

The following table sets forth a summary of our combined statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB'000)		
<b>Revenue</b> .....	750,262	833,200	935,839
Cost of sales and services .....	(403,023)	(449,872)	(463,492)
<b>Gross profit</b> .....	347,239	383,328	472,347
Other income .....	775	1,164	965
Other gains and losses .....	(348)	(493)	(892)
Selling and distribution expenses .....	(206,498)	(197,990)	(217,235)
Administrative expenses .....	(104,578)	(96,148)	(105,553)
Share of net profits (losses) of associates .....	906	(101)	(434)
Other expenses .....	(1,810)	(2,271)	(9,871)
<b>Profit before tax</b> .....	35,686	87,489	139,327
Income tax expense .....	(14,793)	(21,774)	(34,198)
<b>Profit and total comprehensive income for the year</b> .....	<u>20,893</u>	<u>65,715</u>	<u>105,129</u>
Profit and total comprehensive income for the year attributable to:			
Equity holders of the Company .....	30,565	66,839	103,379
Non-controlling interests .....	(9,672)	(1,124)	1,750
	<u>20,893</u>	<u>65,715</u>	<u>105,129</u>

## FINANCIAL INFORMATION

### PRINCIPAL COMPONENTS OF THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

We generate revenue primarily from providing inpatient and outpatient healthcare services at our hospitals located in the PRC, including fees for healthcare services, pharmaceuticals and medical devices. We record our revenue generated from provision of healthcare services in terms of different categories, which primarily include examination fees, testing fees, treatment fees and surgery fees. We also generate a small portion of revenue from the supply of pharmaceuticals and medical devices to associates and external customers by our Tai He Tang subsidiary. The segment revenue generated by Tai He Tang by supplying to our hospitals is recorded as inter-segment revenue and eliminated after consolidation. The following table sets forth the breakdown of our revenue by segment for the periods indicated:

	Year ended December 31,					
	2012		2013		2014	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
<b>Provision of hospital services</b>						
Healthcare services .....	611,710	81.5	687,222	82.5	789,068	84.3
Examination fees .....	79,650	10.6	91,814	11.0	113,049	12.1
Testing fees .....	85,428	11.4	98,694	11.9	115,626	12.3
Treatment fees .....	172,848	23.0	188,563	22.6	214,685	22.9
Surgery fees .....	205,521	27.4	242,269	29.1	280,869	30.0
Nursing fees .....	31,341	4.2	44,478	5.3	54,845	5.9
Others .....	36,922	4.9	21,404	2.6	9,994	1.1
Sales of pharmaceuticals and medical devices .....	93,563	12.5	100,083	12.0	109,357	11.7
<b>Supply of pharmaceuticals and medical devices</b> .....						
	<u>92,604</u>	<u>12.3</u>	<u>92,953</u>	<u>11.2</u>	<u>85,974</u>	<u>9.2</u>
<b>Total segment revenue</b> .....	797,877	106.3	880,258	105.6	984,399	105.2
<b>Less: inter-segment revenue</b> .....	<u>47,615</u>	<u>6.3</u>	<u>47,058</u>	<u>5.6</u>	<u>48,560</u>	<u>5.2</u>
<b>Total</b> .....	750,262	100.0	833,200	100.0	935,839	100.0

## FINANCIAL INFORMATION

As of the Latest Practicable Date, we had 11 specialty obstetrics and gynecology hospitals in operation. In August 2014, we disposed of Shenyang HarMoniCare Hospital to a connected person of our Company. For details of the disposal, see “History, Reorganization and Corporate Structure—Reorganization.” The following table sets forth the contribution of each hospital to our revenue for the periods indicated:

	Year ended December 31,					
	2012		2013		2014	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Beijing HarMoniCare Hospital .....	68,802	9.2	122,613	14.7	178,683	19.1
Chongqing Dushi Liren Hospital .....	70,158	9.4	72,862	8.7	72,070	7.7
Chongqing Modern Woman Hospital .....	112,724	15.0	119,511	14.3	135,644	14.5
Chongqing Fuling HarMoniCare Hospital .....	27,145	3.6	29,913	3.6	34,887	3.7
Chongqing Wanzhou HarMoniCare Hospital .....	16,510	2.2	14,718	1.8	21,602	2.3
Fuzhou Modern Woman Hospital .....	58,209	7.8	63,483	7.6	72,377	7.7
Guiyang HarMoniCare Hospital .....	47,724	6.4	52,298	6.3	50,200	5.4
Guiyang Modern Woman Hospital .....	38,917	5.2	41,692	5.0	44,100	4.7
Guangzhou Woman Hospital .....	120,710	16.1	94,025	11.3	109,309	11.7
Shenzhen HarMoniCare Hospital .....	54,460	7.3	61,069	7.3	70,154	7.5
Wuhan Modern Hospital .....	80,278	10.7	80,583	9.7	85,361	9.1
Shenyang HarMoniCare Hospital .....	<u>9,636</u>	<u>1.3</u>	<u>34,538</u>	<u>4.1</u>	<u>24,038</u>	<u>2.6</u>
<b>Total</b> .....	705,273	94.0	787,305	94.5	898,425	96.0

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We provide inpatient and outpatient services at each of our hospitals. The following table sets forth a breakdown of the inpatient and outpatient visits at each of our hospitals for the periods indicated:

	Year ended December 31,					
	2012		2013		2014	
	Inpatient	Outpatient	Inpatient	Outpatient	Inpatient	Outpatient
Beijing HarMoniCare Hospital .....	875	32,085	1,617	60,933	2,553	75,838
Chongqing Dushi Liren Hospital .....	2,213	87,735	2,699	76,385	2,363	78,057
Chongqing Modern Woman Hospital .....	2,687	116,989	3,198	107,044	4,526	95,864
Chongqing Fuling HarMoniCare Hospital .....	1,867	28,700	1,900	37,748	2,037	39,362
Chongqing Wanzhou HarMoniCare Hospital .....	581	22,430	525	18,088	779	22,204
Fuzhou Modern Woman Hospital .....	1,744	51,673	2,153	54,123	2,735	63,646
Guiyang HarMoniCare Hospital .....	1,518	42,678	1,397	45,499	1,194	69,447
Guiyang Modern Woman Hospital .....	485	48,751	431	43,270	278	41,226
Guangzhou Woman Hospital .....	4,586	90,082	3,748	71,900	4,206	77,910
Shenzhen HarMoniCare Hospital .....	667	22,654	857	26,548	1,020	27,250
Wuhan Modern Hospital .....	3,123	52,006	3,295	58,287	3,082	69,369
<b>Total</b> .....	<b>20,346</b>	<b>595,783</b>	<b>21,820</b>	<b>599,825</b>	<b>24,773</b>	<b>660,173</b>

### *Cost of sales and services*

Our cost of sales and services primarily consists of costs of pharmaceuticals and medical devices, employee benefit expenses, rental expenses, depreciation and amortization expenses and various other expenses. In general, our cost of sales and services increases when our revenue increases. The following table sets forth a breakdown of our cost of sales and services for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB'000)		
Pharmaceuticals and medical devices expenses .....	155,264	166,824	160,547
Employee benefit expenses .....	130,346	152,396	172,651
Rental expenses .....	55,687	57,157	56,171
Depreciation and amortization expenses .....	28,572	32,506	30,338
Service expenses .....	9,929	15,594	13,927
Utilities expenses .....	11,179	11,854	11,929
Facility repair expenses .....	3,366	3,895	5,813
Environment protection expenses .....	3,080	3,603	4,130
Office Allowance .....	1,111	945	1,076
Other .....	4,489	5,098	6,910
<b>Total</b> .....	<b>403,023</b>	<b>449,872</b>	<b>463,492</b>

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Our costs of pharmaceutical and medical devices mainly consist of the procurement costs of pharmaceuticals and medical devices used in our provision of hospital services business and the procurement costs of pharmaceuticals and medical devices for our supply of pharmaceuticals and medical devices business.

Our employee benefit expenses (excluding directors' remuneration) mainly consist of employees' salaries and bonuses, pension and other social security and welfare.

Our rental expenses mainly consist of rentals paid for the premises leased by us for the hospitals and offices from third parties.

### *Gross Profit*

Our gross profit consists of our revenue less cost of sales and services. The following table sets forth the breakdown of our gross profit and gross profit margin by segment for the periods indicated:

	Year ended December 31,					
	2012		2013		2014	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Provision of hospital services . . . . .	334,138	47.4	370,040	47.0	460,429	51.2
Supply of pharmaceuticals and medical devices . . . . .	13,101	29.1	13,288	29.0	11,918	31.9
<b>Total</b> . . . . .	347,239	46.3	383,328	46.0	472,347	50.5

## FINANCIAL INFORMATION

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

	Year ended December 31,					
	2012		2013		2014	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Beijing HarMoniCare Hospital . . . . .	11,130	16.2	50,798	41.4	97,426	54.5
Chongqing Dushi Liren Hospital . . . . .	31,964	45.6	32,105	44.1	32,828	45.6
Chongqing Modern Woman Hospital . . . . .	53,385	47.4	57,098	47.8	69,923	51.5
Chongqing Fuling HarMoniCare Hospital . . . . .	10,852	40.0	11,161	37.3	15,114	43.3
Chongqing Wanzhou HarMoniCare Hospital . . . . .	6,235	37.8	5,004	34.0	10,241	47.4
Fuzhou Modern Woman Hospital . . . . .	32,971	56.6	33,966	53.5	38,450	53.1
Guiyang HarMoniCare Hospital . . . . .	27,789	58.2	28,336	54.2	27,162	54.1
Guiyang Modern Woman Hospital . . . . .	24,445	62.8	26,359	63.2	28,084	63.7
Guangzhou Woman Hospital . . . . .	78,367	64.9	52,765	56.1	61,257	56.0
Shenzhen HarMoniCare Hospital . . . . .	9,872	18.1	14,239	23.3	21,958	31.3
Wuhan Modern Hospital . . . . .	47,061	58.6	46,453	57.6	49,292	57.7
Shenyang HarMoniCare Hospital . . . . .	67	0.7	11,756	34.0	8,694	36.2

The gross profit margins of our hospitals vary from hospital to hospital due to various factors, such as their locations, development stages and business focus. For example, the gross profit margin of Guiyang Modern Woman Hospital was relatively high, at a level of 63.7% in 2014, while the gross profit margin of Shenzhen HarMoniCare Hospital was relatively low, at a level of 31.3% in 2014, primarily due to the following reasons: (i) Guiyang was a second-tier city with relatively low labor and rental costs and depreciation and amortization expenses, while Shenzhen was a first-tier city with relatively high labor and rental costs and depreciation and amortization expenses; and (ii) Guiyang Modern Woman Hospital was established in 2007 and was at a mature development stage, while Shenzhen HarMoniCare Hospital was established in 2010 and was at an initial development stage incurring substantial capital expenditures.

### *Other income*

Our other income mainly comprises rebates from suppliers, government grants, interest of bank deposit and others. Government grants were mainly subsidies granted to us for assisting the government in conducting some public healthcare services. They had no conditions or contingencies attached to them and were non-recurring in nature.

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### *Other gains and losses*

Our other gains and losses represent net gains or losses on disposals of property, plant and equipment, and gain on disposal of associates. We incurred net losses of RMB0.3 million, RMB0.5 million and RMB0.9 million for the years ended December 31, 2012, 2013 and 2014, respectively.

### *Selling and distribution expenses*

Our selling and distribution expenses mainly comprise advertisement expenses, employee benefit expenses for sales staff and other expenses. The following table sets forth the breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB'000)		
Advertisement expenses .....	134,436	116,540	133,511
Employee benefit expenses .....	52,057	60,009	63,180
Consumables .....	7,838	10,109	6,094
Rental expenses .....	1,815	1,964	1,811
Utilities expenses .....	1,352	1,375	1,410
Business entertainment expenses .....	803	1,020	1,005
Office expenses .....	1,379	1,312	938
Depreciation and amortization expenses .....	782	788	813
Car usage expenses .....	974	890	787
Travel expenses .....	537	666	721
Others .....	4,525	3,317	6,965
<b>Total</b> .....	<b>206,498</b>	<b>197,990</b>	<b>217,235</b>

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### *Administrative expenses*

Our administrative expenses mainly comprise employee benefit expenses for our administrative staff (including directors' and senior management's remuneration) and royalty and service fees paid to Bosheng Medical for using the various trademarks owned by Bosheng Medical and licensed to us. For details of the arrangement regarding the trademarks, see "Connected Transactions—Exempt Continuing Connected Transaction—Trademark Licensing Arrangement." The following table sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB'000)		
Employee benefit expenses .....	39,877	43,413	46,591
Royalty fees .....	18,724	15,743	17,971
Pre-operating expenditure .....	9,651	—	—
Depreciation and amortization expenses .....	6,419	7,082	6,186
Consumables .....	3,507	3,782	4,990
Utilities expenses .....	1,790	1,900	2,194
Car usage .....	2,656	2,816	2,714
Rentals expenses .....	3,708	3,602	3,849
Business entertainment .....	2,525	2,267	2,817
Facility repair expenses .....	2,175	1,972	2,253
Environment protection expenses .....	523	626	786
Office expenses .....	2,878	1,651	1,641
Bank charge .....	3,700	3,791	4,111
Service fees .....	2,052	3,218	4,222
Others .....	4,393	4,285	5,228
<b>Total</b> .....	<b>104,578</b>	<b>96,148</b>	<b>105,553</b>

### *Share of net profit (loss) of associates*

Our share of net profit (loss) of associates represents our share of net profit or loss of the associates that we have investments in. As of December 31, 2012 and 2013, we owned minority interests in three companies incorporated in the PRC, namely Linfen Modern Woman Hospital, Changsha Songziniiao Hospital and Baotou Modern Woman Hospital, which are all private specialty obstetrics and gynecology hospitals. As of December 31, 2014, we had disposed our interest in Linfen Modern Woman Hospital to Bosheng Medical, which was subsequently disposed to an Independent Third Party, and our interests in Changsha Songziniiao Hospital and Baotou Modern Woman Hospital to Independent Third Parties, respectively. For details of these associates and their disposals, see note 17 of the Accountants' Report set out in Appendix I. In 2012, we recorded a share of net profits



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of associates of RMB0.9 million. In 2013 and 2014, we recorded a share of net losses of associates of RMB0.1 million and RMB0.4 million, respectively.

### *Other expenses*

Our other expenses represent medical disputes related expenses, listing expenses, penalty expenditure, donation and other expenses. We incurred other expenses of RMB1.8 million, RMB2.3 million and RMB9.9 million for the years ended December 31, 2012, 2013 and 2014, respectively.

### *Income Tax Expense*

Our income tax expense comprises enterprise income tax (“EIT”) and deferred tax. The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
	(RMB'000)		
EIT .....	18,655	20,274	25,155
Deferred tax .....	(3,862)	1,500	9,043
<b>Total income tax expense</b> .....	<u>14,793</u>	<u>21,774</u>	<u>34,198</u>

We were not subject to any income, estate, corporation, capital gains or other tax in the Cayman Islands pursuant to the tax rules and regulations of the Cayman Islands during the Track Record Period.

We did not make provision for Hong Kong profit tax as we did not have assessable profit subject to Hong Kong profit tax during the Track Record Period.

Our PRC subsidiaries are subject to EIT at the tax rate of 25%, with the exception of four of our PRC subsidiaries which were entitled to a preferential income tax rate of 15% for the year ended December 31, 2013 and five subsidiaries for the year ended December 31, 2014.

Our effective tax rates for the years ended December 31, 2012, 2013 and 2014 was 41.5%, 24.9% and 24.5%, respectively.

During the Track Record Period, we paid all relevant taxes and had no disputes or any unsolved tax issues with the relevant tax authorities.

### **Profit for the Year**

Our profit for the year consists of our profit from operations less income tax. For the years ended December 31, 2012, 2013 and 2014, our profit amounted to RMB20.9 million, RMB65.7 million and RMB105.1 million, respectively. For the same periods, our net profit margin was 2.8%, 7.9% and 11.2%, respectively.

The financial performance of our Group varies from hospital to hospital due to various factors, including without limitation, location of the hospital, local demand for our services, types of service

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offerings and operational scale. For example, demands for high-end medical services are stronger in first- and second-tier cities. In addition, as we incur substantial initial costs and expenses in establishing a hospital, it generally takes around two to three years for a new hospital to record net profit, and even longer to achieve accumulated profit, which is consistent with industry norms. For more discussion, please refer to “—Major Factors Affecting Our Financial Condition and Results of Operations.” All of our hospitals achieved gross profit during the Track Record Period. With respect to net profit, which is gross profit less certain items such as selling and distribution expenses, administrative expenses and income tax expenses, Shenzhen HarMoniCare Hospital did not achieve net profit during the Track Record Period, Beijing HarMoniCare Hospital did not achieve net profit in 2012 and Shenyang HarMoniCare Hospital did not achieve net profit from 2012 to its disposal date. We distributed accumulated profits as dividends in the total amount of approximately RMB180.4 million during the Track Record Period.

The table below sets forth information about the year of establishment, the year of achieving net profit and net profit or loss during each year of the Track Record Period for all of our hospitals:

<u>Hospital</u>	<u>GFA (sq.m.)</u>	<u>Year of establishment</u>	<u>Year of achieving net profit</u>	<u>Net profit (loss) for the year ended December 31,</u>		
				<u>2012</u>	<u>2013</u>	<u>2014</u>
				<b>(RMB'000)</b>		
Guiyang HarMoniCare Hospital . . . . .	10,706	2009	2011	5,987	6,082 <sup>(1)</sup>	6,079 <sup>(1)</sup>
Chongqing Wanzhou HarMoniCare Hospital . . . . .	3,400	2009	2012	149	172	1,822
Chongqing Fuling HarMoniCare Hospital . . . . .	7,124	2009	2011	2,957	2,555	4,024
Fuzhou Modern Woman Hospital . . . . .	8,600	2010	2012	2,232	7,873	8,298
Beijing HarMoniCare Hospital . . . . .	17,472	2011	2013	(15,992)	8,467	34,611
Wuhan Modern Hospital . . . . .	13,522	2005	2008	11,952	11,376	13,431
Chongqing Modern Woman Hospital . . . . .	12,573	2006	2007	17,485	18,784	20,236
Guiyang Modern Woman Hospital . . . . .	2,921	2007	2008	9,070	11,733	12,518
Guangzhou Woman Hospital . . . . .	6,980	2008	2009	18,122	6,892	10,522
Chongqing Dushi Liren Hospital . . . . .	9,300	2006	2008	9,685	8,185	8,138
Shenzhen HarMoniCare Hospital . . . . .	9,000	2010	Not achieved net profit yet	(21,631)	(6,998)	(5,261)
Shenyang HarMoniCare Hospital . . . . .	8,800	2012	Not achieved net profit before disposal	(20,318)	(6,311)	(3,505)
<b>Total</b> . . . . .				19,698	68,810	110,913

*Note:*

- Investment income generated by Guiyang HarMoniCare Hospital from its equity interests in our other hospitals is eliminated after consolidation.

Shenzhen HarMoniCare Hospital did not achieve net profit during the Track Record Period primarily due to the following reasons. First, as Shenzhen is a city of new immigrants which lacks resources of

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qualified specialty physicians, the time cost and recruitment expenses of attracting qualified physicians from other cities have been relatively high. For the years ended December 31, 2012, 2013 and 2014, Shenzhen HarMoniCare Hospital incurred staff costs of RMB15.9 million, RMB19.6 million and RMB19.6 million, accounting for 39.4%, 45.1% and 42.6% of its total cost of sales, respectively. After several years of development, Shenzhen HarMoniCare Hospital has recruited a sufficient number of qualified specialty physicians for its business operation. Second, due to its close proximity to Hong Kong, some high-end patients chose to give birth in Hong Kong, prior to the policy change in 2013 which strictly prohibited mainlanders to give birth in Hong Kong. After several years of development, Shenzhen HarMoniCare Hospital has experienced steady growth. For example, for the years ended December 31, 2012, 2013 and 2014, its revenue was RMB54.5 million, RMB61.1 million and RMB70.2 million, respectively, representing a CAGR of 13.5%, while the net loss position was substantially improved during the same periods. During the four months ended April 30, 2015, its revenue was RMB26.3 million, representing a 32.7% growth compared to the same period in 2014, and its net profit was RMB2.2 million, compared with a RMB3.7 million net loss for the same period in 2014. In addition, we believe the high-end obstetrics and gynecology services market in Shenzhen has been at an initial development stage and will take some time to become a mature market. While our other hospitals generally took around two to three years from establishment to record net profit, we consider Shenzhen HarMoniCare Hospital an exception in view of the reasons above.

Guangzhou Woman Hospital had net profit of RMB18.1 million, RMB6.9 million and RMB10.5 million, respectively, for the years ended December 31, 2012, 2013 and 2014, representing a decrease of 62.0% from 2012 to 2013 and a decrease of 41.9% from 2012 to 2014. The decreases in net profits from 2012 to 2013 and from 2012 to 2014 were primarily due to the hospital's shift of focus from mid-end gynecology services to high-end obstetrics and gynecology services. For example, the hospital changed its marketing strategy in connection with the shift of focus to high-end services. In particular, instead of traditional marketing channels such as advertising, the hospital provided more new marketing channels such as seminars by medical experts, free medical check-ups and high-end health management training sessions, as well as to rely more on word-of-mouth marketing. In 2014, the hospital generated revenue of RMB109.3 million, representing a 16.3% increase from 2013, and net profit of RMB10.5 million, representing a 52.2% increase from 2013, both indicating positive result of change of strategy. As it will take some time to achieve the results of our shift of focus to high-end services, we believe in the long term the hospital will achieve higher net profit and our strategy change will be successful.

Some of our hospitals had no accumulated profit available for dividend distribution during the Track Record Period. As of December 31, 2014, our hospitals with accumulated losses as of December 31, 2014 recorded accumulated losses with an aggregate amount of RMB168.4 million, which was primarily attributable to our most recently established hospitals. Our hospitals which recorded accumulated profit for distribution as of December 31, 2014 generated net profit in an aggregate amount of RMB49.4 million for the year ended December 31, 2014, after elimination of investment income generated by Guiyang HarMoniCare Hospital from its equity interests in our other hospitals after consolidation. As of April 30, 2015, the aggregate accumulated losses of our hospitals had narrowed down to RMB152.3 million, which was attributable to four hospitals, comprising accumulated loss of Shenzhen HarMoniCare Hospital of RMB122.5 million, Beijing HarMoniCare Hospital of RMB19.1 million, Fuzhou Modern Woman Hospital of RMB5.8 million, and Chongqing Wanzhou HarMoniCare Hospital of RMB4.9 million. For the four months ended April 30, 2015, all of our hospitals have achieved net profit. Our hospitals which recorded accumulated profit for distribution as of April 30, 2015 generated net profit in an aggregate amount of RMB21.7 million for the four months ended April 30, 2015. In addition, we generated net cash in-flow from

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operating activities of RMB89.6 million, RMB124.2 million and RMB189.4 million during the years ended December 31, 2012, 2013 and 2014, respectively. Considering the trend of narrowing down of our accumulated losses and the net cash in-flow generated from operating activities, we believe our hospitals will be able to distribute dividends in the future.

### SENSITIVITY ANALYSIS

Labor cost is a major component of our costs and expenses. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in labor costs of increases or decreases of 5%, 10% and 15% on our net profit during the Track Record Period:

Change in labor costs	Year ended December 31,					
	2012		2013		2014	
	Change in net profit	Percentage change in net profit	Change in net profit	Percentage change in net profit	Change in net profit	Percentage change in net profit
(RMB in thousands, except percentages)						
+15%	(19,570)	-93.7%	(28,885)	-44.0%	(32,034)	-30.5%
+10%	(13,047)	-62.4%	(19,257)	-29.3%	(21,356)	-20.3%
+5%	(6,523)	-31.2%	(9,628)	-14.7%	(10,678)	-10.2%
0%	20,893	0%	65,715	0%	105,129	0%
-5%	6,523	31.2%	9,628	14.7%	10,678	10.2%
-10%	13,047	62.4%	19,257	29.3%	21,356	20.3%
-15%	19,570	93.7%	28,885	44.0%	32,034	30.5%

Average spending per visit is also a key factor affecting our results of operations. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in average spending per visit of increases or decreases of 5%, 10% and 15% on our net profit during the Track Record Period:

Change in average spending per visit	Year ended December 31,					
	2012		2013		2014	
	Change in net profit	Percentage change in net profit	Change in net profit	Percentage change in net profit	Change in net profit	Percentage change in net profit
(RMB in thousands, except percentages)						
+15%	61,937	296.4%	88,704	135.0%	101,686	96.7%
+10%	41,291	197.6%	59,136	90.0%	67,791	64.5%
+5%	20,646	98.8%	29,568	45.0%	33,895	32.2%
0%	20,893	0%	65,715	0%	105,129	0%
-5%	(20,646)	-98.8%	(29,568)	-45.0%	(33,895)	-32.2%
-10%	(41,291)	-197.6%	(59,136)	-90.0%	(67,791)	-64.5%
-15%	(61,937)	-296.4%	(88,704)	-135.0%	(101,686)	-96.7%

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### YEAR TO YEAR COMPARISON OF OUR RESULTS OF OPERATIONS

#### Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

##### *Revenue*

Our total revenue increased by 12.3% from RMB833.2 million in 2013 to RMB935.8 million in 2014. This increase was primarily due to an increase in revenue of RMB111.1 million from our provision of hospital services business, which was offset by a decrease in revenue of RMB8.5 million from our supply of pharmaceuticals and medical devices business.

##### *Revenue from provision of hospital services business*

Our revenue from provision of hospital services increased by 14.1% from RMB787.3 million in 2013 to RMB898.4 million in 2014, principally due to the increases in the revenue of Beijing HarMoniCare Hospital by RMB56.1 million and Chongqing Modern Woman Hospital by RMB16.1 million as a result of our marketing efforts to attract more patients to our hospitals and increased prices of certain services. Our other hospitals generally maintained steady growth from 2013 to 2014, except for Chongqing Dushi Liren and Guiyang HarMoniCare Hospitals which experienced slight decreases in their revenue, primarily due to decreased numbers of inpatient visits at these two hospitals caused by ward renovations which were completed in 2014. Shenyang HarMoniCare Hospital's revenue decreased from RMB34.5 million in 2013 to RMB24.0 million in 2014, as it was disposed in August 2014 and, as a result, only revenue from January to July was consolidated in our results of operations.

The following table sets forth the revenue from our top five hospitals and as percentage of our total revenue for the periods indicated:

	Year ended December 31,			
	2013		2014	
	(RMB in thousands, except percentages)			
Beijing HarMoniCare Hospital .....	122,613	14.7%	178,683	19.1%
Chongqing Modern Woman Hospital .....	119,511	14.3%	135,644	14.5%
Guangzhou Woman Hospital .....	94,025	11.3%	109,309	11.7%
Wuhan Modern Hospital .....	80,583	9.7%	85,361	9.1%
Fuzhou Modern Woman Hospital .....	63,483	7.6%	72,377	7.7%
<b>Total</b> .....	480,215	57.6%	581,374	62.1%

Revenue from Beijing HarMoniCare Hospital increased by RMB56.1 million, or 45.7%, from RMB122.6 million in 2013 to RMB178.7 million in 2014. This increase was primarily due to an increase in the number of patient visit. Inpatient visit increased by 57.9% from 1,617 in 2013 to 2,553 in 2014 and outpatient visit increased by 24.5% from 60,933 in 2013 to 75,838 in 2014. In addition, as Beijing HarMoniCare Hospital was established in 2011, this increase was also attributable to the rapid growth of the hospital at its initial development stage.

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Revenue from Chongqing Modern Woman Hospital increased by RMB16.1 million, or 13.5%, from RMB119.5 million in 2013 to RMB135.6 million in 2014. This increase was primarily due to an increased proportion of inpatient visits for obstetric services, which generated relatively higher income due to offering of service packages. In addition, as Chongqing Modern Woman Hospital was established in 2006 and had entered a more mature development stage, its growth was moderate and stable.

Revenue from Guangzhou Woman Hospital increased by RMB15.3 million, or 16.3%, from RMB94.0 million in 2013 to RMB109.3 million in 2014. This increase was primarily due to an increase in the number of patient visit. Inpatient visit increased by 12.2% from 3,748 in 2013 to 4,206 in 2014 and outpatient visit increased by 8.4% from 71,900 in 2013 to 77,910 in 2014. In addition, this increase was also attributable to the hospital's focus on more high-ended services which generated higher income.

Revenue from Wuhan Modern Hospital increased by RMB4.8 million, or 5.9%, from RMB80.6 million in 2013 to RMB85.4 million in 2014. This slight increase was primarily due to a 19.0% increase in outpatient visit. In addition, as Wuhan Modern Hospital was established in 2006 and had entered a more mature development stage, its growth was moderate and stable.

Revenue from Fuzhou Modern Woman Hospital increased by RMB8.9 million, or 14.0%, from RMB63.5 million in 2013 to RMB72.4 million in 2014. This increase was primarily due to an increase in the number of patient visit. Inpatient visit increased by 27.0% from 2,153 in 2013 to 2,735 in 2014 and outpatient visit increased by 17.6% from 54,123 in 2013 to 63,646 in 2014. In addition, as Fuzhou Modern Woman Hospital was established in 2010, the increase was also attributable to the rapid growth of the hospital at its initial development stage.

### *Revenue from supply of pharmaceuticals and medical devices business*

Our revenue from sale of pharmaceuticals and medical devices decreased by 18.5% from RMB45.9 million in 2013 to RMB37.4 million in 2014, principally because the companies which ceased to be our associated companies as a result of the disposals by Bosheng Medical reduced their procurement from us in 2014. For details of these disposals, see "Relationship with our Controlling Shareholders—Companies Previously Owned by the Controlling Shareholders and Subsequently Disposed of."

### *Cost of sales and services*

Our cost of sales and services increased by 3.0% from RMB449.9 million in 2013 to RMB463.5 million in 2014, primarily as a result of (i) an increase in our employee benefit expenses of RMB20.3 million due to increased compensation level; and (ii) an increase in our facility repair expenses of RMB1.9 million related to our hospital facility and equipment repair and maintenance. These increases were partially offset by a decrease in our cost of pharmaceuticals and medical devices of RMB6.3 million mainly because the associated companies which were disposed of by Bosheng Medical in 2014 reduced their procurement from us. We did not experience significant adjustment of the prices of pharmaceuticals and medical devices from 2013 to 2014.

### *Gross profit and gross profit margin*

As a result of the cumulative effect of the factors described above, our gross profit increased by 23.2% from RMB383.3 million in 2013 to RMB472.3 million in 2014. Gross profit margin, which

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represents gross profit as a percentage of revenue, increased from 46.0% in 2013 to 50.5% in 2014, as a 3.0% increase in cost of sales and services from RMB449.9 million in 2013 to RMB463.5 million in 2014 was outpaced by a 12.3% increase in revenue from RMB833.2 million in 2013 to RMB935.8 million in 2014. Such increase in our gross profit margin was primarily due to the significant growth of our hospital services which has higher profit margin than our supply of pharmaceuticals and medical devices business.

The gross profit of our provision of hospital services business increased by 24.4% from RMB370.0 million in 2013 to RMB460.4 million in 2014. The gross profit margin of our provision of hospital services business increased from 47.0% in 2013 to 51.2% in 2014, primarily due to higher contributions by Beijing HarMoniCare Hospital whose gross profit margin increased from 41.4% in 2013 to 54.5% in 2014 and Chongqing Wanzhou HarMoniCare Hospital whose gross profit margin increased from 34.0% in 2013 to 47.4% in 2014.

Among our top five hospitals, the gross profit margin of Beijing HarMoniCare Hospital increased from 41.4% in 2013 to 54.5% in 2014, primarily due to its growth in revenue outpacing the increase in costs as a result of more stabilized rental costs and staff costs. The gross profit margin of Chongqing Modern Woman Hospital increased from 47.8% in 2013 to 51.5% in 2014, primarily due to its growth in revenue outpacing the increase in costs as a result of more stabilized rental, staff and pharmaceuticals and medical devices costs. The gross profit margin of Fuzhou Modern Woman Hospital decreased from 53.5% in 2013 to 53.1% in 2014, primarily due to its increase in costs outpacing its increase in revenue as a result of increased employee benefit expenses for medical staff. The gross profit margins of Guangzhou Woman Hospital and Wuhan Modern Hospital remained relatively stable in 2013 and 2014.

The gross profit of our supply of pharmaceuticals and medical devices business decreased by 10.3% from RMB13.3 million in 2013 to RMB11.9 million in 2014. The gross profit margin of our supply of pharmaceuticals and medical devices business increased from 29.0% in 2013 to 31.9% in 2014, primarily as a result of our cost control efforts.

### ***Other income***

Our other income decreased by 17.1% from RMB1.2 million in 2013 to RMB1.0 million in 2014, primarily as a result of decreased other income from Tai He Tang as the disposed associated companies reduced their procurement from us in 2014.

### ***Other gains and losses***

Our other gains and losses increased by 80.9% from a loss of RMB0.5 million in 2013 to a loss of RMB0.9 million in 2014, primarily as a result of (i) a loss of RMB0.6 million from impairment losses on trade receivables related to Tai He Tang's trade receivables which were past due for over one year; and (ii) a loss of RMB0.5 million related to the disposal of property, plant and equipment, which was offset by a gain of RMB0.1 million from the disposal of Baotou Modern Woman Hospital and Changsha Songziniao Hospital in 2014.

### ***Selling and distribution expenses***

Our selling and distribution expenses increased by 9.7% from RMB198.0 million in 2013 to RMB217.2 million in 2014, primarily as a result of (i) an increase in advertisement expenses of

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RMB17.0 million as we increased our marketing efforts in several hospitals; (ii) an increase in our employee benefit expenses for our sales and marketing staff of RMB3.2 million due to the increased compensation level; and (iii) an increase in other selling and distribution expenses of RMB3.6 million mainly due to increase in expenses incurred in relation to promotional materials at Guangzhou Woman Hospital and Shenyang HarMoniCare Hospital in 2014. The increase was partially offset by a 39.7% decrease in consumables used in selling and distribution activities from RMB10.1 million in 2013 to RMB6.1 million in 2014. The decrease in consumable expenses was primarily attributable to the decrease in use of consumables at Chongqing Dushi Liren Hospital, Shenzhen HarMoniCare Hospital and Guiyang HarMoniCare Hospital as a result of providing certain selling and distribution activities involving consumables, such as free medical checkups and consultation sessions and free distribution of birth control consumables, at less frequency and smaller scale. Consumables used in selling and distribution activities at Chongqing DushiLiren Hospital, Shenzhen HarMoniCare Hospital and Guiyang HarMoniCare Hospital decreased by RMB1.8 million, RMB1.1 million and RMB0.8 million, respectively, from 2013 to 2014. In addition, the decrease in consumable expenses was also caused by use of more diversified selling and distribution channels to serve the needs of potential clients in accordance with market changes, such as more advertising activities, provision of lectures by medical experts, provision of prenatal and postnatal care lessons for pregnant women and new parents' classes.

### *Administrative expenses*

Our administrative expenses increased by 9.8% from RMB96.1 million in 2013 to RMB105.6 million in 2014, primarily as a result of (i) an increase in our employee benefit expenses for our administrative staff of RMB3.2 million due to increased compensation level; and (ii) an increase in royalty fees paid to Bosheng Medical of RMB2.3 million as a result of our increased revenue which is the base for calculating the royalty fees.

### *Other expenses*

Our other expenses increased by 334.7% from RMB2.3 million in 2013 to RMB9.9 million in 2014, primarily as a result of (i) listing related expenses of RMB7.4 million incurred in 2014; and (ii) an increase of RMB0.5 million in medical disputes related expenses in 2014.

### *Income tax expenses*

Our income tax expenses increased by 57.1% from RMB21.8 million in 2013 to RMB34.2 million in 2014, primarily due to (i) an increase in our profit before tax by 59.3% from RMB87.5 million in 2013 to RMB139.3 million in 2014; (ii) the commencement of payment of EIT by Chongqing Dushi Liren Hospital in 2014, as it was previously a limited liability partnership; and (iii) the commencement of payment of EIT by Fuzhou Modern Woman Hospital in 2014, as it recorded net loss in 2013. Our effective tax rate decreased from 24.9% in 2013 to 24.5% in 2014, primarily due to Chongqing Modern Woman Hospital began to enjoy the 15% preferential EIT rate under the "Western Development Plan" from 2014.

### *Profit for the Year and Net Profit Margin*

As a result of the cumulative effect of the factors described above, our profit for the year increased by 60.0% from RMB65.7 million in 2013 to RMB105.1 million in 2014. Our net profit margin, which



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represents profit for the year as a percentage of revenue, increased from 7.9% in 2013 to 11.2% in 2014. Such increase in our net profit margin was primarily due to the increase in our gross profit margin.

### Year Ended December 31, 2012 Compared to the Year Ended December 31, 2013

#### *Revenue*

Our total revenue increased by 11.1% from RMB750.3 million in 2012 to RMB833.2 million in 2013, primarily due to the increase in our revenue from provision of hospital services business by 11.6% from RMB705.3 million in 2012 to RMB787.3 million in 2013.

#### *Revenue from provision of hospital services business*

Our revenue from our provision of hospital services business increased by 11.6% from RMB705.3 million in 2012 to RMB787.3 million in 2013, principally due to the increases in the revenue of Beijing HarMoniCare Hospital by RMB53.8 million and Shenyang HarMoniCare Hospital by RMB24.9 million, which were opened in 2011 and 2012, respectively, and were undergoing the initial development stage of their operations. Our other hospitals generally maintained steady growth from 2012 to 2013, except for (i) Guangzhou Woman Hospital, which recorded a decrease in revenue of RMB26.7 million in 2013 as it reduced the use of medical advertisement in the normal course of business and placed more emphasis on promoting its expert physician team to attract more high-end local customers; and (ii) Chongqing Wanzhou HarMoniCare, which recorded a decrease in revenue of RMB1.8 million in 2013 due to a similar reason.

The following table sets forth the revenue from our top five hospitals and as percentage of our total revenue for the periods indicated:

	Year ended December 31,			
	2012		2013	
	(RMB in thousands, except percentages)			
Beijing HarMoniCare Hospital .....	68,802	9.2%	122,613	14.7%
Chongqing Modern Woman Hospital .....	112,724	15.0%	119,511	14.3%
Guangzhou Woman Hospital .....	120,710	16.1%	94,025	11.3%
Wuhan Modern Hospital .....	80,278	10.7%	80,583	9.7%
Fuzhou Modern Woman Hospital .....	58,209	7.8%	63,483	7.6%
<b>Total</b> .....	440,723	58.8%	480,215	57.6%

Revenue from Beijing HarMoniCare Hospital increased by RMB53.8 million, or 78.2%, from RMB68.8 million in 2012 to RMB122.6 million in 2013. This increase was primarily due to an increase in the number of patient visit. Inpatient visit increased by 84.8% from 875 in 2012 to 1,617 in 2013 and outpatient visit increased by 89.9% from 32,085 in 2012 to 60,933 in 2013. In addition, as Beijing HarMoniCare Hospital was established in 2011, this increase was also attributable to the rapid growth of the hospital at its initial development stage.

Revenue from Chongqing Modern Woman Hospital increased by RMB6.8 million, or 6.0%, from RMB112.7 million in 2012 to RMB119.5 million in 2013. This increase was primarily due to an increased

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proportion of inpatient visits for obstetric services, which generated relatively higher income due to offering of service packages. In addition, as Chongqing Modern Woman Hospital was established in 2006 and had entered a more mature development stage, its growth was moderate and stable.

Revenue from Guangzhou Woman Hospital decreased by RMB26.7 million, or 22.1%, from RMB120.7 million in 2012 to RMB94.0 million in 2013. This decrease was primarily due to a 18.3% decrease in inpatient visit and a 20.2% decrease in outpatient visit. In addition, the decrease was also attributable to the transition period for the hospital's shift of focus from mid-end services to high-end services.

Revenue from Wuhan Modern Hospital increased by RMB0.3 million, or 0.4%, from RMB80.3 million in 2012 to RMB80.6 million in 2013. This slight increase was primarily due to a 12.1% increase in outpatient visit. In addition, as Wuhan Modern Hospital was established in 2006 and had entered a more mature development stage, its growth was moderate and stable.

Revenue from Fuzhou Modern Woman Hospital increased by RMB5.3 million, or 9.1%, from RMB58.2 million in 2012 to RMB63.5 million in 2013. This increase was primarily due to an increase in the number of patient visit. Inpatient visit increased by 23.5% from 1,744 in 2012 to 2,153 in 2013 and outpatient visit increased by 4.7% from 51,673 in 2012 to 54,123 in 2013. In addition, as Fuzhou Modern Hospital was established in 2010, this increase was also attributable to the rapid growth of the hospital at its initial development stage.

### *Revenue from supply of pharmaceuticals and medical devices business*

Our revenue from supply of pharmaceuticals and medical devices business increased slightly by 2.0% from RMB45.0 million in 2012 to RMB45.9 million in 2013, primarily due to Tai He Tang's focus on procuring pharmaceuticals and medical devices for our Group and its supply of pharmaceuticals and medical devices business to third parties remained stable.

### *Cost of sales and services*

Our cost of sales and services increased by 11.6% from RMB403.0 million in 2012 to RMB449.9 million in 2013, primarily as a result of (i) an increase in our employee benefit expenses of RMB22.1 million due to the increased number of employees and increased compensation level; (ii) an increase in our costs of pharmaceuticals and medical devices of RMB11.5 million corresponding to our increased sales and patient visits; and (iii) an increase in service expenses of RMB5.7 million in relation to payments for medical testings carried out by third parties. We did not experience significant adjustment of the prices of pharmaceuticals and medical devices from 2012 to 2013.

### *Gross profit and gross profit margin*

As a result of the cumulative effect of the factors described above, our gross profit increased by 10.4% from RMB347.2 million in 2012 to RMB383.3 million in 2013. Our gross profit margin decreased slightly from 46.3% in 2012 to 46.0% in 2013. Such decrease was primarily due to our increased employee benefits expenses in 2013, as we tried to retain talents and hire more qualified medical staff as required by the expansion of our operations.

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The gross profit of our hospital service business increased by 10.7% from RMB334.1 million in 2012 to RMB370.0 million in 2013. The gross profit margin of our hospital service business decreased slightly from 47.4% in 2012 to 47.0% in 2013, primarily due to the decreased gross profit margins of Guiyang HarMoniCare Hospital, Chongqing Wanzhou HarMoniCare and Guangzhou Woman Hospitals in 2013 and higher contribution by Beijing HarMoniCare Hospital whose gross profit margin was below group average in 2013.

Among our top five hospitals, the gross profit margin of Beijing HarMoniCare Hospital increased from 16.2% in 2012 to 41.4% in 2013, primarily due to its growth in revenue for outpacing the increase in costs as a result of more stabilized rental costs and staff costs. The gross profit margin of Guangzhou Woman Hospital decreased from 64.9% in 2012 to 56.1% in 2013, primarily due to the decrease in revenue in 2013 as a result of the hospital's focus on more high-end services and more stable rental costs and employee benefit expenses. The gross profit margin of Fuzhou Modern Woman Hospital decreased from 56.6% in 2012 to 53.5% in 2013, primarily due to the increase in costs outpacing the increase in revenue and, in particular, the increase in employee benefit expenses for medical staff. The gross profit margins of Chongqing Modern Hospital and Wuhan Modern Hospital remained relatively stable in 2012 and 2013.

The gross profit of our supply of pharmaceuticals and medical devices business increased by 1.4% from RMB13.1 million in 2012 to RMB13.3 million in 2013. The gross profit margin of our supply of pharmaceuticals and medical devices business remained stable.

### ***Other income***

Our other income increased by 50.2% from RMB0.8 million in 2012 to RMB1.2 million in 2013, primarily contributed by a RMB120,000 non-compete compensation received from a departing employee of Chongqing Modern Woman Hospital. This income is non-recurring in nature.

### ***Other gains and losses***

Our other gains and losses increased by 41.7% from a loss of RMB0.3 million in 2012 to a loss of RMB0.5 million in 2013. The loss recorded in 2012 and 2013 were primarily related to the disposals of property, plant and equipment.

### ***Selling and distribution expenses***

Our selling and distribution expenses decreased by 4.1% from RMB206.5 million in 2012 to RMB198.0 million in 2013, primarily as a result of a decrease in advertisement expenses of RMB17.9 million as our brand awareness has increased over the past few years and we relied less on medical advertisement for marketing our services. Such decrease was partially offset by an increase in employee benefit expenses for our sales and marketing staff of RMB7.9 million due to the increased number of employees and increased compensation level.

### ***Administrative expenses***

Our administrative expenses decreased by 8.1% from RMB104.6 million in 2012 to RMB96.1 million in 2013, primarily as a result of (i) a one-off pre-operating expenditure of RMB9.7 million in relation to the

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establishment of Shenyang HarMoniCare Hospital incurred in 2012; and (ii) a decrease in royalty fees paid to Bosheng Medical of RMB3.0 million. Such decreases were partially offset by an increase in employee benefit expenses for our administrative staff of RMB3.5 million due to increased compensation level.

### *Other expenses*

Our other expenses increased by 25.5% from RMB1.8 million in 2012 to RMB2.3 million in 2013, primarily due to an increase of RMB0.2 million in medical disputes related expenses in 2013.

### *Income tax expenses*

Our income tax expenses increased by 47.2% from RMB14.8 million in 2012 to RMB21.8 million in 2013, primarily due to an increase in our profit before tax by 145.2% from RMB35.7 million in 2012 to RMB87.5 million in 2013. Our effective tax rate decreased from 41.5% in 2012 to 24.9% in 2013, primarily due to a decrease in unrecognized deferred tax assets of RMB7.1 million mainly attributable to Shenzhen HarMoniCare Hospital and Shenyang HarMoniCare Hospital resulting from a decrease in tax losses and deductible temporary differences of RMB28.4 million mainly from these two hospitals from 2012 to 2013. Effective tax rate is calculated by income tax expense, which is the sum of the EIT currently payable and deferred tax, divided by the profit before tax. If it is not probable that taxable profit will be available in the future against which the tax losses or deductible temporary differences already incurred can be utilized, deferred tax assets on such tax losses or deductible temporary differences are not recognized. In such case, the effective income tax rate will be higher than the statutory EIT rate. The decrease in our effective tax rate was also because four of our hospitals in Chongqing and Guiyang began to enjoy the 15% preferential EIT rate under the “Western Development Plan” from 2013. The decrease was partially offset by the effect of change of legal structure of Chongqing Dushi Liren Hospital from a limited partnership enterprise to a limited liability company in 2013 as limited partnership enterprises are not subject to EIT liabilities.

### *Profit for the Year and Net Profit Margin*

As a result of the cumulative effect of the factors described above, our profit for the year increased by 214.5% from RMB20.9 million in 2012 to RMB65.7 million in 2013. Our net profit margin increased from 2.8% in 2012 to 7.9% in 2013. Such increase in our net profit margin was primarily due to the decreases in our selling and distribution expenses and administrative expenses.

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### Key Financial Ratios

	Year ended December 31,		
	2012	2013	2014
		(%)	
<b>Profitability ratios</b>			
Gross profit margin <sup>(1)</sup> .....	46.3	46.0	50.5
Net profit margin <sup>(2)</sup> .....	2.8	7.9	11.2
Return on equity <sup>(3)</sup> .....	500.4	(106.9)	(108.1)
Return on total assets <sup>(4)</sup> .....	4.3	14.4	27.3
<b>Liquidity ratios</b>			
Current ratio <sup>(5)</sup> .....	32.8	28.5	30.2
Quick ratio <sup>(6)</sup> .....	27.7	23.9	25.8
<b>Capital adequacy ratios</b>			
Gearing ratio <sup>(7)</sup> .....	N/A	N/A	N/A

*Notes:*

1. The calculation of gross profit margin is based on gross profit divided by revenue and multiplied by 100%.
2. The calculation of net profit margin is based on profit for the period divided by revenue and multiplied by 100%.
3. The calculation of return on equity is based on profit for the year divided by equity attributable to equity holders of the Company and multiplied by 100%.
4. The calculation of return on total assets is based on profit for the year divided by total assets and multiplied by 100%.
5. The calculation of current ratio is based on current assets divided by current liabilities and multiplied by 100%.
6. The calculation of quick ratio is based on current assets less inventories divided by current liabilities and multiplied by 100%.
7. The calculation of gearing ratio is based on total borrowings divided by total equity and multiplied by 100%.

See “—Year to Year Comparison of our Results of Operations” for a discussion of the factors affecting our gross profit margin and net profit margin during the respective periods.

### ***Return on Equity***

Our return on equity decreased from 500.4% in 2012 to (106.9)% in 2013, and decreased further to (108.1)% in 2014, primarily because we recorded negative equity attributable to equity holders of the Company of RMB(61.5) million and RMB(97.3) million as of December 31, 2013 and 2014, respectively, mainly resulted from the advance from our related party, Bosheng Medical, and the Group’s Reorganization.

### ***Return on Total Assets***

Our return on total assets increased from 4.3% in 2012 to 14.4% in 2013, and further to 27.3% in 2014, primarily due to the significant growth in our net profit.

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### *Current Ratio*

Our current ratio decreased from 32.8% in 2012 to 28.5% in 2013, primarily due to (i) a decrease in our current assets mainly caused by a decrease in the amounts due from related parties; and (ii) an increase in our current liabilities mainly caused by an increase in other payables and accruals as we received more prepayment from patients under our VIP membership programs and service packages. Our current ratio increased to 30.2% in 2014, primarily due to a decrease in our current liabilities mainly caused by a decrease in the amounts due to related parties.

### *Quick Ratio*

Consistent with the changes in our current ratio, our quick ratio decreased from 27.7% in 2012 to 23.9% in 2013, and increased to 25.8% in 2014.

### *Gearing Ratio*

During the Track Record Period, we did not have any bank borrowings or other major payables incurred not in the ordinary course of business. As a result, the gearing ratio is not applicable to us for the years indicated. For presentation purposes, we excluded advances from Bosheng Medical, which were intra-group liabilities prior to the Reorganization, as borrowing. We did not have any borrowings or payables incurred not in the ordinary course of business in 2014. The advances from Bosheng Medical to us had been fully repaid in 2014.

### NET CURRENT LIABILITIES POSITION

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2012	2013	2014	April 30, 2015
	(RMB'000)			(RMB'000) (unaudited)
<b>Current assets</b>				
Inventories	23,319	22,297	19,831	21,278
Trade receivables	11,660	14,712	13,850	20,211
Prepayments, deposits and other receivables	33,788	31,429	30,444	38,045
Amounts due from related parties	66,511	60,517	16	693
Bank balances and cash	14,076	10,752	72,063	52,066
	<u>149,354</u>	<u>139,707</u>	<u>136,204</u>	<u>132,293</u>
<b>Current liabilities</b>				
Trade payables	22,175	21,635	16,364	18,040
Other payables and accruals	81,831	101,901	113,718	119,438
Amounts due to related parties	340,160	353,763	300,401	25,118
Tax payables	8,869	11,142	18,980	15,345
Provision	2,030	1,915	1,400	1,327
	<u>455,065</u>	<u>490,356</u>	<u>450,863</u>	<u>179,268</u>
<b>Net current liabilities</b>	<u>(305,711)</u>	<u>(350,649)</u>	<u>(314,659)</u>	<u>(46,975)</u>

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As of April 30, 2015, we had net current liabilities of RMB47.0 million, consisting of current assets of RMB132.3 million and current liabilities of RMB179.3 million, compared to our net current liabilities of RMB314.7 million as of December 31, 2014. The decrease in our net current liabilities was primarily due to decreased current liabilities of RMB271.6 million mainly caused by decreased amounts due to related parties of RMB275.3 million, as the advance from Concord Glory to Galaxy Power were capitalized as share capital and share premium of Galaxy Power in January 2015 and we fully settled the payable to Bosheng Medical for the transfer of equity interest in HarMoniCare Management and Consulting in March 2015. As of April 30, 2015, amounts due to related parties of RMB25.1 million represent part of the consideration for Bosheng Medical to transfer certain trademarks to us. All of our amounts due from/to related parties as of April 30, 2015 were fully settled in May 2015.

As of December 31, 2014, we had net current liabilities of RMB314.7 million, consisting of current assets of RMB136.2 million and current liabilities of RMB450.9 million, compared to our net current liabilities of RMB350.6 million as of December 31, 2013. This decrease in net current liabilities was primarily due to a decrease in amounts due from related parties and a decrease in amounts due to related parties as a result of our effort to reduce related party transactions prior to Listing.

As of December 31, 2013, we had net current liabilities of RMB350.6 million, consisting of current assets of RMB139.7 million and current liabilities of RMB490.4 million, compared to our net current liabilities of RMB305.7 million as of December 31, 2012. This increase in net current liabilities was primarily due to (i) an increase in other payables and accruals mainly consisting of advances from patients under VIP membership programs and service packages; and (ii) a decrease in amounts due from related parties as a result of decreased amounts due from Bosheng Medical of RMB17.8 million which were unsecured and interest-free, offset by increased amounts due from related parties of RMB11.9 million related to supplies of pharmaceuticals and medical devices.

As of December 31, 2012, we had net current liabilities of RMB305.7 million, consisting of current assets of RMB149.4 million and current liabilities of RMB455.1 million.

### **Working Capital Sufficiency**

During the Track Record Period, we met our working capital needs mainly from our cash and cash equivalents on hand and cash generated from operations. We manage our cash flow and working capital by closely monitoring and managing our operations and hospital expansion plans. We also diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations and expansion plans.

We recorded net current liabilities of RMB305.7 million, RMB350.6 million and RMB314.7 million, and negative equity of RMB3.1 million, RMB67.2 million and RMB99.5 million as of December 31, 2012, 2013 and 2014, respectively. Our net current liabilities and negative equity positions during the Track Record Period were primarily due to:

- the majority of our current liabilities were amounts due to related parties which amounted to RMB340.2 million, RMB353.8 million and RMB300.4 million as of December 31, 2012, 2013 and 2014, respectively, primarily relating to advances from Bosheng Medical to fund our working capital which were intra-group liabilities prior to the Reorganization and payables to related parties in connection with the Group's Reorganization which were subsequently settled;

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- the increase in other payables and accruals during the Track Record Period mainly consisting of advances from patients under VIP membership programs and service packages; and
- as of December 31, 2014, the amount due to Bosheng Medical of RMB278.0 million represented the payable for the transfer of its equity interests in HarMoniCare Management and Consulting by Sharp Charm and Harmonicare Medical, which was subsequently settled through capital injection by the relevant shareholders on March 18, 2015. Such capital injection has increased our assets by RMB278.0 million and significantly alleviated our negative equity position.

Please see “Risk Factors—Risks Related to Our Business and Industry—We recorded net current liabilities and negative equity as of December 31, 2012, 2013 and 2014, and such positions may continue or recur after the Listing.” As of April 30, 2015, our net current liabilities had decreased to RMB47.0 million and we recorded net assets of RMB197.7 million. In managing our liquidity, our management monitors and maintains a reasonable level of cash and cash equivalents which are deemed adequate by the management to finance our operations and to mitigate the impacts of fluctuations in cash flows. We rely on cash and cash equivalents on hand and the cash generated from operating activities as the main sources of liquidity. For the years ended December 31, 2012, 2013 and 2014, we had net cash generated from operating activities of RMB89.6 million, RMB124.2 million and RMB189.4 million, respectively. As of the Latest Practicable Date, we did not have any outstanding bank borrowings. We are in the process of obtaining credit facilities with some reputable commercial banks and in particular, we have entered into a strategic cooperation agreement with one of the banks for credit facilities of RMB200 million. Please see “—Indebtedness” for more details.

Taking into account the financial resources available to us including cash flow from operating activities and the estimated net proceeds from the issuance of new Shares in the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus. Based on the above financial resources available to us, the Joint Sponsors concur with the view of our Directors.

### CERTAIN BALANCE SHEET ITEMS

#### Inventories

The following table sets forth a breakdown of our inventories as of the respective dates indicated:

	<u>As of December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(RMB'000)		
Pharmaceuticals .....	17,139	14,364	13,066
Medical devices .....	<u>6,180</u>	<u>7,933</u>	<u>6,765</u>
<b>Total</b> .....	<u>23,319</u>	<u>22,297</u>	<u>19,831</u>

Our inventories decreased by 4.4%, or RMB1.0 million, from RMB23.3 million as of December 31, 2012 to RMB22.3 million as of December 31, 2013, primarily due to a decrease in inventory of pharmaceuticals of RMB2.7 million as a result of reduced inventory of pharmaceuticals by Tai He Tang at year end in anticipation of slowed down business during the Chinese New Year in January 2014, while offset by an increase in inventory of medical devices of RMB1.7 million in line with our business growth.



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Our inventories decreased by 11.1%, or RMB2.5 million, from RMB22.3 million as of December 31, 2013 to RMB19.8 million as of December 31, 2014 primarily due to decreases in inventories of pharmaceuticals and medical devices as a result of (i) disposal of Shenyang HarMoniCare Hospital; and (ii) our improved inventory management by monitoring the inventory level at our hospitals more closely.

As of April 30, 2015, approximately 99.9% of our inventories as of December 31, 2014 had been sold or used.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
Inventory turnover days <sup>(1)</sup> .....	19.7	18.5	16.6

*Note:*

1. Inventory turnover days were calculated based on the average of the opening and closing inventory balances divided by the cost of sales and services for the relevant year and multiplied by 365 days.

Our average inventory turnover days for the year ended December 31, 2013 decreased slightly as compared to the year ended December 31, 2012, primarily due to our improved inventory management.

Our average inventory turnover days for the year ended December 31, 2014 were lower than the year ended December 31, 2013, primarily due to our improved inventory management.

### **Trade receivables**

Our trade receivables represent the receivables from our patients and customers for services rendered or goods delivered and due from medical and commercial insurance programs. As of December 31, 2012, 2013 and 2014, we had trade receivables of RMB11.7 million, RMB14.7 million and RMB13.9 million, respectively. The increase from 2012 to 2013 was primarily due to increased trade receivables recorded by Chongqing Modern Woman Hospital, and Beijing and Shenzhen HarMoniCare Hospitals as a result of increased trade receivables from medical insurance programs. The decrease from 2013 to 2014 was primarily due to reduced trade receivables of Tai He Tang related to reduced supplies to associated companies which were disposed of in 2014. As of April 30, 2015, approximately 72.6% of our trade receivables as of December 31, 2014 had been settled.

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We generally do not extend any credit period to our patients. We allow a credit period of approximately 60 to 180 days, for the hospital services provided to the patients which are settled by and due from medical and commercial insurance programs, and less than 90 days for the supply of pharmaceuticals and medical devices after issuing invoice. The table below sets forth an aging analysis of our trade receivable as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB'000)		
Less than 90 days .....	7,437	9,841	8,970
91 to 180 days .....	1,025	1,022	3,480
181 days to 1 year .....	450	373	1,101
Over 1 year .....	<u>2,748</u>	<u>3,476</u>	<u>299</u>
<b>Total</b> .....	<u>11,660</u>	<u>14,712</u>	<u>13,850</u>

The trade receivables that were neither past due nor impaired at the end of the reporting period were related to customers that have a good repayment record with us. Most of them were insurance programs and our associated companies who purchased pharmaceuticals and medical devices from Tai He Tang. The trade receivables that were past due but not impaired are related to the sale of pharmaceuticals and medical devices by Tai He Tang to certain customers that have a good trading record with us. Based on our past experience, our management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of the trade receivable from the date that credit was initially granted up to the end of each reporting period. The table below sets forth an aging analysis of our trade receivables past due but not impaired as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB'000)		
181 days to 1 year .....	450	373	1,101
Over 1 year .....	<u>2,748</u>	<u>3,476</u>	<u>299</u>
<b>Total</b> .....	<u>3,198</u>	<u>3,849</u>	<u>1,400</u>

In 2014, we recognized impairment losses on trade receivables of RMB0.6 million which was overdue by a year and related to sales of pharmaceuticals and medical devices.

As of April 30, 2015, our trade receivable past due as of December 31, 2014 had been reduced by 42.9% to RMB0.8 million.

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The following table sets forth the turnover days for our trade receivables for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
Trade receivables turnover days <sup>(1)</sup> . . . . .	5.0	5.8	5.6

*Note:*

- Trade receivables turnover days were calculated based on the average of the opening and closing trade receivables divided by revenue for the relevant year multiplied by 365 days.

Our average trade receivables turnover days remained relatively stable during the Track Record Period.

### Prepayment, deposits and other receivables

Prepayment, deposits and other receivables represent prepaid rental expenses for our leases, prepayments and deposits to our suppliers and capitalized Listing fees. The following table sets forth a breakdown of our prepayment, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB'000)		
Prepaid rental expenses . . . . .	17,138	17,157	13,853
Prepayments to suppliers . . . . .	12,514	9,559	7,756
Deposits to suppliers . . . . .	1,227	1,638	1,234
Deferred expenses in relation to the listing expenses . . . . .	—	—	2,616
Consideration receivable for disposal of an associate . . . . .	—	—	2,066
Other receivables . . . . .	<u>2,909</u>	<u>3,075</u>	<u>2,919</u>
<b>Total</b> . . . . .	<u><u>33,788</u></u>	<u><u>31,429</u></u>	<u><u>30,444</u></u>

Our prepayment, deposits and other receivables decreased by 7.0%, or RMB2.4 million, from RMB33.8 million as of December 31, 2012 to RMB31.4 million as of December 31, 2013, primarily due to decreased prepayments to suppliers of RMB2.9 million related to decreased procurement of equipment in 2013. The decrease was partially offset by an increase in deposits to suppliers by 33.5% from RMB1.2 million as of December 31, 2012 to RMB1.6 million as of December 31, 2013, primarily due to increased deposit payments to an advertisement supplier by Guiyang HarMoniCare and Guiyang Modern Woman Hospitals.

Our prepayment, deposits and other receivables decreased by 3.1%, or RMB1.0 million, from RMB31.4 million as of December 31, 2013 to RMB30.4 million as of December 31, 2014, primarily due to (i) decreased prepaid rental expense of RMB3.3 million primarily as a result of the disposal of Shenyang HarMoniCare Hospital; and (ii) our decreased procurement of equipment in 2014. The decrease was partially offset by (i) deferred expenses in relation to the listing expenses of RMB2.6 million; and (ii) consideration receivable for the disposal of our minority interest in Baotou Modern Woman Hospital of RMB2.1 million from an Independent Third Party.

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### Amounts due from/to related parties

During the Track Record Period, we entered into various transactions with our related parties. The following table sets forth a breakdown of our amounts due from/to related parties as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB'000)		
Amounts due from related companies .....	65,955	57,411	16
Amounts due from associates .....	556	3,106	—
<b>Total</b> .....	<b>66,511</b>	<b>60,517</b>	<b>16</b>
Amounts due to related companies .....	326,871	348,047	299,351
Amounts due to shareholders .....	13,289	5,716	1,050
<b>Total</b> .....	<b>340,160</b>	<b>353,763</b>	<b>300,401</b>

Our amounts due from related parties are mainly related to supplies of pharmaceuticals and medical devices to our related parties and advances to Bosheng Medical which were intra-group liabilities prior to the Reorganization. Our amounts due to related parties are mainly related to (i) advances from Bosheng Medical which were intra-group liabilities prior to the Reorganization; (ii) payables to related parties related to the Reorganization which were subsequently settled; and (iii) royalty and management service fee payables to Bosheng Medical. For details of these related parties transactions, see note 37 to the Accountants' Report included in Appendix I to this prospectus. The following table sets forth a breakdown of our amounts due from/to related parties by nature as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB'000)		
Amounts due from related parties			
Trade in nature .....	5,741	17,595	16
Non-trade in nature .....	60,770	42,922	—
<b>Total</b> .....	<b>66,511</b>	<b>60,517</b>	<b>16</b>
Amounts due to related parties			
Trade in nature .....	1,643	1,504	1,602
Non-trade in nature .....	338,517	352,259	298,799
<b>Total</b> .....	<b>340,160</b>	<b>353,763</b>	<b>300,401</b>

Our amounts due from related parties decreased by 9.0%, or RMB6.0 million, from RMB66.5 million as of December 31, 2012 to RMB60.5 million as of December 31, 2013, primarily due to decreased amounts due from Bosheng Medical of RMB17.8 million which were unsecured and interest-free advances to Bosheng Medical, offset by increased amounts due from related parties that were trade in nature of RMB11.9 million mainly related to supplies of pharmaceuticals and medical devices.

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## FINANCIAL INFORMATION

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Our amounts due from related parties decreased from RMB60.5 million as of December 31, 2013 to RMB16,000 as of December 31, 2014, primarily due to our effort to reduce related party transactions prior to Listing.

Our amounts due to related parties increased by 4.0%, or RMB13.6 million, from RMB340.2 million as of December 31, 2012 to RMB353.8 million as of December 31, 2013, primarily due to increased amounts due to Bosheng Medical of RMB21.4 million which were unsecured and interest-free advances from Bosheng Medical.

Our amounts due to related parties decreased by 15.1%, or RMB53.4 million, from RMB353.8 million as of December 31, 2013 to RMB300.4 million as of December 31, 2014, primarily due to our effort to reduce related party transactions prior to Listing. As of December 31, 2014, our amounts due to related parties mainly consisted of RMB278.0 million of payable to Bosheng Medical for the transfer of its equity interests in HarMoniCare Management and Consulting by Sharp Charm and Harmonicare Medical. The balance was fully settled in March 2015. It also included an advance from Concord Glory of RMB19.0 million as part of capital injection into Galaxy Power. The balance was fully settled in January 2015. For details of our Reorganization, see “History, Reorganization and Corporate Structure—Reorganization—Onshore Reorganization.”

All of our non-trade amounts due from/to related parties and shareholders as of December 31, 2014 were fully settled in April 2015.

Our Directors believe that the above related party transactions that were trade in nature were carried out in the ordinary course of business and conducted in accordance with the terms and conditions mutually agreed by relevant parties. Our Directors further confirmed that all the related party transactions and connected party transactions as described in the “Connected Transactions” section were conducted on normal commercial terms and will be discontinued after Listing.

### **Trade payables**

Trade payables represent outstanding amounts due to our suppliers and other third parties. As of December 31, 2012, 2013 and 2014, we had trade payables of RMB22.2 million, RMB21.6 million and RMB16.4 million, respectively.

Our trade payables decreased by 2.4%, or RMB0.6 million, from RMB22.2 million as of December 31, 2012 to RMB21.6 million as of December 31, 2013, primarily due to (i) decreased inventory level in 2013; and (ii) our increased payment effort in 2013.

Our trade payables decreased by 24.4%, or RMB5.2 million, from RMB21.6 million as of December 31, 2013 to RMB16.4 million as of December 31, 2014, primarily due to (i) disposal of Shenyang HarMoniCare Hospital; and (ii) decreased inventory level in 2014.

## FINANCIAL INFORMATION

The following table sets out the turnover days for our trade payables for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
Trade payables turnover days <sup>(1)</sup> .....	24.3	17.8	15.0

*Note:*

- Trade payables turnover days were calculated based on the average of the opening and closing trade payables divided by cost of sales and services for the relevant year multiplied by 365 days.

Our average trade payables turnover days for the year ended December 31, 2013 were lower than the year ended December 31, 2012, primarily due to our improved inventory management and related shortened payment periods to suppliers.

Our average trade payables turnover days for the year ended December 31, 2014 were lower than the year ended December 31, 2013, primarily due to our improved inventory management and related shortened payment periods to suppliers.

Trade payables are non-interest bearing and are normally granted on a 0 to 90 day credit term.

The following table sets forth an aging analysis of our trade payables, based on the goods received date, as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB'000)		
Within 90 days .....	20,042	19,006	13,973
91 to 180 days .....	1,792	1,810	934
181 days to 1 year .....	341	819	1,457
<b>Total</b> .....	<b>22,175</b>	<b>21,635</b>	<b>16,364</b>

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## FINANCIAL INFORMATION

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### Other payables and accruals

Other payables and accruals represent advances from patients, staff cost payables, dividend payables, PRC tax payables, construction fee payables and other payables. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		
	2012	2013	2014
		(RMB'000)	
Advances from patients .....	41,919	66,327	72,685
Staff cost payables .....	21,245	26,108	29,443
Accrued operating expenses .....	4,579	2,257	869
Dividend payables .....	3,954	115	423
Other PRC tax payables .....	2,833	1,659	811
Construction fee payables .....	2,452	1,734	946
Accrued rental expenses .....	259	688	754
Listing expenses payables .....	—	—	4,752
Others .....	<u>4,590</u>	<u>3,013</u>	<u>3,035</u>
<b>Total</b> .....	<u><u>81,831</u></u>	<u><u>101,901</u></u>	<u><u>113,718</u></u>

Our other payables and accruals increased by 24.5%, or RMB20.1 million, from RMB81.8 million as of December 31, 2012 to RMB101.9 million as of December 31, 2013, primarily due to (i) increased advances from patients of RMB24.4 million mainly reflecting the increased prepayment we received under our VIP membership programs and services packages, in particular, those implemented by Beijing HarMoniCare Hospital; (ii) increased staff cost payables of RMB4.9 million mainly reflecting our increased number and compensation level of our employees in 2013. For details of our VIP membership programs and service packages, see “Business—Our Customer Service.”

Our other payables and accruals increased by 11.6% or RMB11.8 million, from RMB101.9 million as of December 31, 2013 to RMB113.7 million as of December 31, 2014, primarily due to (i) increased advances from patients of RMB6.4 million mainly reflecting the increased prepayment we received under our VIP membership programs and services packages, in particular, those implemented by Beijing HarMoniCare Hospital; (ii) listing expense payables of RMB4.8 million which did not exist in 2013; and (iii) increased staff cost payables of RMB3.3 million mainly reflecting our increased number and compensation level of our employees in 2014.

Our dividend payables as of December 31, 2014 was settled in April 2015.

### Provision

As of December 31, 2012, 2013 and 2014, we made provisions for medical dispute related claims against us of RMB2.0 million, RMB1.9 million and RMB1.4 million, respectively. We were involved as the defendants in these medical disputes arising in the ordinary course of business. For details of these medical

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## FINANCIAL INFORMATION

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disputes, see “Business—Legal Proceedings and Compliance—Medical Disputes.” We believe that, based on the status of potential and active claims outstanding at the end of each reporting period, and taking into consideration the assessment and analysis of external lawyer and the total claim exposure, we have made sufficient provisions for these medical disputes.

### LIQUIDITY AND CAPITAL RESOURCES

Our business operations and expansion plans require a significant amount of capital, including upgrading our existing hospitals and establishing new hospitals. Historically, we have financed our capital expenditures and working capital requirements mainly through cash generated from operations and advances from Bosheng Medical.

#### Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,		
	2012	2013	2014
			(RMB'000)
Net cash generated from operating activities . . . . .	89,567	124,188	189,444
Net cash (used in) generated from investing activities . . . . .	(82,705)	(7,617)	20,584
Net cash generated from (used in) financing activities . . . . .	2,883	(119,895)	(148,717)
Cash and cash equivalents at beginning of the year . . . . .	4,331	14,076	10,752
Cash and cash equivalents at end of the year . . . . .	14,076	10,752	72,063

#### *Operating Activities*

We derive our cash inflow from operating activities primarily through provision of hospital services and sales of pharmaceuticals and medical devices. Cash outflow from operating activities primarily comprises payments for pharmaceuticals and medical devices, employee compensation and benefits, transaction costs, administrative expenses and other operating expenses. Our net cash flow generated from operating activities reflects our profit before income tax, as adjusted for non-cash items, such as depreciation of property, plant and equipment, and the effects of changes in working capital items.

For the year ended December 31, 2014, we had net cash generated from operating activities of RMB189.4 million, primarily attributable to (i) profit before taxation of RMB139.3 million, as adjusted to reflect non-cash items, which principally included depreciation of property, plant and equipment of RMB36.6 million; (ii) a decrease in amounts due from related parties of RMB17.6 million due to our efforts to reduce related parties transactions prior to Listing; and (iii) an increase in other payables and accruals of RMB14.0 million due to increased prepayment we received from patients. These were partially offset by (i) an increase in prepayments, deposits and other receivables of RMB2.3 million mainly due to decreased prepayment to suppliers; (ii) a decrease in trade payables of RMB1.6 million mainly due to disposal of Shenyang HarMoniCare Hospital and decreased inventory level in 2014; and (iii) income tax paid of RMB17.3 million.



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For the year ended December 31, 2013, we had net cash generated from operating activities of RMB124.2 million, primarily attributable to (i) profit before taxation of RMB87.5 million, as adjusted to reflect non-cash items, which principally included depreciation of property, plant and equipment of RMB39.6 million; and (ii) an increase in other payables and accruals of RMB24.2 million mainly due to an increase in advances from patients under our VIP membership programs and service packages, in particular those implemented by Beijing HarMoniCare Hospital, and increased staff cost payables. These were partially offset by (i) an increase in amounts due from related parties of RMB11.9 million; (ii) an increase in trade receivables of RMB3.1 million mainly due to an increase in trade receivables from medical insurance programs; and (iii) income taxes paid of RMB18.0 million.

For the year ended December 31, 2012, we had net cash generated from operating activities of RMB89.6 million, primarily attributable to (i) profit before taxation of RMB35.7 million, as adjusted to reflect non-cash items, which principally included depreciation of property, plant and equipment of RMB35.1 million; and (ii) an increase in other payables and accruals of RMB43.7 million mainly due to an increase in advances from patients under our VIP membership programs and service packages. These increases were partially offset by (i) a decrease in trade payables of RMB9.3 million; (ii) an increase in inventories of RMB3.2 million as a result of our business expansion; (iii) an increase in trade receivables of RMB2.6 million as a result of our business expansion; and (iv) income taxes paid of RMB16.1 million.

### *Investing Activities*

Our cash used in investing activities reflects our cash used in payments for purchases of property, plant and equipment and intangible assets such as softwares. Cash inflow from investing activities mainly comprises proceeds from disposal of property, plant and equipment.

For the year ended December 31, 2014, we had net cash generated from investing activities of RMB20.6 million, primarily attributable to repayment from related parties.

For the year ended December 31, 2013, we had net cash used in investing activities of RMB7.6 million, primarily attributable to payments for purchases of property, plant and equipment.

For the year ended December 31, 2012, we had net cash used in investing activities of RMB82.7 million, primarily attributable to payments for purchases of property, plant and equipment.

### *Financing Activities*

We use cash in financing activities primarily for dividend payment and repayments to related parties. Cash inflows from financing activities mainly comprise capital injection from shareholders and advances from related parties.

For the year ended December 31, 2014, we had net cash used in financing activities of RMB148.7 million, primarily attributable to (i) repayments to related parties of RMB744.2 million, which were offset by (i) advances from related parties of RMB433.9 million mainly related to the Reorganization; and (ii) a capital injection in HarMoniCare Management and Consulting of RMB250.0 million; (ii) dividend paid to Bosheng Medical and non-controlling shareholders of RMB71.7 million; and (iii) consideration paid for the acquisitions of Guiyang HarMoniCare Hospital and Chongqing Bosheng Management of RMB47.2 million in relation to the Reorganization.

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## FINANCIAL INFORMATION

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For the year ended December 31, 2013, we had net cash used in financing activities of RMB119.9 million, primarily attributable to (i) consideration paid for the acquisitions of our operating subsidiaries from Bosheng Medical by Guiyang HarMoniCare Hospital of RMB84.7 million in relation to the Reorganization; (ii) dividend paid to Bosheng Medical and non-controlling shareholders of RMB53.4 million; and (iii) repayments to related parties of RMB455.8 million, which were offset by advances from related parties of RMB474.0 million mainly consisting of an advance from Bosheng Medical to fund our operations.

For the year ended December 31, 2012, we had net cash generated from financing activities of RMB2.9 million, primarily attributable to (i) advances from related parties of RMB422.7 million, which was offset by (i) payments to related parties of RMB367.6 million; and (ii) dividend paid to Bosheng Medical and non-controlling shareholders of RMB63.2 million; and (ii) a capital injection of RMB11.0 million in relation to the establishment of Shenyang HarMoniCare Hospital.

### Capital Expenditures and Commitments

Our ability to maintain and grow our revenue, profit and cash flows depends upon continued capital expenditures. Our historical capital expenditures included expenditures primarily for purchases of property, plant and equipment relating to our operations. Our capital expenditures amounted to RMB74.6 million, RMB26.3 million and RMB23.2 million for the years ended December 31, 2012, 2013 and 2014, respectively.

We expect to incur approximately RMB137.1 million in capital expenditures in 2015, primarily related to upgrading existing hospitals, opening new hospitals, upgrading medical equipment and payment for trademark ownership transfer from Bosheng Medical. We intend to fund our planned capital expenditures through a combination of cash flow from operating activities and the net proceeds from the issuance of new Shares in the Global Offering. See “Future Plans and Use of Proceeds” for further details.

The table below sets forth our capital commitments as of the dates indicated:

	<u>As of December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(RMB'000)		
Contracted but not provided .....	190	56	92
Authorized but not contracted .....	333	—	953

Capital commitments that were contracted but not provided represent commitments arising out of a contractual relationship where the relevant property, plant and equipment were not provided as of the relevant dates.

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### Operating Leases

We are lessees in respect of a number of properties held under operating leases for our hospitals and offices. These leases are non-cancellable for terms of 1 to 20 years. We pay fixed monthly rents. None of the leases includes any contingent rental or renewal options. The table below sets forth our operating lease commitments under these non-cancellable operating leases which fall due as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB'000)		
<b>Minimum lease payments under operating leases:</b>			
Within one year .....	60,779	61,475	68,335
In the second to fifth year .....	238,762	235,348	267,856
After five years .....	<u>359,812</u>	<u>301,711</u>	<u>214,785</u>
<b>Total</b> .....	<u>659,353</u>	<u>598,534</u>	<u>550,976</u>

### INDEBTEDNESS

Our indebtedness during the Track Record Period mainly consisted of advances from Bosheng Medical to fund our operations and payables to Bosheng Medical in connection with our Reorganization. The table below sets forth our indebtedness as of the dates indicated. Since January 31, 2015, there has been no material adverse change in our indebtedness.

	As of December 31,			As of
	2012	2013	2014	April 30,
	(RMB'000)			2015
Bosheng Medical .....	324,950	346,387	278,590	—
Mr. Lin Yuming .....	<u>5,761</u>	<u>5,566</u>	<u>1,050</u>	—
<b>Total</b> .....	<u>330,711</u>	<u>351,953</u>	<u>279,640</u>	—

The Group is involved as defendants in certain medical disputes arising from its normal business operations. The Directors believe, based on the status of potential and active claims outstanding at the end of each reporting period, and taking into consideration the assessment and analysis of external lawyer and the total claim exposure, provision of RMB2,030,000, RMB1,915,000 and RMB1,400,000 was recognized in respect of the medical dispute as of December 31, 2012, 2013 and 2014, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not have any bank loans or other borrowings. During the Track Record Period, we relied on advances from controlling shareholders for part of our operation needs. We fully settled our advances with controlling shareholders in December 2014 and going forward may obtain loans from commercial banks as needed. We are in the process of obtaining credit facilities with some reputable commercial banks and expect to obtain such credit facilities in the next few months. In particular, we entered into a strategic cooperation agreement with China

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Minsheng Bank on May 15, 2015 with a term of three years. Pursuant to this agreement, China Minsheng Bank has agreed to provide us with credit facilities in the aggregate maximum amount of RMB200 million, subject to internal procedures to be conducted by China Minsheng Bank in accordance with PRC regulations, industry policies and its risk management and operational regulations. Given that we have maintained a steady income and cash flow from our operations, we have sufficient cash and cash equivalents on hand and we have established our reputation as the largest private obstetrics and gynecology specialty hospital group in China, our Directors believe that we will have no difficulty in obtaining credit facilities from reputable commercial banks when such needs arise.

As confirmed by our Directors, our Group had no material defaults in payment of trade and non-trade payables or any material breaches of any finance covenants during the Track Record Period and up to the Latest Practicable Date.

### **Interest-bearing Loans**

During the Track Record Period, we did not have any interest-bearing loans.

### **Contingent Liabilities**

We may be subject to legal proceedings and claims that arise in the ordinary course of business, which primarily include medical dispute claims brought by patients and/or their families. Provision for medical dispute claims is made based on the status of potential and active claims outstanding at the end of each reporting period, and takes into consideration the assessment and analysis of external lawyer and the total claim exposure. As of April 30, 2015, based on the best estimate of the Directors, we have made provision of RMB1.3 million for our medical disputes. Except for such medical disputes, as of April 30, 2015, being the latest practicable date for the purpose of the indebtedness statement, our Group did not have any material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have outstanding at the close of business on April 30, 2015, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges or other contingent liabilities.

### **Off-Balance Sheet Arrangements**

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

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## FINANCIAL INFORMATION

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### **Quantitative and Qualitative Disclosures about Market Risk**

Our exposure to market, credit and liquidity risks arises in the normal course of our business. The market risks to which we are exposed to, as well as our practices to manage such risks, are as follows.

#### ***Credit Risk***

Our exposure to credit risk is primarily attributable to the carrying amount of our trade and other receivables, bank deposits and various financial assets due to failure to discharge their obligations by our counterparties.

In order to minimize our credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our management reviews the recoverable amount of each material individual debt at the end of each of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our management considers that our credit risk is significantly reduced.

In respect of deposits with banks, we have no significant concentration of credit risk on liquid funds which are deposited with several banks. We believe our credit risk is limited as the majority of the banks are major financial institutions with good reputation.

We also have concentration of credit risk in respect of amounts due from related parties. We monitor our exposure to credit risk on an ongoing basis and credit evaluation is performed on each of the related parties. In order to minimize the credit risk, we have reviewed the recoverability of the amounts due from the related parties to ensure that follow-up action is taken timely. Therefore, our Directors believe that our exposure to bad debt is not significant.

Under such circumstances, our Directors consider that our credit risk is not significant.

#### ***Liquidity Risk***

As of December 31, 2012, 2013 and 2014, we recorded net current liabilities of RMB305.7 million, RMB350.6 million and RMB314.7 million, respectively. We are exposed to liquidity risk of being unable to raise sufficient funds to meet our financial obligations when they fall due.

We monitor our cash flow positions on a regular basis to ensure that our cash flows are positive and closely controlled. We rely on cash and cash equivalents on hand and the cash generated from operating activities as the main source of liquidity. For the years ended December 31, 2012, 2013 and 2014, we had net cash generated from operating activities of approximately RMB89.6 million, RMB124.2 million and RMB189.4 million, respectively. As such, our Directors consider our liquidity risk can be mitigated.

#### ***Interest Rate Risk***

We are exposed to cash flow interest risk in relation to variable-rate bank balances, which carry prevailing market interest. As of December 31, 2012, 2013 and 2014, our variable-rate bank balance amounted to RMB13.7 million, RMB10.3 million and RMB71.7 million, respectively.

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We currently do not have a specific policy to manage our interest rate risk and have not entered into interest rate swap to hedge our exposure, but will closely monitor our interest rate risk exposure in the future. Our management considers our interest rate risk on bank balances is insignificant.

### *Foreign Exchange Risk*

Our functional currency is Renminbi. Our exposure to currency risk arises primarily through certain financing transactions that are denominated in U.S. dollars and Hong Kong dollars. We had very limited financing transactions during the Track Record Period, which were primarily related to the Reorganization, and as of December 31, 2012, 2013 and 2014, the carrying amounts of our foreign currency denominated monetary assets and monetary liabilities were minimal. As such, we do not believe we are exposed to any significant foreign exchange risk.

During the Track Record Period, we did not use any forward exchange contracts to mitigate our foreign exchange risk.

In addition, as the proceeds of the Global Offering will be in Hong Kong dollars, any appreciation of the Renminbi against the Hong Kong dollars will reduce the amount of proceeds we receive in terms of Renminbi. On the other hand, a depreciation of Renminbi would adversely affect the value of any dividends we pay to our Shareholders subsequent to the Global Offering.

### **LISTING EXPENSES**

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, including underwriting commissions and excluding any discretionary incentive fee which may be payable by us) for the Global Offering are approximately RMB75.9 million. During the Track Record Period, we incurred listing expenses of approximately RMB10.0 million, of which RMB7.4 million was recognized as general and other expenses for 2014 and RMB2.6 million was capitalized as deferred expenses that are expected to be charged against equity upon successful listing under the relevant accounting standards. We expect to incur additional listing expenses of approximately RMB65.9 million, of which RMB26.0 million is expected to be recognized as general and other expenses for 2015 and RMB39.8 million will be capitalized as deferred expenses that are expected to be charged against equity upon successful listing under the relevant accounting standards. Our Directors do not expect such expenses will have a material and adverse impact on our results of operations for the year ending December 31, 2015.

### **DIVIDEND POLICY**

Pursuant to the Companies Law (2012 Revision), Cap.22 of the Cayman Islands and our Articles of Association, we, through a general meeting, may declare dividends in any currency, but no dividend may be declared in excess of the amount recommended by the Board. Based on our Articles of Association, the dividends may be paid out of our profit only. During the years ended December 31, 2012, 2013 and 2014, we declared and distributed dividends of RMB63.3 million, RMB45.1 million and RMB72.0 million, respectively.

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## FINANCIAL INFORMATION

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We are a holding company incorporated in the Cayman Islands. The payment and amount of our future dividends will depend on the availability of dividends received from our subsidiaries. Distributions from us and our subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements or other agreements that we or they may enter into in the future.

The amount of dividends actually distributed to our Shareholders will depend on our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividends. Our dividend distribution record in the past may not be useful as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out to show the effect of the Global Offering on our net tangible assets as of December 31, 2014, as if the Global Offering had taken place on that date. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the Global Offering been completed as of December 31, 2014 or at any future date. The unaudited pro forma statement of adjusted net tangible assets is based on the audited combined total net tangible liabilities of the Group attributable to the owners of the Company as of December 31, 2014 derived from the Accountants' Report contained in Appendix I to this prospectus, and adjusted as follows:

	Audited combined total net tangible liabilities as of December 31, 2014	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets as of December 31, 2014	Unaudited pro forma adjusted net tangible assets per Share
	RMB'000	RMB'000	RMB'000	RMB
Based on an Offer Price of HK\$6.80 per Share . . . . .	(101,472)	962,560	861,088	1.12
Based on an Offer Price of HK\$7.55 per Share . . . . .	(101,472)	1,072,636	971,164	1.27

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the listing of the Shares on the Hong Kong Stock Exchange.

### DISTRIBUTABLE RESERVES

As of December 31, 2014, our Company had no distributable reserves.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial, operational or trading position since December 31, 2014, being the end of the period reported on in the Accountants' Report included in Appendix I to this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Our goal is to become a leading healthcare service provider in the premium private healthcare service market in China by offering high-quality healthcare services to women and children in China. We intend to achieve this through our business strategies, details of which are set out in “Business—Our Strategies” of this prospectus.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,289.4 million (after deducting the underwriting fees and expenses payable by us in the Global Offering), assuming the Over-allotment Option is not exercised and an Offer Price of HK\$7.18 per Share, being the mid-point of the offer price range stated in this prospectus. We will not receive any proceeds from the sale of Sales Shares by the Selling Shareholders. We intend to use these net proceeds for the following purposes:

- approximately 60% of the net proceeds to us (approximately HK\$773.6 million) for opening new hospitals in Beijing, Xiamen, Nanjing, Hangzhou and Chongqing;
- approximately 10% of the net proceeds to us (approximately HK\$128.9 million) for upgrading facilities and adding new equipment in our existing hospitals, including (i) upgrading the ultrasound diagnosis equipment with the next-generation products; (ii) upgrading the surgery room facilities and equipment; (iii) adding new sterilization equipment; (iv) purchasing additional imported integrated birthing beds and upgrading NICU facilities; (v) upgrading and purchasing additional laboratory equipment; and (vi) adding neonatal and pediatric services related equipment;
- approximately 5% of the net proceeds to us (approximately HK\$64.5 million) for upgrading and improving our information technology systems;
- approximately 15% of the net proceeds to us (approximately HK\$193.4 million) for acquiring new hospitals; and
- approximately 10% of the net proceeds to us (approximately HK\$128.9 million) for working capital and other general corporate purposes.

If the Offer Price is determined at the highest point of the stated range, the proceeds to us would be increased by approximately HK\$69.8 million. In such event, we have the present intention to apply such amount for additional investment on each of the aforementioned uses on a pro rata basis. If the Offer Price is determined at the lowest point of the stated range, the proceeds to us would be decreased by approximately HK\$69.8 million. In such event, we expect to first use HK\$1,219.6 million for opening new hospitals and upgrading facilities and adding new equipment in our existing hospitals and reduce the amounts to be used for acquiring new hospitals and working capital by HK\$69.8 million.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, the Directors may allocate part or all of the proceeds to short-term interest-bearing deposits and/or money-market instruments with authorized financial institutions and/or licensed banks in Hong Kong and/or the PRC.



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## UNDERWRITING

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### HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited

CCB International Capital Limited

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 21,081,000 Hong Kong Public Offer Shares and the International Offering of initially 189,729,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” as well as to the Over-allotment Option in the case of the International Offering.

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Public Offer Shares for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) agreeing upon the Offer Price) being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for Termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares are subject to termination by written notice from the Joint Global Coordinators, if, at any time prior to 8:00 a.m. on the Listing Date:

- (1) there develops, occurs, exists or comes into effect:
  - (a) any event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war,

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- calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the Cayman Islands, the United States, the United Kingdom, any member of the European Union, Japan, Singapore or any other jurisdiction relevant to any member of the Group or the Global Offering (collectively, the “Relevant Jurisdictions”); or
- (b) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdiction or elsewhere; or
  - (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in, (A) 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 Shanghai Stock Exchange or the Shenzhen Stock Exchange; or (B) securities of the Company or any other member of the Group listed or quoted on a stock exchange or an over-the-counter market; or
  - (d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at federal or New York State level or other competent authority), London, the PRC, the European Union (or any member thereof), Japan, Singapore or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
  - (e) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authorities of, existing laws, in each case, in or affecting any of the Relevant Jurisdiction; or
  - (f) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdiction; or
  - (g) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdiction; or
  - (h) any proceedings of any third party being threatened or instigated against any member of the Group, the Selling Shareholders or the Controlling Shareholders; or

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- (i) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (j) the chairman or chief executive officer of the Company vacating his office; or
- (k) an authority or a political body or organization in any of the Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group, any Director or any director of any Subsidiary or the Controlling Shareholders; or
- (l) a contravention by any member of the Group of the Listing Rules or applicable laws; or
- (m) a prohibition on the Company or any of the Selling Shareholders or the Controlling Shareholders for whatever reason from offering, allotting, issuing, selling or delivering any of the Offer Shares (including the option shares) pursuant to the terms of the Global Offering; or
- (n) non-compliance of the Hong Kong Prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (o) the issue or requirement to issue by the Company of any supplement or amendment to the Hong Kong prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or
- (p) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (q) any change, development or event involving a prospective change, or a materialization, of any of the risks set forth in the section headed “Risk Factors” in the Hong Kong prospectus; or
- (r) an 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,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators and the Joint Sponsors:

- (A) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

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- (B) has or will have or may have an adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Offer Shares in the secondary market; or
  - (C) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
  - (D) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (2) there has come to the notice of the Joint Global Coordinators and the Joint Sponsors:
- (a) that any statement contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or in any notices or announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
  - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Hong Kong prospectus, constitute an omission from any of the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
  - (c) any breach of any of the obligations imposed upon any party to this Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
  - (d) any event, act or omission which gives or is likely to give rise to any liability of any of the Company, the Controlling Shareholders or the Selling Shareholders pursuant to the indemnities given by the Company, the Controlling Shareholders or the Selling Shareholders under the Hong Kong Underwriting Agreement; or
  - (e) any adverse change, or any development involving a prospective adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of the Group; or

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- (f) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties given by Company, the Controlling Shareholders or the Selling Shareholders in the Hong Kong Underwriting Agreement; or
- (g) approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (h) the Company withdraws the Hong Kong Prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (i) any of the Reporting Accountants, or any of the counsel of the Company has withdrawn its respective consent to the issue of the prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (j) any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawal of its consent to being named in any of the offering documents or to the issue of any of the offering documents; or
- (k) the Stock Borrowing Agreement is not duly authorized, executed and delivered or it is terminated; or
- (l) a material portion of the orders in the bookbuilding process, have been withdrawn, terminated or cancelled.

### ***Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules***

#### ***(A) Undertakings by Our Company***

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except in certain circumstances provided under Rule 10.08 of the Listing Rules.

#### ***(B) Undertakings by our Controlling Shareholders***

By virtue of Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and to our Company that, except pursuant to the lending of any Shares pursuant to the Stock Borrowing Agreement (if applicable), it/he shall not, unless in compliance with the requirements of the Listing Rule, in the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is twelve months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner.

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Note (2) to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent Controlling Shareholders from using the Shares beneficially owned by it/him as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Hong Kong Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he shall:

- (i) when it/he or the relevant registered holders pledge or charge any Shares beneficially owned by it/him in favor of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when it/he or the relevant registered holders receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

### ***Undertakings Pursuant to the Hong Kong Underwriting Agreement***

#### ***(A) Undertakings by Our Company***

Our Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters, that except pursuant to the Capitalization Issue, the Global Offering (including pursuant to the exercise of the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the “Six-Month Period”) and unless permitted by the Hong Kong Stock Exchange, our Company will not and to procure each other member of the Group not to, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements set out in the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depository in connection with the issue of depository receipts; or

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other share or securities will be completed within the Six-month Period).

In the event that the Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. The Controlling Shareholders undertake to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with the undertakings above.

*(B) Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders has undertaken to each of the Joint Global Coordinators, the Joint Sponsors the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except as pursuant to the Capitalization Issue, the Global Offering (including pursuant to the exercise of the Over-allotment Option), the Stock Borrowing Agreement and the exercise of the Over-allotment Option, none of our Controlling Shareholders will, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) save for the lending of Shares by Homecare pursuant to the Stock Borrowing Agreement, it will not, at any time during the 12 months period from the Listing Date (the “Twelve-Month Period”) Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (b) enter into any swap or other arrangement

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that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the Twelve-Month Period); and

- (ii) until the expiry of the Twelve-Month Period, in the event that it enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

### **Other Undertakings**

Pursuant to the deeds of undertaking dated June 10, 2015 executed by Honeycare, Harmony Care, CDH Harmony and Mighty Sky in favor of the Company, Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters in connection with the Global Offering), Honeycare, Harmony Care, CDH Harmony and Mighty Sky have undertaken to each of the Company, the Joint Sponsors and the Joint Global Coordinators that, except each of Honeycare and Harmony Care acting as a selling shareholder in the Global Offering (if applicable), none of them will and, will procure that none of its associates (as defined under the Listing Rules) or close associates (as defined under the Listing Rules) will, without the prior written consent of the Joint Global Coordinators (on behalf of the Underwriters in connection with the Global Offering) and unless in compliance with the Listing Rules, at any time during the six months from the Listing Date:

- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities or any interest in any of the foregoing, as applicable) (the “Relevant Shares”) or any interest in any company or entity holding, directly or indirectly, any of the Relevant Shares (the “Holding Entity”);
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Shares or an interest in any Holding Entity;
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above,



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in each case, whether any of the transactions described in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the six months from the Listing Date).

### *Indemnity*

We and our Controlling Shareholders have agreed to indemnify, amongst others, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach or alleged breach by our Company of the Hong Kong Underwriting Agreement, as the case may be.

### *Hong Kong Underwriters' Interests in Our Company*

As of the Latest Practicable Date, Mighty Sky, a wholly-owned subsidiary of CCBI Investments, held approximately 8% of the total issued share capital of our Company immediately before the Global Offering, which will represent approximately 6% of the total issued share capital of our Company immediately after the Global Offering (assuming the Over-allotment Option is not exercised and no exercise of any share option which may be granted under the Share Option Scheme). The ultimate beneficial owner of CCBI Investments is China Construction Bank Corporation, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 939) and the Shanghai Stock Exchange (stock code: 601939), which is also the ultimate controlling shareholder of CCBI.

Save as disclosed above, and except for their respective obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### **The International Offering**

#### *International Underwriting Agreement*

In connection with the International Offering, it is expected that we, the Selling Shareholders and our Controlling Shareholders will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally and not jointly agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

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### *Over-allotment Option*

We expect to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 31,620,000 Shares, representing no more than 15% of the initial Offer Shares, at the Offer Price under the International Offering, to cover, amongst others, over-allocations in the International Offering, if any.

### **Commissions and Expenses**

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) will receive a gross underwriting commission (including incentive fee) equal to 3% of the aggregate Offer Price in respect of all the Hong Kong Public Offer Shares (excluding any International Offer Shares reallocated to and from the Hong Kong Public Offering).

For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering (in such proportion as the Joint Global Coordinators in their sole discretions consider appropriate), the underwriting commission regarding such Hong Kong Public Offer Shares shall be reallocated to the International Underwriters (in such proportion as the Joint Global Coordinators in their sole discretions consider appropriate).

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with Hong Kong Stock Exchange listing fees, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK\$75.9 million (assuming an Offer Price of HK\$7.18 per Offer Share, being the mid-point of the indicative Offering Price range stated in this prospectus), are payable and borne by our Company. The Selling Shareholders will bear the commissions, fees, together with Hong Kong Stock Exchange listing fees, SFC transaction levy and Hong Kong Stock Exchange trading fees with respect to the Shares sold by them in the Global Offering as well as certain other expenses as agreed or to be agreed in the Underwriting Agreements, as applicable.

### **INDEPENDENCE OF JOINT SPONSORS**

Apart from CCBI, the other Joint Sponsor, namely Morgan Stanley, satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

As of the Latest Practicable Date, Mighty Sky, a wholly-owned subsidiary of CCBI Investments, held approximately 8% of the total issued share capital of our Company immediately before the Global Offering, which will represent approximately 6% of the total issued share capital of our Company immediately after the Global Offering (assuming the Over-allotment Option is not exercised and no exercise of any share option which may be granted under the Share Option Scheme). The ultimate beneficial owner of CCBI Investments is China Construction Bank Corporation, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 939) and the Shanghai Stock Exchange (stock code: 601939), which is also the ultimate controlling shareholder of CCBI. In addition, Mr. Cheng Ruozhi, a non-executive director of the Company, currently serves as an investment director of CCBI Medical and Healthcare Equity Investment Management (Tianjin) Co., Ltd. (建銀國際醫療保健股權投資管理(天津)有限公司) (“CCBI Medical

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and Healthcare”). The ultimate beneficial owner of CCBI Medical and Healthcare is China Construction Bank Corporation, which is also the ultimate controlling shareholder of CCBI. Therefore, CCBI is not considered as an independent sponsor according to the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

### ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “Syndicate Members”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering.” Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

- (a) the Hong Kong Public Offering of 21,081,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed “—The Hong Kong Public Offering” below; and
- (b) the International Offering of an aggregate of 189,729,000 Shares (including 19,000,000 Sale Shares and subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act as described in the paragraph headed “—The International Offering” below.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 27.5% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 30.3% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed “—The International Offering—Over-allotment Option” in this section.

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

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

### THE HONG KONG PUBLIC OFFERING

#### Number of Hong Kong Public Offer Shares Initially Offered

We are initially offering 21,081,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in the paragraph headed “—Conditions of the Global Offering” below.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Allocation

The allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Public Offer Shares initially in Pool A and Pool B will be 10,541,000 and 10,540,000, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5.00 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5.00 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple applications or suspected multiple applications and any application for more than 10,540,000 Hong Kong Public Offer Shares (being approximately 50% of the 21,081,000 Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

### Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 21,081,000 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to

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## STRUCTURE OF THE GLOBAL OFFERING

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the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 63,243,000 Offer Shares, representing approximately 30.00% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 84,324,000 Offer Shares, representing approximately 40.00% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 105,405,000 Offer Shares, representing approximately 50.00% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators in their sole discretions consider appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering in such proportions as the Joint Global Coordinators in their sole discretions consider appropriate.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$7.55 per Offer Share in addition to the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed “—Pricing and Allocation” below, is less than the maximum price of HK\$7.55 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For details, see “How to Apply for Hong Kong Public Offer Shares”.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE INTERNATIONAL OFFERING

#### Number of International Offer Shares Offered

Subject to reallocation as described in this section and the exercise of the Over-allotment Option, the International Offering will consist of an initial offering of 189,729,000 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised.

#### Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “—Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

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

#### Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “—The Hong Kong Public Offering—Reallocation” in this section, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Offering.

#### Over-allotment Option

We expect to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and

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## STRUCTURE OF THE GLOBAL OFFERING

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issue up to an aggregate of 31,620,000 Shares, representing no more than 15% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover, amongst others, over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the Offer Shares will represent 30.3% of our Company's issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement in due course.

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilizing Manager or any person acting for it.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, or any person acting for it, may have an adverse impact on the market price of the Shares;



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## STRUCTURE OF THE GLOBAL OFFERING

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- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

### **Over-allocation**

Following any over-allocation of Shares in connection with the Global Offering, the Joint Global Coordinators, or any person acting for it may cover such over-allocation by, amongst others, using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangement mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. The number of Shares which can be over-allocated will not exceed the number of Shares which may be allotted and issued pursuant to the exercise in full of the Over-allotment Option, being 31,620,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

### **STOCK BORROWING AGREEMENT**

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 31,620,000 Shares from Homecare under the stock borrowing arrangements.

Morgan Stanley & Co. International plc will enter into the Stock Borrowing Agreement with Homecare, one of the controlling shareholders, whereby Morgan Stanley & Co. International plc may borrow Shares from Homecare on the following conditions:

- (a) the stock borrowing arrangements are fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;
- (b) the maximum number of Shares to be borrowed from Homecare by the Stabilizing Manager is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;

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## STRUCTURE OF THE GLOBAL OFFERING

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- (c) the same number of Shares borrowed under the Stock Borrowing Agreement is returned to Homecare no later than three Business days following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full; (iii) or such earlier time as may be agreed in writing between Homecare and Morgan Stanley & Co. International plc;
- (d) borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with applicable Listing Rules, laws and other regulatory requirements; and
- (e) no payments will be made to Homecare by the Stabilizing Manager or its affiliate in relation to the Stock Borrowing Agreement.

The stock borrowing arrangements under the Stock Borrowing Agreement comply with the requirements set forth in Rule 10.07(3) of the Listing Rules and thus not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules.

### PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different price or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Tuesday, June 30, 2015 and in any event no later than Monday, July 6, 2015.

The Offer Price will not be more than HK\$7.55 per Offer Share and is expected to be not less than HK\$6.80 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause them to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company ([www.hemeiyi.com](http://www.hemeiyi.com)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) notices of the reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company (for ourselves and on behalf of the Selling Shareholders) and

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## STRUCTURE OF THE GLOBAL OFFERING

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the Joint Global Coordinators (on behalf of the Underwriters), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set forth in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

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

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Monday, July 6, 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company ([www.hemeiyi.com](http://www.hemeiyi.com)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

### HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in “Underwriting.”

### CONDITIONS OF THE GLOBAL OFFERING

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

- (a) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option;

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## STRUCTURE OF THE GLOBAL OFFERING

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- (b) the Offer Price having been agreed between our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

**If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (on behalf of the Underwriters) on or before Monday, July 6, 2015, the Global Offering will not proceed and lapse.**

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst others, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the website of our Company ([www.hemeiyl.com](http://www.hemeiyl.com)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). In such eventuality, all application monies will be returned, without interest, on the terms set forth in the paragraph headed “—14. How to Apply for Hong Kong Public Offer Shares—Dispatch/Collection of Share Certificates and Refund Monies”. In the meantime, all application monies will be held in a separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Hong Kong Public Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

### APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-Allotment Option), the Capitalization Issue and the Share Option Scheme.

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

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## STRUCTURE OF THE GLOBAL OFFERING

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### SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, July 7, 2015, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Tuesday, July 7, 2015. The Shares will be traded on the Main Board of the Hong Kong Stock Exchange in board lots of 1,000 Shares each.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

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

*To apply for Hong Kong Public Offer Shares, you may:*

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form service**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form service** for the Hong Kong Public Offer Shares.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- 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;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### 3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

#### **Which Application Channel to Use**

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk).

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### **Where to Collect the Application Forms**

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 am on June 25, 2015 until 12:00 noon on June 30, 2015 from:

- (i) any of the following offices of the Joint Bookrunners:

**Morgan Stanley Asia Limited**

46/F, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

**CCB International Capital Limited**

12/F, CCB Tower  
3 Connaught Road Central  
Central  
Hong Kong

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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(ii) any of the branches of the following receiving banks:

### **DBS Bank (Hong Kong) Limited**

	<u>Branch Name</u>	<u>Address</u>
<b>Hong Kong Island</b>	Head Office	G/F, The Center, 99 Queen's Road Central
	United Centre Branch	Shops 1015-1018 on 1/F, United Centre, 95 Queensway, Admiralty
	North Point Branch	G/F, 391 King's Road, North Point
<b>Kowloon</b>	Nathan Road Branch	G/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok
	Yaumatei Branch	G/F & 1/F, 131-137 Woosung Street, Yaumatei
<b>New Territories</b>	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long
	Shatin Plaza Branch	Shops 47-48, Level 1, Shatin Plaza, 21-27 Sha Tin Centre Street, Shatin

### **China Construction Bank (Asia) Corporation Limited**

	<u>Branch Name</u>	<u>Address</u>
<b>Hong Kong Island</b>	Wanchai Hennessy Road Branch	139 Hennessy Road, Wanchai
	Causeway Bay Plaza Branch	G/F, Causeway Bay Plaza 1, Causeway Bay
<b>Kowloon</b>	Tsimshatsui Humphreys Avenue Branch	3 Humphreys Avenue, Tsimshatsui
	Kwun Tong Hoi Yuen Road Branch	56 Hoi Yuen Road, Kwun Tong
<b>New Territories</b>	Tsuen Wan Branch	282 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 am on June 25, 2015 until 12:00 noon on June 30, 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.



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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 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 Ting Hong Nominee Limited — Harmonicare Medical Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Thursday, June 25, 2015 — 9:00 a.m. to 5:00 p.m.
- Friday, June 26, 2015 — 9:00 a.m. to 5:00 p.m.
- Saturday, June 27, 2015 — 9:00 a.m. to 1:00 p.m.
- Monday, June 29, 2015 — 9:00 a.m. to 5:00 p.m.
- Tuesday, June 30, 2015 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 am to 12:00 noon on June 30, 2015, 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.

#### 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 **HK eIPO White Form service**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, the Hong Kong Branch Share Registrar, receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (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 **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
  - (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

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

## **5. APPLYING THROUGH HK EIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in the “—2. Who can apply” section, may apply through the **HK eIPO White Form** service for the Hong Kong Public Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form service** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

### **Time for Submitting Applications under the HK eIPO White Form Service**

You may submit your application to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. Thursday, June 25, 2015 until 11:30 a.m. Tuesday, June 30, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon Tuesday, June 30, 2015 or such later time under the “—10. Effects of Bad Weather on the Opening of the Application Lists” in this section.

### **No Multiple Applications**

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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If you are suspected of submitting more than one application through the **HK eIPO White Form 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).

## **6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

#### **Hong Kong Securities Clearing Company Limited**

Customer Service Center, 1/F,  
One & Two Exchange Square,  
8 Connaught Place, Central,  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Branch Share Registrar.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and are not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering;
  - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
  - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
  - agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, the Hong Kong Branch Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Public Offer Shares. Instructions for more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Thursday, June 25, 2015 — 9 a.m. to 8:30 p.m.<sup>(1)</sup>
- Friday, June 26, 2015 — 8 a.m. to 8:30 p.m.<sup>(1)</sup>
- Saturday, June 27, 2015 — 8 a.m. to 1 p.m.<sup>(1)</sup>
- Monday, June 29, 2015 — 8 a.m. to 8:30 p.m.<sup>(1)</sup>
- Tuesday, June 30, 2015 — 8 a.m. to 12 noon<sup>(1)</sup>

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*Note:*

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

CCASS Investor Participants can input **electronic application instructions** from 9 a.m. on June 25, 2015 until 12 noon on June 30, 2015 (24 hours daily, except on the last application day).

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, June 30, 2015, the last application day or such later time as described in “—10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form service** is also only a facility provided by the **HK eIPO White Form Service Provider** to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form service** will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, June 30, 2015.



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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form service**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Hong Kong Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form service** in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed “Structure of the Global Offering—Pricing and Allocation”.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 30, 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, June 30, 2015 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 Public Offer Shares on Monday, July 6, 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at [www.hemeiyl.com](http://www.hemeiyl.com) and the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://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.hemeiyl.com](http://www.hemeiyl.com) and the Hong Kong Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than Monday, July 6, 2015;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. Monday, July 6, 2015 to 12:00 midnight Friday, July 10, 2015;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, July 6, 2015 to Thursday, July 9, 2015 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, July 6, 2015 to Wednesday, July 8, 2015 at all the receiving bank branches and sub-branches.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in “Structure of the Global Offering.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the **HK eIPO White Form** 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.

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**(iii) If the allotment of Hong Kong Public Offer Shares is void:**

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

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form service** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50.00% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$7.55 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Hong Kong Public Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, July 6, 2015.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by a **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Monday, July 6, 2015. 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 Tuesday, July 7, 2015 provided that the Global Offering has become unconditional and the right of termination described in “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.

#### **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 Tricor Investor Services Limited at level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, July 6, 2015 or such other date as notified by us in the newspapers.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Monday, July 6, 2015, by ordinary post and at your own risk.

***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, July 6, 2015, 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 Monday, July 6, 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, July 6, 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

***(iii) If you apply through the HK eIPO White Form service***

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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1:00 p.m. on Monday, July 6, 2015 or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, July 6, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

***(iv) If you apply via Electronic Application Instructions to HKSCC***

*Allocation of Hong Kong Public Offer Shares*

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, July 6, 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Monday, July 6, 2015. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, July 6, 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, July 6, 2015. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, July 6, 2015.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.



德勤·關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

June 25, 2015

The Directors  
Harmonicare Medical Holdings Limited

Morgan Stanley Asia Limited  
CCB International Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Harmonicare Medical Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended December 31, 2014 (the “Track Record Period”) for inclusion in the prospectus of the Company dated June 25, 2015 (the “Prospectus”) in connection with the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”).

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on August 26, 2014. Pursuant to a corporate reorganization as more fully explained in “History, Reorganization and Corporate structure” (the “Reorganization”), the Company became the holding company of companies now comprising the Group upon the date of completion of the Reorganization.

As at the date of this report, the Company has interests in the following subsidiaries and associates:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Equity interest attributable to the Group				Principal activities
			December 31, 2012	December 31, 2013	December 31, 2014	Date of this report	
			%	%	%	%	
Shanxi Tai He Tang Pharmaceutical Co., Ltd. (山西太和堂藥業有限公司) (“Tai He Tang”) (note xi and xii)	The People’s Republic of China (the “PRC”) July 7, 2005	Renminbi (“RMB”) 5,100,000	100	100	100	100	Supply of pharmaceuticals and medical devices business
Wuhan Modern Obstetrics and Gynecology Hospital Co., Ltd. (武漢現代婦產醫院有限公司) (“Wuhan Modern Hospital”) (note xi and xii)	The PRC December 19, 2005	RMB10,000,000	100	100	100	100	Provision of specialized hospital service

Name of subsidiaries	Place and date of incorporation/establishment	Issued and fully paid ordinary share capital/registered capital	Equity interest attributable to the Group				Principal activities
			December 31, 2012	December 31, 2013	December 31, 2014	Date of this report	
Chongqing Modern Woman Hospital Company (重慶現代女子醫院有限公司) ("Chongqing Modern Woman Hospital") (notes i and xi)	The PRC March 31, 2006	RMB21,000,000	100	100	100	100	Provision of specialized hospital service
Chongqing Dushi Liren Hospital Co., Ltd. (重慶都市儷人醫院有限公司) ("Chongqing Dushi Liren Hospital") (notes ii and xi)	The PRC April 13, 2006	RMB4,210,000	75	95	95.5	95.5	Provision of specialized hospital service
Guiyang Modern Woman Hospital Co., Ltd. (貴陽現代女子醫院有限公司) ("Guiyang Modern Woman Hospital") (note xi and xii)	The PRC April 5, 2007	RMB2,560,000	96.5	96.5	96.5	96.5	Provision of specialized hospital service
Guangzhou Woman Hospital Co., Ltd. (廣州女子醫院有限公司) ("Guangzhou Woman Hospital") (note xi and xii)	The PRC July 16, 2008	RMB10,000,000	96	96	97	97	Provision of specialized hospital service
Chongqing Bosheng Hospital Management Co., Ltd. (重慶博生醫院管理有限公司) ("Chongqing Bosheng Management") (note xi and xii)	The PRC August 25, 2008	RMB1,000,000	100	100	100	100	Holding company
Chongqing Wanzhou HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (重慶萬州和美婦產醫院有限公司) ("Chongqing Wanzhou HarMoniCare Hospital") (note xi and xii) (previously known as 重慶萬州博生和美婦產醫院有限公司)	The PRC March 27, 2009	RMB6,000,000	97	97	97	97	Provision of specialized hospital service
Guiyang HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (貴陽和美婦產醫院有限公司) ("Guiyang HarMoniCare Hospital") (note xi and xii)	The PRC May 25, 2009	RMB10,000,000	100	100	100	100	Holding company and provision of specialized hospital service
Chongqing Fuling HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (重慶涪陵和美婦產醫院有限公司) ("Chongqing Fuling HarMoniCare Hospital") (note xi and xii) (previously known as 重慶涪陵博生和美婦產醫院有限公司)	The PRC June 26, 2009	RMB10,000,000	96.5	96.5	96.5	96.5	Provision of specialized hospital service
Shanxi Wo De Investment Co., Ltd. (山西沃德投資有限公司) ("Shanxi Wo De Investment") (note xi and xii)	The PRC October 26, 2009	RMB17,800,000	100	100	100	100	Holding company
Fuzhou Modern Woman Hospital Co., Ltd. (福州現代婦產醫院有限公司) ("Fuzhou Modern Woman Hospital") (note xi and xii)	The PRC January 4, 2010	RMB25,000,000	83	83	83	83	Provision of specialized hospital service

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Equity interest attributable to the Group				Date of this report	Principal activities
			December 31, 2012	December 31, 2013	December 31, 2014	%		
Shenzhen HarMoniCare Gynecology and Paediatrics Hospital Co., Ltd. (深圳和美婦兒科醫院有限公司) ("Shenzhen HarMoniCare Hospital") (note xi and xii)	The PRC July 29, 2010	RMB40,000,000	92	92	92	92	Provision of specialized hospital service	
Beijing HarMoniCare Gynecology and Paediatrics Hospital Co., Ltd. (北京和美婦兒科醫院有限公司) ("Beijing HarMoniCare Hospital") (note xi and xii)	The PRC June 14, 2011	RMB40,000,000	100	100	100	100	Provision of specialized hospital service	
Shenyang HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (瀋陽和美婦產科醫院有限公司) ("Shenyang HarMoniCare Hospital") (notes iii and xi and xii)	The PRC May 7, 2012	RMB11,000,000	51	80	N/A	N/A	Provision of specialized hospital service	
Harmonicare Medical Group Limited ("Harmonicare Medical") (notes iv and xi and xii)	Hong Kong July 15, 2014	Hong Kong Dollar ("HKD")10,000	N/A	N/A	100	100	Holding company	
HarMoniCare Medical Management and Consulting Co., Ltd. (和美醫療管理諮詢有限公司) ("HarMoniCare Management and Consulting") (notes v and xi and xii)	The PRC July 31, 2014	RMB250,000,000	N/A	N/A	100	100	Holding company	
Harmonicare Medical Investment Limited ("Harmonicare") (note vi)	The British Virgin Islands (the "BVI") August 27, 2014	United States Dollar ("USD") 0.001	N/A	N/A	100	100	Holding company	
Galaxy Power Solution Limited ("Galaxy Power") (note vii)	The BVI August 27, 2014	USD100	N/A	N/A	N/A	100	Holding company	
Sharp Charm Limited ("Sharp Charm") (note viii)	Hong Kong September 5, 2014	HKD1	N/A	N/A	N/A	100	Holding company	
Beijing He An Da Management Consulting Co., Ltd. (北京合安達管理諮詢有限公司) ("Beijing HAD") (notes ix and xi)	The PRC November 13, 2014	RMB500,000	N/A	N/A	100	100	Holding company	
<b>Name of associates</b>								
Linfen Modern Woman Hospital Co., Ltd. (臨汾現代女子醫院有限公司) ("Linfen Modern Woman Hospital") (notes x and xi)	The PRC September 30, 2007	RMB13,000,000	40	40	N/A	N/A	Provision of specialized hospital service	
Changsha Songziniiao Hospital Co., Ltd. (長沙送子鳥生殖與不孕醫院有限公司) ("Changsha Songziniiao Hospital") (notes x and xi) (previously known as 長沙現代婦科醫院有限公司)	The PRC June 27, 2003	RMB500,000	24	24	N/A	N/A	Provision of specialized hospital service	
Baotou Modern Maternity Hospital Co., Ltd. (包頭現代婦產科醫院有限責任公司) ("Baotou Modern Maternity Hospital") (notes x and xi) (previously known as 包頭現代女子醫院有限責任公司)	The PRC July 5, 2007	RMB10,000,000	25	25	N/A	N/A	Provision of specialized hospital service	

## Notes:

- i. On April 28, 2014, Chongqing Modern Woman Hospital deregistered from a limited liability partnership company and registered as a limited liability company.
- ii. On August 20, 2013, Chongqing Dushi Liren Hospital deregistered from a limited liability partnership company and registered as a limited liability company.
- iii. Shenyang HarMoniCare Hospital was incorporated as a limited liability company under PRC laws on May 7, 2012. On December 25, 2013, Guiyang HarMoniCare Hospital acquired 29% non-controlling interest from a related party and disposed all its equity interest to a related party on August 7, 2014. Further details are disclosed in note 36 to section A to the Financial Information.
- iv. On July 15, 2014, Harmonicare Medical was incorporated as a limited liability company in Hong Kong by a third party.
- v. On July 31, 2014, HarMoniCare Management and Consulting was incorporated as a limited liability company under PRC laws by Bosheng Medical Investment Co., Ltd. (博生醫療投資股份有限公司, "Bosheng Medical").
- vi. On August 27, 2014, Harmonicare was incorporated as a limited liability company in the BVI by the Company.
- vii. On August 27, 2014, Galaxy Power was incorporated as a limited liability company in the BVI by a third party. In January 2015, Galaxy Power became the wholly-owned subsidiary of the Company.
- viii. On September 5, 2014, Sharp Charm was incorporated as a limited liability company in Hong Kong by Galaxy Power.
- ix. On November 13, 2014, Beijing HAD was established in the PRC and it is the wholly-owned subsidiary of HarMoniCare Management and Consulting.
- x. The interests in Linfen Modern Woman Hospital was transferred to Bosheng Medical in July 2014. The interests in Baotou Modern Maternity Hospital and Changsha Songziniiao Hospital were transferred to other two independent individuals in February 2014 and September 2014, respectively.
- xi. The English name is for identification only. The official names of the companies are in Chinese.
- xii. These companies are established as limited liability company.

The financial year end date of the companies now comprising the Group is December 31.

No statutory financial statements have been prepared for the Company, Harmonicare, and Galaxy Power, since their respective dates of incorporation, as there is no statutory requirement for those companies to issue audited financial statements in their respective places of incorporation.

No statutory financial statements have been prepared for Sharp Charm and Harmonicare Medical since their respective dates of incorporation, as their first statutory financial statements are not yet due to be issued.

The statutory financial statements of the Company's subsidiaries established in PRC were prepared in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC (the "PRC GAAP"). They were audited by the following certified public accountants registered in the PRC:

<u>Name of subsidiaries</u>	<u>Financial year ended</u>	<u>Name of auditors</u>
Guiyang HarMoniCare Hospital . . . . .	December 31, 2012	Zhong Rui Yue Hua Certified Public Accountants LLP ("Zhong Rui Yue Hua") (中瑞岳華會計師事務所(特殊普通合夥))
Shanxi Wo De Investment . . . . .	December 31, 2012	Zhong Rui Yue Hua
Chongqing Wanzhou HarMoniCare Hospital . . .	December 31, 2012	Zhong Rui Yue Hua
Chongqing Fuling HarMoniCare Hospital . . . . .	December 31, 2012	Zhong Rui Yue Hua
Tai He Tang . . . . .	December 31, 2012	Zhong Rui Yue Hua
Fuzhou Modern Woman Hospital . . . . .	December 31, 2012	Zhong Rui Yue Hua
Beijing HarMoniCare Hospital . . . . .	December 31, 2012	Zhong Rui Yue Hua
Shenzhen HarMoniCare Hospital . . . . .	December 31, 2012	Zhong Rui Yue Hua
Wuhan Modern Hospital . . . . .	December 31, 2012	Zhong Rui Yue Hua
Chongqing Modern Woman Hospital . . . . .	December 31, 2012	Zhong Rui Yue Hua
	December 31, 2013	Ruihua Certified Public Accountants LLP (瑞華會計師事務所(特殊普通合夥))
Guiyang Modern Woman Hospital . . . . .	December 31, 2012	Zhong Rui Yue Hua
Guangzhou Woman Hospital . . . . .	December 31, 2012	Zhong Rui Yue Hua
Chongqing Dushi Liren Hospital . . . . .	December 31, 2012	Zhong Rui Yue Hua
Shenyang HarMoniCare Hospital . . . . .	December 31, 2012	Zhong Rui Yue Hua
Chongqing Bosheng Management . . . . .	December 31, 2012	Zhong Rui Yue Hua

No audited financial statements have been prepared for all of subsidiaries for the financial years ended December 31, 2013 and 2014, except for Chongqing Modern Woman Hospital, which have issued financial statements for the year ended December 31, 2013 audited by Ruihua Certified Public Accountants LLP.

For the purpose of this report, the directors of the HarMoniCare Management and Consulting have prepared the consolidated financial statements of HarMoniCare Management and Consulting and its subsidiaries for the Track Record Period in accordance with International Financial Reporting Standards ("IFRSs") (the "HarMoniCare Management and Consulting IFRS Financial Statements") and the directors of the Company, Harmonicare, Harmonicare Medical, Galaxy Power and Sharp Charm have prepared the management accounts for the period from the date of their respective date of incorporation to December 31, 2014 in accordance with accounting policies which conform to IFRSs (the "IFRS Management Accounts"). We have carried out an independent audit on the HarMoniCare Management and Consulting IFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have examined the HarMoniCare Management and Consulting IFRS Financial Statements and IFRS Management Accounts (collectively referred to as the “Underlying Financial Statements”) for the Track Record Period in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA and carried out such procedures as we considered necessary on the Underlying Financial Statements for inclusion of their financial information in this Prospectus.

The Financial Information as set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in note 2 to Section A to the Financial Information after making adjustments as the directors of the Company (the “Directors”) considered necessary in preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the relevant companies who approved their issue. The Directors are responsible for the contents of the Prospectus in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 to Section A to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at December 31, 2012, 2013 and 2014 and of the Company as at December 31, 2014, and of the combined results and combined cash flows of the Group for the Track Record Period.

## A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME

	Notes	For the year ended December 31,		
		2012	2013	2014
		RMB'000	RMB'000	RMB'000
Revenue .....	6	750,262	833,200	935,839
Cost of sales and services .....		(403,023)	(449,872)	(463,492)
Gross profit .....		347,239	383,328	472,347
Other income .....		775	1,164	965
Other gains and losses .....	8	(348)	(493)	(892)
Selling and distribution expenses .....		(206,498)	(197,990)	(217,235)
Administrative expenses .....		(104,578)	(96,148)	(105,553)
Share of net profits (losses) of associates .....	17	906	(101)	(434)
Other expenses .....	9	(1,810)	(2,271)	(9,871)
Profit before tax .....	10	35,686	87,489	139,327
Income tax expense .....	11	(14,793)	(21,774)	(34,198)
Profit and total comprehensive income for the year .....		<u>20,893</u>	<u>65,715</u>	<u>105,129</u>
Profit and total comprehensive income for the year attributable to:				
Equity holders of the Company .....		30,565	66,839	103,379
Non-controlling interests .....		(9,672)	(1,124)	1,750
		<u>20,893</u>	<u>65,715</u>	<u>105,129</u>

## COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	THE GROUP			THE COMPANY
		As at December 31,			As at December 31,
		2012	2013	2014	2014
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	15	270,159	255,052	203,134	—
Intangible asset	16	2,312	2,093	4,310	—
Interests in associates	17	9,181	8,284	—	—
Available-for-sale investments	18	2,000	2,000	—	—
Rental deposits		8,985	9,146	9,051	—
Deferred tax assets	19	42,665	41,165	32,122	—
Investment in a subsidiary	20	—	—	—	—
		<u>335,302</u>	<u>317,740</u>	<u>248,617</u>	<u>—</u>
Current assets					
Inventories	21	23,319	22,297	19,831	—
Trade receivables	22	11,660	14,712	13,850	—
Prepayments, deposits and other receivables	23	33,788	31,429	30,444	2,616
Amounts due from related parties	24	66,511	60,517	16	—
Bank balances and cash	25	14,076	10,752	72,063	—
		<u>149,354</u>	<u>139,707</u>	<u>136,204</u>	<u>2,616</u>
Current liabilities					
Trade payables	26	22,175	21,635	16,364	—
Other payables and accruals	27	81,831	101,901	113,718	4,752
Amounts due to related parties	24	340,160	353,763	300,401	5,257
Tax payables		8,869	11,142	18,980	—
Provision	28	2,030	1,915	1,400	—
		<u>455,065</u>	<u>490,356</u>	<u>450,863</u>	<u>10,009</u>
Net current liabilities		<u>(305,711)</u>	<u>(350,649)</u>	<u>(314,659)</u>	<u>(7,393)</u>
Total assets less current liabilities		<u>29,591</u>	<u>(32,909)</u>	<u>(66,042)</u>	<u>(7,393)</u>
Non-current liabilities					
Accrued rental expenses		<u>32,720</u>	<u>34,303</u>	<u>33,456</u>	<u>—</u>
Net liabilities		<u>(3,129)</u>	<u>(67,212)</u>	<u>(99,498)</u>	<u>(7,393)</u>
Capital and reserves					
Capital	30	—	—	—	—
Reserves	31	<u>4,175</u>	<u>(61,479)</u>	<u>(97,279)</u>	<u>(7,393)</u>
Equity attributable to:					
Equity holders of the Company		<u>4,175</u>	<u>(61,479)</u>	<u>(97,279)</u>	<u>(7,393)</u>
Non-controlling interests		<u>(7,304)</u>	<u>(5,733)</u>	<u>(2,219)</u>	<u>—</u>
Total equity		<u>(3,129)</u>	<u>(67,212)</u>	<u>(99,498)</u>	<u>(7,393)</u>



## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Capital	Other reserve (note i)	Statutory surplus reserve (note ii)	Accumulated losses	Total	Attributable to non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2012	—	166,552	10,197	(146,667)	30,082	(1,773)	28,309
Profit and total comprehensive income for the year	—	—	—	30,565	30,565	(9,672)	20,893
Appropriations	—	—	5,342	(5,342)	—	—	—
Dividends recognized as distribution (note 14(i))	—	—	—	(62,082)	(62,082)	(1,249)	(63,331)
Capital injection in Shenyang HarMoniCare Hospital (note iii)	—	5,610	—	—	5,610	5,390	11,000
Balance at December 31, 2012	—	172,162	15,539	(183,526)	4,175	(7,304)	(3,129)
Profit and total comprehensive income for the year	—	—	—	66,839	66,839	(1,124)	65,715
Appropriations	—	—	5,777	(5,777)	—	—	—
Dividends recognized as distribution (note 14(ii))	—	—	—	(44,085)	(44,085)	(1,049)	(45,134)
Capital contribution in Chongqing Dushi Liren Hospital (note iv)	—	789	—	—	789	(789)	—
Acquisition of non-controlling interest in Shenyang HarMoniCare Hospital (note iii)	—	(4,533)	—	—	(4,533)	4,533	—
Consideration paid for acquisition of subsidiaries under common control (note v)	—	(84,664)	—	—	(84,664)	—	(84,664)
Balance at December 31, 2013	—	83,754	21,316	(166,549)	(61,479)	(5,733)	(67,212)
Profit and total comprehensive income for the year	—	—	—	103,379	103,379	1,750	105,129
Appropriations	—	—	22,336	(22,336)	—	—	—
Dividends recognized as distribution (note 14(iii))	—	—	—	(70,310)	(70,310)	(1,688)	(71,998)
Acquisition of non-controlling interest in Chongqing Dushi Liren Hospital (note iv)	—	9	—	—	9	(68)	(59)
Acquisition of non-controlling interest in Guangzhou Woman Hospital (note vi)	—	207	—	—	207	(307)	(100)
Consideration paid for acquisition of subsidiaries under common control (note vii)	—	(47,150)	—	—	(47,150)	—	(47,150)
Contribution from a non-controlling shareholder of Shenyang HarMoniCare Hospital (note iii)	—	—	—	—	—	2,800	2,800
Disposal of a subsidiary as part of the Reorganization (note 36)	—	6,768	—	—	6,768	1,027	7,795
Disposal of associates as part of the Reorganization (note 17)	—	(35)	—	—	(35)	—	(35)
Disposal of available-for-sale investments as part of the Reorganization (note 18)	—	(700)	—	—	(700)	—	(700)
Capital injection in HarMoniCare Management and Consulting (note viii)	—	250,000	—	—	250,000	—	250,000
Consideration payable for acquisition of HarMoniCare Management and Consulting (note ix)	—	(277,968)	—	—	(277,968)	—	(277,968)
Balance at December 31, 2014	—	14,885	43,652	(155,816)	(97,279)	(2,219)	(99,498)

## Notes:

- i. The other reserve in the combined statements of financial position as at January 1, 2012 and December 31, 2012 represented the combined registered capital of subsidiaries, which were owned by Bosheng Medical. The deduction of the other reserve during the Track Record Period mainly represented the consideration paid for the acquisition of the equity interest in those subsidiaries, which is accounted for as deemed distribution to the then shareholders of those subsidiaries as a result of the business combination under common control.
- ii. According to the PRC Company Law and the Articles of Association of the PRC subsidiaries of the Group, these companies are required to transfer 10% of their respective after-tax profits, calculated in accordance with the PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilized, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital.
- iii. Shenyang HarMoniCare Hospital was established by Bosheng Medical and two individuals on May 7, 2012 with a registered capital of RMB11,000,000, which consists of RMB5,610,000 paid by Bosheng Medical and RMB5,390,000 paid by two individuals. On December 25, 2013, Guiyang HarMoniCare Hospital acquired 29% of the non-controlling interest of Shenyang HarMoniCare Hospital at the consideration of RMB1. In April 2014, additional capital amounting to RMB11,200,000 and RMB2,800,000 were injected by Guiyang HarMoniCare Hospital and a non-controlling shareholder, respectively. On August 7, 2014, Guiyang HarMoniCare Hospital transferred all its equity interest in Shenyang HarMoniCare Hospital to a related party at a consideration of RMB2,660,000. The consideration was received in September 2014.
- iv. On August 20, 2013, Bosheng Medical acquired 20% equity interest in Chongqing Dushi Liren Hospital from four independent individuals. The consideration for the acquisition was RMB789,000 regarded as the capital contribution by Bosheng Medical when Chongqing Dushi Liren Hospital was registered as a limited liability company. On August 13, 2014, Guiyang HarMoniCare Hospital acquired 0.5% non-controlling interest in Chongqing Dushi Liren Hospital at the consideration of RMB59,000. The consideration was paid in July 2014.
- v. In December 2013, Guiyang HarMoniCare Hospital acquired the equity interests in the subsidiaries from Bosheng Medical with the consideration of RMB84,664,000. Further details are disclosed in note 2(1) to section A to the Financial Information.
- vi. On June 9, 2014, Guiyang HarMoniCare Hospital acquired 1% non-controlling interest of Guangzhou Woman Hospital at the consideration of RMB100,000. The consideration was paid in August 2014.
- vii. On July 29, 2014, Guiyang HarMoniCare Hospital acquired 100% the equity interest in Chongqing Bosheng Management from Bosheng Medical at the consideration of RMB2,500,000. On August 20, 2014, HarMoniCare Management and Consulting acquired 100% the equity interest in Guiyang HarMoniCare Hospital from Bosheng Medical at the consideration of RMB44,650,000.
- viii. On July 31, 2014, HarMoniCare Management and Consulting was incorporated by Bosheng Medical with a registered capital of RMB50,000,000. On August 25, 2014, after the capital contribution of RMB200,000,000 by Bosheng Medical, the registered capital of HarMoniCare Management and Consulting was increased to RMB250,000,000.
- ix. On December 15, 2014, Bosheng Medical transferred 13.66% equity interest in HarMoniCare Management and Consulting to Sharp Charm at a consideration of RMB37,970,000. On December 31, 2014, Bosheng Medical transferred 86.34% equity interest in HarMoniCare Management and Consulting to Harmonicare Medical at a consideration of RMB239,998,000.

## COMBINED STATEMENTS OF CASH FLOWS

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Profit before tax	35,686	87,489	139,327
Adjustments for:			
Depreciation of property, plant and equipment	35,149	39,628	36,564
Amortization of intangible assets	624	748	773
Share of net profits (losses) of associates	(906)	101	434
Gain on disposal of associates	—	—	(122)
Loss on disposal of property, plant and equipment, net	348	493	464
Impairment loss on trade receivables	—	—	648
Operating cash flows before movements in working capital	70,901	128,459	178,088
Movements in working capital			
(Increase) decrease in inventories	(3,228)	1,022	1,129
Increase in trade receivables	(2,637)	(3,052)	(209)
(Increase) decrease in prepayments, deposits and other receivables	(65)	2,359	(2,301)
Decrease (increase) in amounts due from related parties	2,273	(11,854)	17,579
Decrease in trade payables	(9,325)	(540)	(1,613)
Increase in other payables and accruals	43,685	24,198	13,994
Increase (decrease) in amounts due to related parties	1,643	(139)	98
Decrease (increase) in rental deposits	75	(161)	95
Increase in accrued rental expenses	2,289	2,012	416
Increase (decrease) in provision	50	(115)	(515)
Cash generated from operations	105,661	142,189	206,761
Income taxes paid	(16,094)	(18,001)	(17,317)
Net cash generated from operating activities	89,567	124,188	189,444
Cash flows from investing activities			
Purchases of property, plant and equipment	(73,588)	(25,793)	(19,868)
Proceeds from disposal of property, plant and equipment	61	61	212
Purchase of intangible assets	(1,008)	(529)	(3,302)
Proceeds on the disposal of investments in Baotou Modern Maternity Hospital and Changsha Songziniiao Hospital (note 17)	—	—	620
Dividend received from associates	1,296	796	—
Repayments from related parties	372,704	380,174	317,940
Advances to related parties	(382,170)	(362,326)	(275,018)
Net cash (used in) generated from investing activities	(82,705)	(7,617)	20,584
Cash flows from financing activities			
Capital injection in Shenyang HarMoniCare Hospital	11,000	—	—
Dividend paid	(63,215)	(53,433)	(71,690)
Advances from related parties	422,670	474,019	433,890
Repayments to related parties	(367,572)	(455,817)	(744,190)
Advance from the shareholder of Galaxy Power for subscription of new shares	—	—	18,969
Capital injection by non-controlling shareholders in Shenyang HarMoniCare Hospital	—	—	2,800
Proceeds on disposal of a subsidiary as part of the Reorganization (note 36)	—	—	2,262
Proceeds on disposal of investments in Linfen Modern Woman Hospital as part of the Reorganization (note 17)	—	—	5,251
Proceeds on disposal of available-for-sale investments as part of the Reorganization	—	—	1,300
Consideration paid for acquisition of non-controlling interest in Chongqing Dushi Liren Hospital	—	—	(59)
Consideration paid for acquisition of non-controlling interest in Guangzhou Woman Hospital	—	—	(100)
Consideration paid for acquisition of subsidiaries	—	(84,664)	(47,150)
Capital injection in HarMoniCare Management and Consulting	—	—	250,000
Net cash generated from (used in) financing activities	2,883	(119,895)	(148,717)
Net increase (decrease) in cash and cash equivalents	9,745	(3,324)	61,311
Cash and cash equivalents at the beginning of the year	4,331	14,076	10,752
Cash and cash equivalents at the end of the year represented by bank balances and cash	14,076	10,752	72,063

## NOTES TO THE FINANCIAL INFORMATION

**1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on August 26, 2014. The registered office of the Company is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman Islands KY1-1111, Cayman Island, and its principal place of business is located in the PRC. The Company is an investment holding company and the Group is principally engaged in provision of specialized hospital services, especially in obstetrics and gynecology and supply chain business in the PRC.

The Financial Information is presented in RMB, which is the same as the functional currency of the Company.

**2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

Bosheng Medical was incorporated in the PRC as a joint-stock company. It was directly and beneficially owned by Mr. Lin Yuming (林玉明), Tianjin Dinghui Private Equity Fund I (Limited Partnership) (天津鼎暉股權投資一期基金 (有限合伙)) (“CDH I”) and Tianjin Dinghui Yuanbo Private Equity Fund (Limited Partnership) (天津鼎暉元博股權投資基金 (有限合伙)) (“CDH Yuanbo”), CCBI Medical Equity Investment Fund (建銀國際醫療產業股權投資有限公司) (“CCBI Medical”) and certain individual shareholders as 37.43%, 13.66%, 8% and 40.91%, respectively. In May 2009, Guiyang HarMoniCare Hospital was established by Bosheng Medical and two individuals. In May 2010, Bosheng Medical acquired all the non-controlling interest in Guiyang HarMoniCare Hospital and Guiyang HarMoniCare Hospital became a wholly-owned subsidiary of Bosheng Medical.

For the purpose of listing of the Company's shares on the Main Board of the Stock Exchange, Bosheng Medical and its shareholders have carried out a group reorganization of subsidiaries of Bosheng Medical involving the following steps:

- (1) In December 2013, Bosheng Medical and its subsidiary and Guiyang HarMoniCare Hospital came into series agreements to transfer the equity interests in Wuhan Modern Hospital, Chongqing Modern Woman Hospital, Chongqing Dushi Liren Hospital, Guiyang Modern Woman Hospital, Guangzhou Woman Hospital, Chongqing Wanzhou HarMoniCare Hospital, Chongqing Fuling HarMoniCare Hospital, Fuzhou Modern Woman Hospital, Shenzhen HarMoniCare Hospital, Beijing HarMoniCare Hospital, Shenyang HarMoniCare Hospital, Tai He Tang and Shanxi Wo De Investment. The percentages of equity interests acquired by Guiyang HarMoniCare Hospital are 100%, 95%, 95%, 96.5%, 96%, 97%, 96.5%, 83%, 92%, 100%, 51%, 100% and 100%, respectively. The total cash consideration for the acquisitions mentioned above was RMB84.7 million. The consideration was paid in December 2013.
- (2) On July 29, 2014, Guiyang HarMoniCare Hospital acquired 100% equity interest of Chongqing Bosheng Management from Bosheng Medical at the consideration of RMB2.5 million. The consideration was paid to Bosheng Medical in August 2014.
- (3) On July 31, 2014, HarMoniCare Management and Consulting was incorporated in the PRC with a registered capital of RMB50 million. HarMoniCare Management and Consulting was

established as a holding company of the operating subsidiaries in the PRC and was a wholly-owned subsidiary of Bosheng Medical upon its establishment. On August 20, 2014, Bosheng Medical transferred its 100% equity interest in Guiyang HarMoniCare Hospital to HarMoniCare Management and Consulting at the consideration of RMB44.7 million. On August 25, 2014, Bosheng Medical injected capital amounting to RMB200 million into HarMoniCare Management and Consulting.

- (4) On November 25, 2014, HarMoniCare Management and Consulting transferred all its 100% equity interest in Guiyang HarMoniCare Hospital to Beijing HAD, which was established in the PRC on November 13, 2014 and was a wholly-owned subsidiary of HarMoniCare Management and Consulting.
- (5) On August 26, 2014, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with authorized share capital comprised of 380,000,000 shares at par value of HKD0.001 per share. One nil paid subscriber share of the Company were transferred to Homecare International Investment Limited (“Homecare”), which is wholly owned by Mr. Lin Yuming. On December 25, 2014, the Company issued nil paid 90,152,787 shares to Homecare and nil paid 9,206,705 shares to Mighty Sky Investment Limited (“Mighty Sky”), which was established by CCBI Investments Limited (“CCBI Investments”). CCBI Investments and CCBI Medical are under common control by CCB International (Holdings) Ltd. (“CCB Holdings”). The total subscription price was RMB240 million which was subsequently paid in March 2015.
- (6) On August 27, 2014, Harmonicare was incorporated as a limited liability company in the BVI, which was wholly owned by the Company. On October 29, 2014, Harmonicare acquired 100% equity interest in Harmonicare Medical, which was incorporated by a related party as a limited liability company in Hong Kong.
- (7) On December 31, 2014, Bosheng Medical transferred its 86.34% equity interests in HarMoniCare Management and Consulting to Harmonicare Medical at a consideration of RMB240 million.
- (8) On August 27, 2014, Mr. Ying Wei (應偉), a third party, established Galaxy Power under the laws of the BVI. On September 5, 2014, Sharp Charm was established in Hong Kong as a wholly owned subsidiary of Galaxy Power. On December 15, 2014, Bosheng Medical transferred its 13.66% equity interests in HarMoniCare Management and Consulting to Sharp Charm at a consideration of RMB38 million.

On December 29, 2014, Mr. Ying Wei established Concord Glory Limited (“Concord Glory”) under the laws of BVI. In January 2015, Mr. Ying Wei transferred all of his equity interest in Galaxy Power to Concord Glory and Concord Glory injected share capital amounting to USD6.2 million into Galaxy Power. Subsequent to the cash injection, the Company newly issued 15,724,324 ordinary shares, which represented 13.66% of the equity interest of the Company after the issuance, to Concord Glory in exchange of all its equity interest in Galaxy Power.

On February 13, 2015, Concord Glory transferred its 13.66% equity interests in the Company to CDH Harmony Limited (“CDH Harmony”), which was established by Shanghai Dinghui Jiagen

Equity Investment Fund (Limited Partnership) (上海鼎暉健良股權投資合夥企業(有限合伙)) (“CDH Jiangen”), which in term wholly-owned by CDH I and CDH Yuanbo, at the consideration of USD6.4 million.

- (9) On January 28, 2015, Homecare transferred 40.91% of its equity interest in the Company to Harmony Care International Investment Limited (“Harmony Care”), Honeycare International Investment Limited (“Honeycare”) and Classic Symbol Limited (“Classic Symbol”), which are owned by the then individual shareholders respectively.
- (10) Subsequent to the transfer, the Company was owned as to 37.43%, 13.66%, 8.00%, 25.48%, 9.84% and 5.58% by Homecare, CDH Harmony, Mighty Sky, Harmony Care, Honeycare and Classic Symbol, respectively.

Upon completion of the above steps, the Company was owned by Mr. Lin Yuming, CDH Jiangen, CCB Investment and the then individual shareholder of Bosheng Medical as to 37.43%, 13.66%, 8% and 40.91% respectively, and the Company became the holding company of the companies comprising the Group. The Group comprising the Company and its subsidiaries resulting from the Reorganization is regarded as a continuing entity.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period and the combined statements of financial position as at December 31, 2012, 2013 and 2014 are prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of establishment or acquisition of the relevant entity, where this is a shorter period.

### **3. APPLICATION OF IFRSs**

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has adopted all the IFRSs which are effective for the Group’s financial year beginning on January 1, 2014 consistently throughout the Track Record Period.

At the date of this report, the following new and revised IFRSs have been issued which are not yet effective. The Group has not early adopted these IFRSs.

IFRS 9 .....	Financial Instruments <sup>1</sup>
IFRS 14 .....	Regulatory Deferral Accounts <sup>2</sup>
IFRS 15 .....	Revenue from Contracts with Customers <sup>3</sup>
Amendments to IFRS 11 .....	Accounting for Acquisitions of Interests in Joint Operations <sup>5</sup>
Amendments to IAS 1 .....	Disclosure Initiative <sup>5</sup>
Amendments to IAS 16 and IAS 38 ....	Clarification of Acceptable Methods of Depreciation and Amortization <sup>5</sup>
Amendments to IAS 16 and IAS 41 ....	Agriculture: Bearer Plants <sup>5</sup>
Amendments to IAS 19 .....	Defined Benefit Plans: Employee Contributions <sup>4</sup>
Amendments to IAS 27 .....	Equity Method in Separate Financial Statements <sup>5</sup>
Amendments to IFRS 10 and IAS 28 ...	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to IFRSs .....	Annual Improvements to IFRSs 2010-2012 Cycle <sup>6</sup>
Amendments to IFRSs .....	Annual Improvements to IFRSs 2011-2013 Cycle <sup>4</sup>
Amendments to IFRSs .....	Annual Improvements to IFRSs 2012-2014 Cycle <sup>5</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28 .....	Investment Entities: Applying the Consolidation Exception <sup>5</sup>

1 Effective for annual periods beginning on or after January 1, 2018

2 Effective for first annual IFRS financial statements beginning on or after January 1, 2016

3 Effective for annual periods beginning on or after January 1, 2017

4 Effective for annual periods beginning on or after July 1, 2014

5 Effective for annual periods beginning on or after January 1, 2016

6 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

Except as described below, the Directors anticipate that the application of the new and revised IFRSs will have no material impact on the Financial Information.

### IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the accounting policies set out below which conform to IFRSs. In addition, the Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance, which for the Track Record Period continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Compliance Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 of that Ordinance.

The Financial Information has been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purpose in the Financial Information are determined on such a basis, except leasing transactions that are within the scope of IAS 17 Lease and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

##### *Basis of combination*

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- (i) has power over the investee;
- (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (iii) has the ability to use its power to affect its returns.



The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins with the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specially, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date the Company gains controls until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

#### ***Business combinations involving entities under common control***

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

#### ***Changes in the Group's ownership interests in existing subsidiaries***

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognizes the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognizes the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognized as a gain or loss in profit or loss attributable to the Group.

#### *Investment in a subsidiary*

Investment in a subsidiary is stated as cost less any identified impairment loss on the statement of financial position of the Company. The result of a subsidiary is accounted for on the basis of dividend received and receivable.

#### *Investments in associates*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the combined statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a partial interest in the associate is included in the determination of the gain or loss on disposal of the associate.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognized in the Financial Information only to the extent of interests in the associate that are not related to the Group.

***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Hospital service income is recognized when the related services are rendered and when it is probable that the economic benefits from the service rendered will flow to the Group and such benefit could be reliably measured. Advanced receipts in respect of certain package for which the relevant services have yet to be rendered are deferred.

Provision of hospital services in package is accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated to each kind of services under the package. Such consideration is not recognized as revenue at the time of the initial sale transaction but is deferred and recognized as revenue when the Group's obligations have been fulfilled.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (iii) the amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow to the Group;  
and
- (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

***Foreign currencies***

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognized in profit or loss in the period in which they arise.

***Government grants***

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

***Retirement benefit costs***

The employees of the Group are members of state-managed retirement benefit schemes, the obligations of the Group under which are equivalent to those arising in a defined contribution retirement benefit plan. Payments to state-managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contribution.

***Inventories***

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in first-out method. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

***Leasing***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessee***

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rental arising under operating leases are recognized as an expense in the period in which they are incurred.

***Provision***

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### ***Leasehold land and building***

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the combined statements of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### ***Property, plant and equipment***

Property, plant and equipment other than construction in progress as described below are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognized impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

***Intangible assets******Intangible assets acquired separately***

Intangible assets representing software that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives of five to ten years.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

***Derecognition of intangible assets***

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

***Impairment of tangible and intangible assets***

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

***Taxation***

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

*Deferred tax*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

*Current and deferred tax for the year*

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

*Financial instruments*

Financial assets and financial liabilities are recognized in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

**Financial assets**

The Group's financial assets are classified as available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

*AFS financial assets*

AFS financial assets are non-derivatives that either designated as AFS financial assets or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profits or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, other receivables, amount due from related parties, bank balances and cash and rental deposits) are carried at amortized cost using the effective interest method, less any identified impairment losses.



*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial assets. Such impairment loss will not be reserved in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

*Derecognition of financial assets*

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

### **Financial liabilities and equity instruments**

#### *Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

#### *Financial liabilities*

The Group's financial liabilities (including trade payables, other payables and amounts due to related parties) are subsequently measured at amortized cost using the effective interest method.

#### *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective basis.

#### *Derecognition of financial liabilities*

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## **5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from the end of each reporting period.

#### ***Estimated useful lives and impairment of property, plant and equipment***

The Directors determines the estimated useful lives, residual values and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the Directors' experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Directors will increase the depreciation charge where useful lives are estimated to be shorter than original expected or will write-off or write-down the carrying value of the items which are technically obsolete or non-strategic assets that have been abandoned. Actual economic useful lives may differ from estimated economic useful lives. Periodic review could result in a change in depreciation period and therefore depreciation charge in the future periods.

In addition, the Directors assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. When the recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the period in which such event takes place. As at December 31, 2012, 2013 and 2014, the carrying amounts of property, plant and equipment are approximately RMB270,159,000, RMB255,052,000 and RMB203,134,000 respectively.

#### ***Deferred tax assets***

Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable temporary difference and taxable profit will be available against which the losses can be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits together with future tax planning strategies. As at December 31, 2012, 2013 and 2014, the carrying amount of deferred tax assets are approximately RMB42,665,000, RMB41,165,000 and RMB32,122,000 respectively. Further details are disclosed in Note 19.

#### ***Impairment of trade receivables, other receivables and amount due from related parties***

In determining whether there is objective evidence of impairment loss, the Directors takes into consideration of the financial strength of the counter parties, the credit history of the customers and the current market condition. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial

asset's original effective interest rate. The Directors reassess the adequacy of impairment on a regular basis. Where the actual cash flows are less than expected, material impairment loss may arise. The carrying amount of the trade and other receivables and amounts due from related parties are disclosed in Notes 22, 23 and 37(d).

### *Provision for medical dispute claims*

The Group may be subject to legal proceedings and claims that arise in the ordinary course of business, which primarily include medical dispute claims brought by the former patients. Provision for medical dispute claims is made based on the status of potential and active claims outstanding at the end of each reporting period, and taking into consideration the assessment and analysis of external lawyer and the total claim exposure. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Based on the assessment, the provisions for the certain medical dispute claims existed at the end of each reporting period provided by the Group were disclosed in Note 28. The situation is closely monitored by the Directors and provision will be made as appropriate. Where the final actual claims are greater than expected, a material dispute claims expense may arise, which would be recognized in profit or loss for the period in which such a claim takes place.

## 6. REVENUE

During the Track Record Period, the Group's revenue represents the amount received and receivable from provision of specialized hospital service and supply of pharmaceuticals and medical devices business, net of discount and sales related taxes, are as follows:

	<u>For the year ended December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Specialized hospital service			
Provision of healthcare services . . . . .	611,710	687,222	789,608
Sales of pharmaceuticals and medical devices . . . . .	93,563	100,083	109,357
Supply of pharmaceuticals and medical devices business . . . . .	<u>44,989</u>	<u>45,895</u>	<u>37,414</u>
	<u>750,262</u>	<u>833,200</u>	<u>935,839</u>

## 7. SEGMENT INFORMATION

Mr. Lin Yuming and Mr. Zhao Xingli, the Directors of the Company, are identified as the chief operating decision maker (the "CODM") of the Group for the purposes of resources allocation and performance assessment. The CODM reviews operating results and financial information on a company by company basis. This is also the basis upon which the Group is organized. Accordingly, each company is identified as an operating segment. When the group companies are operating in similar business model with similar target group of customers, and under the same regulatory environment, the Group's operating

segments are aggregated and the Group's reportable segments for segment reporting purposes are as follows:

(i) Specialized hospital service

Revenue derived from specialized hospital service, especially in obstetrics and gynecology, provided at hospitals within the Group.

(ii) Supply of pharmaceuticals and medical devices business

Revenue derived from sales of pharmaceuticals and medical devices.

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

	Specialized hospital service	Supply of pharmaceuticals and medical devices business	Total
	RMB'000	RMB'000	RMB'000
<u>For the year ended December 31, 2012</u>			
External revenue .....	705,273	44,989	750,262
Inter-segment revenue .....	—	47,615	47,615
Segment revenue .....	705,273	92,604	797,877
Eliminations .....			(47,615)
Combined revenue .....			750,262
Segment results .....	32,807	2,925	35,732
Unallocated administrative expenses .....			46
Profit before tax .....			35,686
	Specialized hospital service	Supply of pharmaceuticals and medical devices business	Total
	RMB'000	RMB'000	RMB'000
<u>As at December 31, 2012</u>			
Segment assets .....	451,675	40,173	491,848
Elimination of inter-segment receivables .....			(7,192)
Combined assets .....			484,656
Segment liabilities .....	465,248	29,729	494,977
Elimination of inter-segment payables .....			(7,192)
Combined liabilities .....			487,785
Other segment information			
Amounts included in the measure of segment results:			
Depreciation and amortization .....	35,606	167	35,773
Loss on disposal of property, plant and equipment, net .....	345	3	348
Addition to non-current assets (Note) .....	71,411	733	72,144
Amounts regularly provided to the CODM but not included in the measure of segment results			
Income tax expense .....	13,925	868	14,793

	<b>Specialized hospital service</b>	<b>Supply of pharmaceuticals and medical devices business</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<u>For the year ended December 31, 2013</u>			
External revenue .....	787,305	45,895	833,200
Inter-segment revenue .....	—	47,058	47,058
Segment revenue .....	787,305	92,953	880,258
Eliminations .....			(47,058)
Combined revenue .....			<u>833,200</u>
Segment results .....	84,900	2,673	87,573
Unallocated administrative expenses .....			84
Profit before tax .....			<u>87,489</u>
	<b>Specialized hospital service</b>	<b>Supply of pharmaceuticals and medical devices business</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<u>As at December 31, 2013</u>			
Segment assets .....	434,833	44,743	479,576
Elimination of inter-segment receivables .....			(22,129)
Combined assets .....			<u>457,447</u>
Segment liabilities .....	512,874	33,914	546,788
Elimination of inter-segment payables .....			(22,129)
Combined liabilities .....			<u>524,659</u>
Other segment information			
Amounts included in the measure of segment results:			
Depreciation and amortization .....	40,150	226	40,376
Loss on disposal of property, plant and equipment, net .....	489	4	493
Addition to non-current assets (Note) .....	25,503	101	25,604
Amounts regularly provided to the CODM but not included in the measure of segment results			
Income tax expense .....	<u>21,159</u>	<u>615</u>	<u>21,774</u>

	Specialized hospital service	Supply of pharmaceuticals and medical devices business	Total
	RMB'000	RMB'000	RMB'000
<u>For the year ended December 31, 2014</u>			
External revenue .....	898,425	37,414	935,839
Inter-segment revenue .....	—	48,560	<u>48,560</u>
Segment revenue .....	898,425	85,974	984,399
Eliminations .....			<u>(48,560)</u>
Combined revenue .....			<u>935,839</u>
Segment results .....	143,120	4,107	147,227
Unallocated administrative expenses .....			<u>7,900</u>
Profit before tax .....			<u>139,327</u>
	Specialized hospital service	Supply of pharmaceuticals and medical devices business	Total
	RMB'000	RMB'000	RMB'000
<u>As at December 31, 2014</u>			
Segment assets .....	652,964	26,487	679,451
Elimination of inter-segment receivables .....			<u>(294,630)</u>
Combined assets .....			<u>384,821</u>
Segment liabilities .....	761,323	17,626	778,949
Elimination of inter-segment payables .....			<u>(294,630)</u>
Combined liabilities .....			<u>484,319</u>
Other segment information			
Amounts included in the measure of segment results:			
Depreciation and amortization .....	37,015	322	37,337
Loss on disposal of property, plant and equipment, net .....	464	—	464
Addition to non-current assets (Note) .....	22,051	331	22,382
Amounts regularly provided to the CODM but not included in the measure of segment results			
Income tax expense .....	<u>33,134</u>	<u>1,064</u>	<u>34,198</u>

Note: Non-current assets consist of property, plant and equipment and intangible assets.

Segment revenue reported above represents revenue generated from both external and inter-segment customers. During the Track Record Period, the inter-segment transactions are charged at cost plus margin basis for the sales of pharmaceutical and medical devices.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the profit before tax earned by each segment, without

allocation of administrative expenses and listing expense not directly related to the respective segment, which represents the internally generated financial information regularly reviewed by the CODM. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments and all liabilities are allocated to operating segments.

Income tax expenses have been allocated to segments as additional information regularly provided to the CODM but not included in the measure of segment result while the relevant deferred tax assets and tax payables have been allocated into the segment assets and liabilities.

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

No revenue from individual external customer contributing over 10% of total revenue of the Group.

## 8. OTHER GAINS AND LOSSES

	<u>For the year ended December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Loss on disposal of property, plant and equipment, net .....	(348)	(493)	(464)
Gain on disposal of associates .....			122
Impairment losses on trade receivables .....	—	—	(648)
Others .....	—	—	98
	<u>(348)</u>	<u>(493)</u>	<u>(892)</u>

## 9. OTHER EXPENSES

	<u>For the year ended December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Expenses in relation to the listing .....	—	—	7,393
Medical disputes expenditure .....	818	1,123	1,994
Provision for medical disputes .....	700	595	150
Penalty expenditure .....	198	269	207
Others .....	94	284	127
	<u>1,810</u>	<u>2,271</u>	<u>9,871</u>



**10. PROFIT BEFORE TAX**

The Group's profit before tax has been arrived at after charging:

	<u>For the year ended December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Cost of inventories recognized as expense .....	155,264	166,824	160,547
Depreciation of property, plant and equipment .....	35,149	39,628	36,564
Amortization of intangible assets .....	624	748	773
Total depreciation and amortization .....	<u>35,773</u>	<u>40,376</u>	<u>37,337</u>
Operating lease rentals in respect of rental premises .....	61,210	62,723	61,831
Advertising and marketing expense .....	134,436	116,540	133,511
Directors' emoluments (Note 12) .....	374	332	368
Other staff cost			
Salaries and other allowance .....	207,210	237,790	261,665
Retirement benefit contribution .....	<u>15,262</u>	<u>18,248</u>	<u>20,997</u>
Total staff costs .....	<u>222,846</u>	<u>256,370</u>	<u>283,030</u>
Royalty and service fee .....	18,724	15,743	17,971
Utilities expenses .....	14,321	15,129	15,533
Examination and testing fee paid to external service provider .....	9,929	15,594	13,927
Auditor's remuneration .....	475	468	394
Expenses in relation to the listing (included in other expenses) .....	<u>—</u>	<u>—</u>	<u>7,393</u>

**11. INCOME TAX EXPENSE**

	<u>For the year ended December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Enterprise income tax ("EIT")			
Current tax in the PRC .....	18,655	20,274	25,155
Deferred tax (Note 19) .....	<u>(3,862)</u>	<u>1,500</u>	<u>9,043</u>
Total income tax recognized in profit or loss .....	<u>14,793</u>	<u>21,774</u>	<u>34,198</u>

The Company is tax exempted company incorporated in the Cayman Islands.

No provision for Hong Kong Profit Tax has been made as the Group did not have assessable profit subject to Hong Kong Profit Tax during the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the statutory EIT rate of all other PRC subsidiaries in the Group is 25% during the Track Record Period except as stated below.

In accordance with the approval from the local taxation bureau of Yubei District, Chongqing City (重慶市渝北區地方稅務局) Yubeidishui longshanshuitong No.[2013]747 (渝北地稅龍山稅通2013747號) and Yubeidishui longshanshuitong No.[2015]85 (渝北地稅龍山稅通201585號), Chongqing Dushi Liren Hospital was entitled the preferential income tax rate of 15% for the years ended December 31, 2013 and 2014.

In accordance with the approval from the local taxation bureau of Nan'an District, Chongqing City (重慶市南岸區地方稅務局) Nandishuishuitong No.[2014]13331 (南地稅稅通201413331號) Chongqing Modern Woman Hospital was entitled the preferential income tax rate of 15% from April 28, 2014 (date of establishment) to December 31, 2014.

In accordance with the approval from the local taxation bureau of Fuling District, Chongqing City (重慶市涪陵區地方稅務局) Fudishuishuitong No.[2013]1035 (涪地稅稅通20131035號) and Fudishuishuijianbeiyi No.[2014]58 (涪地稅減備一201458號), Chongqing Fuling HarMoniCare Hospital was entitled the preferential income tax rate of 15% for the years ended December 31, 2013 and 2014.

In accordance with the approval from the local taxation bureau of Nanming District, Guizhou City (貴州市南明區地方稅務局) Nandishuitong No.[2013]62 (南地稅通201362號) and Nandishuisantong No.[2014]041 (南地稅三通2014041號), Guiyang HarMoniCare Hospital was entitled the preferential income tax rate of 15% for the years ended December 31, 2013 and 2014.

In accordance with the approval from the local taxation bureau of Yunyan District, Guizhou City (貴州市雲岩區地方稅務局) Yundishuitong No.[2013]010 (雲地稅通2013010號) and Yundishuitong No.[2014]0023 (雲地稅通20140023號), Guiyang Modern Woman Hospital was entitled the preferential income tax rate of 15% for the years ended December 31, 2013 and 2014

The tax charge for the Track Record Period can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	<b>For the year ended December 31,</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Profit before tax .....	35,686	87,489	139,327
Tax at applicable EIT rate at 25% .....	8,922	21,872	34,832
Tax effect of income not taxable for tax purposes .....	(5,343)	(765)	—
Tax effect of expenses not deductible for tax purposes .....	964	398	2,656
Tax effect of tax losses not recognized .....	6,735	2,438	2,199
Tax effect of deductible temporary differences not recognized .....	3,515	704	58
Tax effect on the preferential income tax rate .....	—	(2,873)	(5,547)
Income tax expense .....	<u>14,793</u>	<u>21,774</u>	<u>34,198</u>

Under the EIT Law, withholding tax is also imposed on dividends declared and paid to non-PRC resident in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred tax has not been provided for in the Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB36,939,000 as at December 31, 2014, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 12. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE

The Director's emoluments for the Track Record Period set out below represent the remunerations payable to the directors of the Company appointed on March 10, 2015 by the group entities during the Track Record Period.

	For the year ended December 31, 2012			
	Directors' fee	Salaries and allowances	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Mr. Lin Yuming (林玉明) .....	—	193	4	197
Mr. Zhao Xingli (趙興力) .....	—	174	3	177
	—	367	7	374
Non-executive Directors:				
Mr. Lin Yuguo (林玉國) .....	—	—	—	—
Mr. Wang Lin (王霖) .....	—	—	—	—
Mr. Xu Xiaolin (徐小琳) .....	—	—	—	—
	—	—	—	—
Total .....	—	367	7	374

	For the year ended December 31, 2013			
	Directors' fee	Salaries and allowances	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Mr. Lin Yuming (林玉明) .....	—	193	4	197
Mr. Zhao Xingli (趙興力) .....	—	133	2	135
	—	326	6	332
Non-executive Directors:				
Mr. Lin Yuguo (林玉國) .....	—	—	—	—
Mr. Wang Lin (王霖) .....	—	—	—	—
Mr. Xu Xiaolin (徐小琳) .....	—	—	—	—
	—	—	—	—
Total .....	—	326	6	332

	For the year ended December 31, 2014			
	Directors' fee	Salaries and allowances	Retirement benefit scheme contribution	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Mr. Lin Yuming (林玉明) .....	—	227	5	232
Mr. Zhao Xingli (趙興力) .....	—	133	3	136
	—	360	8	368
Non-executive Directors:				
Mr. Lin Yuguo (林玉國) .....	—	—	—	—
Mr. Wang Lin (王霖) .....	—	—	—	—
Mr. Xu Xiaolin (徐小琳) .....	—	—	—	—
Mr. Cheng Ruozhi (成若之) (note) .....	—	—	—	—
	—	—	—	—
Total .....	—	360	8	368

Note: Mr. Cheng Ruozhi was appointed as director after Mr. Xu Xiaolin resigned in 2014.

The emoluments of the five highest paid individuals who all are not directors of the Company for the Track Record Period were as follows:

	For the year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Salaries and allowance .....	2,411	1,821	1,903
Performance related bonuses .....	—	8	—
Contributions to retirement benefits schemes .....	5	113	117
	2,416	1,942	2,020

The number of these highest paid employees whose remuneration fell within the following band is as follows:

	For the year ended December 31,		
	2012	2013	2014
Nil to HKD 1,000,000 .....	5	5	5

During the Track Record Period, no Directors waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**13. EARNINGS PER SHARE**

No earnings per share information is presented as such information is not meaningful having regard to the purpose of this report and the result of the Group during the Track Record Period are presented on combined basis as set out in Note 2.

**14. DIVIDENDS**

	<u>For the year ended December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
	(note i)	(note ii)	(note iii)
Dividends recognized as distributions during the year .....	<u>63,331</u>	<u>45,134</u>	<u>71,998</u>

Notes:

- i. According to the resolution of shareholders' meeting of Shanxi Wo De Investment, Tai He Tang, Wuhan Modern Hospital, Guiyang Modern Woman Hospital, Guangzhou Woman Hospital and the resolution of partners' meeting of Chongqing Modern Woman Hospital and Chongqing Dushi Liren Hospital, accumulated profit of RMB63,331,000 was distributed to Bosheng Medical and the non-controlling shareholders.
- ii. According to the resolution of shareholders' meeting of Shanxi Wo De Investment, Tai He Tang, Wuhan Modern Hospital, Guiyang Modern Woman Hospital, Guangzhou Woman Hospital and the resolution of partners' meeting of Chongqing Dushi Liren Hospital, accumulated profit of RMB45,134,000 was distributed to Bosheng Medical and the non-controlling shareholders.
- iii. According to the resolution of shareholders' meeting of Guiyang HarMoniCare Hospital, Chongqing Fuling HarMoniCare Hospital, Guiyang Modern Woman Hospital, Guangzhou Woman Hospital and Chongqing Dushi Liren Hospital, accumulated profit of RMB71,998,000 was distributed to Bosheng Medical and the non-controlling shareholders.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvement	Medical equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>COST</b>							
At January 1, 2012	18,956	134,309	111,097	9,379	40,854	—	314,595
Additions	—	—	21,835	2,800	6,283	40,218	71,136
Transfer	—	40,018	—	—	—	(40,018)	—
Disposals	—	—	(618)	(264)	(403)	—	(1,285)
At December 31, 2012	18,956	174,327	132,314	11,915	46,734	200	384,446
Additions	—	—	10,794	865	2,783	10,633	25,075
Transfer	—	6,727	—	—	—	(6,727)	—
Disposals	—	—	(956)	(421)	(245)	—	(1,622)
At December 31, 2013	18,956	181,054	142,152	12,359	49,272	4,106	407,899
Additions	—	3,253	11,976	244	3,303	304	19,080
Transfer	—	4,410	—	—	—	(4,410)	—
Disposals	—	—	(1,173)	(326)	(2,224)	—	(3,723)
Disposal of a subsidiary (note 36)	—	(28,303)	(10,204)	(479)	(2,865)	—	(41,851)
At December 31, 2014	18,956	160,414	142,751	11,798	47,486	—	381,405
<b>ACCUMULATED DEPRECIATION</b>							
At January 1, 2012	4,664	20,831	28,950	5,587	19,982	—	80,014
Charge for the year	809	15,568	11,125	1,554	6,093	—	35,149
Eliminated on disposals	—	—	(304)	(217)	(355)	—	(876)
At December 31, 2012	5,473	36,399	39,771	6,924	25,720	—	114,287
Charge for the year	809	18,088	12,322	1,504	6,905	—	39,628
Eliminated on disposals	—	—	(589)	(285)	(194)	—	(1,068)
At December 31, 2013	6,282	54,487	51,504	8,143	32,431	—	152,847
Charge for the year	809	16,069	12,804	1,277	5,605	—	36,564
Eliminated on disposals	—	—	(736)	(303)	(2,008)	—	(3,047)
Disposal of a subsidiary (note 36)	—	(5,017)	(1,928)	(185)	(963)	—	(8,093)
At December 31, 2014	7,091	65,539	61,644	8,932	35,065	—	178,271
<b>CARRYING AMOUNT</b>							
At December 31, 2012	13,483	137,928	92,543	4,991	21,014	200	270,159
At December 31, 2013	12,674	126,567	90,648	4,216	16,841	4,106	255,052
At December 31, 2014	11,865	94,875	81,107	2,866	12,421	—	203,134

The above items of property, plant and equipment, other than construction in progress are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line basis as follows:

Leasehold land and buildings	20 years
Leasehold improvement	Over the shorter of the lease term and estimated useful lives up to 10 years
Medical equipment	10 years
Motor vehicles	4 years
Furniture and fixtures	3 – 5 years

**16. INTANGIBLE ASSET**

	<u>Software</u>
	<u>RMB'000</u>
Cost	
As at January 1, 2012 .....	2,586
Addition .....	<u>1,008</u>
As at December 31, 2012 .....	3,594
Addition .....	<u>529</u>
As at December 31, 2013 .....	4,123
Addition .....	3,302
Disposal of a subsidiary (note 36) .....	<u>(391)</u>
As at December 31, 2014 .....	<u>7,034</u>
Accumulated amortization and impairment	
As at January 1, 2012 .....	658
Addition .....	<u>624</u>
As at December 31, 2012 .....	1,282
Addition .....	<u>748</u>
As at December 31, 2013 .....	2,030
Addition .....	773
Disposal of a subsidiary (note 36) .....	<u>(79)</u>
As at December 31, 2014 .....	<u>2,724</u>
Carrying amounts	
At December 31, 2012 .....	<u>2,312</u>
At December 31, 2013 .....	<u>2,093</u>
At December 31, 2014 .....	<u>4,310</u>

The following useful lives are used in the calculation of amortization:

Software	10 years
----------	----------

## 17. INTERESTS IN ASSOCIATES

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cost of investments in associates, unlisted . . . . .	7,820	7,820	—
Share of post-acquisition profits, net of dividends received . . . . .	1,361	464	—
Carrying amount at December 31 . . . . .	9,181	8,284	—

As at December 31, 2012, 2013 and 2014, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of establishment	Principal place of operation	Registered capital	Proportion of ownership interest/ voting rights held by the Group			Principal activities
					RMB'000	2012	2013	
Linfen Modern Woman Hospital <sup>(i)</sup> . . . . .	Limited liability company	PRC	Linfen, PRC	13,000	40%	40%	N/A	Provision of specialized hospital service
Changsha Songziniiao Hospital <sup>(ii)</sup> . . . . .	Limited liability company	PRC	Changsha, PRC	500	24%	24%	N/A	Provision of specialized hospital service
Baotou Modern Maternity Hospital <sup>(iii)</sup> . . . . .	Limited liability company	PRC	Baotou, PRC	10,000	25%	25%	N/A	Provision of specialized hospital service

Notes:

- i. On July 10, 2014, the Group disposed of the interest in Linfen Modern Woman Hospital as part of the Reorganization to Bosheng Medical for proceeds of RMB5,251,000, which resulted in a loss amounting to RMB35,000 recognized in equity of the Group.
- ii. On September 30, 2014, the Group disposed of the interest in Changsha Songziniiao Hospital to an independent individual for proceeds of RMB120,000, which resulted in a gain amounting to RMB120,000.
- iii. On February 28, 2014, the Group disposed of the interest in Baotou Modern Maternity Hospital to an independent individual for proceeds of RMB2,566,000, which resulted in a gain amounting to RMB2,000.

All of these associates are accounted for using the equity method in the Financial Information.

No associates owned by the Group during the Track Record Period are individually significant.



Aggregate information of all the associates of the Group:

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Current assets .....	<u>18,599</u>	<u>21,038</u>	<u>N/A</u>
Non-current assets .....	<u>17,418</u>	<u>16,427</u>	<u>N/A</u>
Current liabilities .....	<u>7,407</u>	<u>12,337</u>	<u>N/A</u>
Aggregate carrying amount of the Group's interests in these associates .....	<u>9,181</u>	<u>8,284</u>	<u>N/A</u>
	For the year ended December 31,		From 1 January 2014 to the date of disposal
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Revenue .....	<u>59,320</u>	<u>58,639</u>	<u>22,729</u>
Profit (loss) and total comprehensive income for the year .....	<u>3,410</u>	<u>(464)</u>	<u>(7,795)</u>
The Group's share of profits (losses) of associates .....	<u>906</u>	<u>(101)</u>	<u>(434)</u>
Dividends received from associates during the year .....	<u>1,296</u>	<u>796</u>	<u>—</u>

## 18. AVAILABLE-FOR-SALE INVESTMENTS

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Investment in Tianjin Hebei Modern Woman Hospital Co., Ltd. (天津河北現代女子醫院有限公司) (“Tianjin Hebei Modern Woman Hospital”) .....	1,000	1,000	—
Investment in Zhongshan Modern Woman Gynaecology Hospital Co., Ltd. (中山現代婦科醫院有限公司) (“Zhongshan Modern Woman Hospital”) .....	<u>1,000</u>	<u>1,000</u>	<u>—</u>
	<u>2,000</u>	<u>2,000</u>	<u>—</u>

The Group held 10% equity interests respectively in the two unlisted companies above, which are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimate is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. These unlisted investments were disposed to Bosheng Medical as part of the Reorganization for total proceeds of RMB1,300,000 in 2014. The disposal has resulted in a loss amounting to RMB700,000 recognized in equity of the Group.

## 19. DEFERRED TAX ASSETS

The movements of the Group's deferred tax assets during the Track Record Period are as follows:

	Accrued staff costs	Tax losses	Accrued rental expenses	Advertisement expenditure (note)	Unrealized profit from intra-group transaction	Provision	Allowance for doubtful debts	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2012 .....	2,176	23,537	3,150	8,535	910	495	—	—	38,803
Credit (charge) to profit or loss .....	985	(1,371)	(80)	4,255	61	12	—	—	3,862
At December 31, 2012 .....	3,161	22,166	3,070	12,790	971	507	—	—	42,665
Credit (charge) to profit or loss .....	869	(4,592)	465	1,401	195	(78)	—	240	(1,500)
At December 31, 2013 .....	4,030	17,574	3,535	14,191	1,166	429	—	240	41,165
Credit (charge) to profit or loss .....	1,505	(12,870)	(146)	2,215	131	(101)	162	61	(9,043)
At December 31, 2014 .....	5,535	4,704	3,389	16,406	1,297	328	162	301	32,122

Note:

The balance represents the non-deductible advertisement expense that exceed the annual deduction allowed by the EIT Law. This deductible temporary differences is allowed to be set-off against income from subsequent taxable years.

Deferred tax assets have not been recognized in respect of the following items:

	For the year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Tax losses .....	74,759	84,512	76,229
Deductible temporary differences .....	44,459	47,276	36,127

No deferred tax asset has been recognized in relation to those tax losses and deductible temporary differences due to the unpredictability of future profit streams of the relevant PRC subsidiaries and it is not probable that taxable profit will be available against which the tax losses can be utilized.

The tax losses will be expired as follow:

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
2014 .....	4	4	4
2015 .....	17,142	17,142	17,142
2016 .....	30,673	30,673	30,673
2017 .....	26,940	26,940	12,524
2018 .....	—	9,753	9,637
2019 .....	—	—	6,249
	<u>74,759</u>	<u>84,512</u>	<u>76,229</u>

## 20. INVESTMENT IN A SUBSIDIARY

	THE COMPANY
	As at December 31,
	2014
	RMB'000
Unlisted share, at cost .....	—

Investment cost represents the investment cost in Harmonicare of USD0.001.

## 21. INVENTORIES

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Pharmaceuticals .....	17,139	14,364	13,066
Medical devices .....	6,180	7,933	6,765
	<u>23,319</u>	<u>22,297</u>	<u>19,831</u>

## 22. TRADE RECEIVABLES

The Group allows a credit period of approximately 60 days to 180 days for the specialized hospital service to the patients which are due from medical and commercial insurance program, 0 day to 90 days for the sale of pharmaceuticals and medical devices after issuing invoice.

The following is an aged analysis of trade receivables presented based on the invoice date.

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Less than 90 days .....	7,437	9,841	8,970
91 to 180 days .....	1,025	1,022	3,480
181 days to 1 year .....	450	373	1,101
Over 1 year .....	<u>2,748</u>	<u>3,476</u>	<u>299</u>
	<u>11,660</u>	<u>14,712</u>	<u>13,850</u>

For trade receivables disclosed below which are past due but not impaired, the Directors assess the customer's credit quality by evaluating their historical credit records and define credit limits for each customer. Recoverability and credit limits of the existing customers are evaluated by the Directors regularly.

Aging of trade receivables that are past due but not impaired:

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
181 days to 1 year .....	450	373	1,101
Over 1 year .....	<u>2,748</u>	<u>3,476</u>	<u>299</u>
	<u>3,198</u>	<u>3,849</u>	<u>1,400</u>

The trade receivables that were past due but not impaired related to the sale of pharmaceuticals and medical devices by Tai He Tang to certain customers that have a good trading record with the Group. Based on past experience, the Directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of the trade receivables from the date that credit was initially granted up to the end of each reporting period.

Movement in the allowance for doubtful debts

	RMB'000
As at January 1, 2012, December 31, 2012 and 2013 .....	—
Impairment losses on trade receivables .....	<u>648</u>
As at December 31, 2014 .....	<u>648</u>

Aging of impaired trade receivables

	For the year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Overdue by:			
Over 1 year .....	<u>—</u>	<u>—</u>	<u>648</u>

## 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	THE GROUP			THE COMPANY
	As at December 31,			As at December 31,
	2012	2013	2014	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid rental . . . . .	17,138	17,157	13,853	—
Prepayments to suppliers . . . . .	12,514	9,559	7,756	—
Deposits to suppliers . . . . .	1,227	1,638	1,234	—
Deferred expenses in relation to the listing expenses . . . . .	—	—	2,616	2,616
Consideration receivable for disposal of an associate . . . . .	—	—	2,066	—
Other receivables . . . . .	2,909	3,075	2,919	—
	<u>33,788</u>	<u>31,429</u>	<u>30,444</u>	<u>2,616</u>

## 24. AMOUNTS DUE FROM / TO RELATED PARTIES

	THE GROUP			THE COMPANY
	As at December 31,			As at December 31,
	2012	2013	2014	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related companies (Note 37(d)) . . . . .	65,955	57,411	16	—
Amounts due from associates (Note 37(d)) . . . . .	556	3,106	—	—
	<u>66,511</u>	<u>60,517</u>	<u>16</u>	<u>—</u>
Amounts due to related companies (Note 37(d)) . . . . .	326,871	348,047	299,351	620
Amounts due to shareholders (Note 37(d)) . . . . .	13,289	5,716	1,050	—
Amount due to subsidiary (Note 37(d)) . . . . .	—	—	—	4,637
	<u>340,160</u>	<u>353,763</u>	<u>300,401</u>	<u>5,257</u>

## 25. BANK BALANCES AND CASH

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cash and bank balances denominated in:			
—RMB . . . . .	14,076	10,752	53,092
—USD . . . . .	—	—	18,969
—HKD . . . . .	—	—	2
	<u>14,076</u>	<u>10,752</u>	<u>72,063</u>

Bank balances carried interest at market rates which range from 0.35% to 0.50%, 0.35% to 0.50% and 0.35% to 0.50% per annum as at December 31, 2012, 2013 and 2014, respectively.

The bank balances denominated in RMB were deposited with banks in the PRC and the conversion of such balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

## 26. TRADE PAYABLES

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade payables .....	<u>22,175</u>	<u>21,635</u>	<u>16,364</u>

Trade payables are non-interest bearing and are normally granted on 0 day to 90 days credit term. An aged analysis of the Group's trade payables, as at the end of each reporting period, based on the goods received date, is as follows:

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within 90 days .....	20,042	19,006	13,973
91 to 180 days .....	1,792	1,810	934
181 days to 1 year .....	<u>341</u>	<u>819</u>	<u>1,457</u>
	<u>22,175</u>	<u>21,635</u>	<u>16,364</u>

## 27. OTHER PAYABLES AND ACCRUALS

	THE GROUP			THE COMPANY
	As at December 31,			As at December 31,
	2012	2013	2014	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Advances from patients .....	41,919	66,327	72,685	—
Staff cost payables .....	21,245	26,108	29,443	—
Accrued operating expenses .....	4,579	2,257	869	—
Dividend payables .....	3,954	115	423	—
Other PRC tax payables .....	2,833	1,659	811	—
Construction fee payables .....	2,452	1,734	946	—
Accrued rental expenses .....	259	688	754	—
Listing expenses payable .....	—	—	4,752	4,752
Others .....	<u>4,590</u>	<u>3,013</u>	<u>3,035</u>	—
	<u>81,831</u>	<u>101,901</u>	<u>113,718</u>	<u>4,752</u>

## 28. PROVISION

	<b>Provision for medical dispute claims</b>
	<b>RMB'000</b>
As at January 1, 2012 .....	1,980
Provision .....	700
Payments .....	<u>(650)</u>
As at December 31, 2012 .....	2,030
Provision .....	595
Payments .....	<u>(709)</u>
As at December 31, 2013 .....	1,915
Provision .....	150
Payments .....	<u>(665)</u>
As at December 31, 2014 .....	<u>1,400</u>

The Group is involved as defendants in certain medical disputes arising from its normal business operations. The management of the Group assesses the exposure and an outflow of economic benefits on certain major medical disputes existed at the end of each reporting period based on the best estimate of the management and the opinion of the external legal adviser.

## 29. NON-WHOLLY OWNED SUBSIDIARIES

Details of non-wholly owned subsidiaries that have material non-controlling interests:

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests at the end of each reporting period:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Profit(loss) allocated to non-controlling interests			Accumulated non-controlling interests		
		2012	2013	2014	2012	2013	2014	2012	2013	2014
Fuzhou Modern Woman Hospital .....	Fuzhou	17%	17%	17%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shenyang HarMoniCare Hospital .....	Shenyang	49%	20%	N/A	379	1,337	1,411	428	1,765	3,176
Individually immaterial subsidiaries with non-controlling interests .....					(9,956)	(3,093)	(701)	(4,566)	(3,126)	—
Total .....					(95)	632	1,040	(3,166)	(4,372)	(5,395)
					(9,672)	(1,124)	1,750	(7,304)	(5,733)	(2,219)

Summarized financial information in respect of Fuzhou Modern Woman Hospital and Shenyang HarMoniCare Hospital that have material non-controlling interests are set out below. The summarized financial information below represents amount before intragroup eliminations.



**(a) Fuzhou Modern Woman Hospital**

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Current assets	5,040	3,458	4,355
Non-current assets	24,940	26,804	25,169
Current liabilities	27,470	19,880	10,846
Equity attributable to owners of the Company	2,082	8,617	15,502
Non-controlling interests	428	1,765	3,176
	For the year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Revenue	58,209	63,452	72,310
Expenses	(55,976)	(55,580)	(64,014)
Profit and total comprehensive income for the year	2,233	7,872	8,296
Profit and total comprehensive income attributable to owners of the Company	1,854	6,535	6,885
Profit and total comprehensive income attributable to the non-controlling interests	379	1,337	1,411
Profit and total comprehensive income for the year	2,233	7,872	8,296
Net cash inflow from operating activities	2,129	5,201	413
Net cash outflow from investing activities	(2,171)	(4,875)	(249)
Net cash (outflow) inflow	(42)	326	164

**(b) Shenyang HarMoniCare Hospital**

	As at December 31,	
	2012	2013
	RMB'000	RMB'000
Current assets	4,720	5,240
Non-current assets	36,684	33,474
Current liabilities	50,722	53,588
Non-current liabilities	—	756
Equity attributable to owners of the Company	(4,752)	(12,504)
Non-controlling interests	(4,566)	(3,126)

Note: Shenyang HarMoniCare Hospital was disposed of in August 2014. Detailed information was disclosed in Note 36.

	<u>For the year ended December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Revenue .....	9,636	34,538	24,038
Expenses .....	(29,954)	(40,850)	(27,543)
Loss and total comprehensive expense for the year .....	(20,318)	(6,312)	(3,505)
Loss and total comprehensive expense attributable to owners of the Company .....	(10,362)	(3,219)	(2,804)
Loss and total comprehensive expense attributable to the non-controlling interests .....	(9,956)	(3,093)	(701)
Loss and total comprehensive expense for the year .....	<u>(20,318)</u>	<u>(6,312)</u>	<u>(3,505)</u>
Net cash inflow (outflow) from operating activities .....	2,276	231	(12,167)
Net cash outflow from investing activities .....	(6,757)	(946)	(2,222)
Net cash inflow from financing activities .....	5,983	—	14,000
Net cash inflow (outflow) .....	<u>1,502</u>	<u>(715)</u>	<u>(389)</u>

Summarized financial information in respect of the Group's subsidiaries that have individually immaterial non-controlling interests is set out below. The summarized financial information below represents amount before intragroup eliminations.

	<u>As at December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Current assets .....	50,302	44,409	34,997
Non-current assets .....	95,961	92,629	85,543
Current liabilities .....	149,385	142,793	141,076
Non-current liabilities .....	21,350	22,420	22,914
Equity attributable to owners of the Company .....	(21,306)	(23,803)	(38,055)
Non-controlling interests .....	<u>(3,166)</u>	<u>(4,372)</u>	<u>(5,395)</u>

	For the year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Revenue .....	327,901	314,280	352,123
Expenses .....	(309,549)	(291,739)	(320,360)
Profit and total comprehensive income for the year .....	18,352	22,541	31,763
Profit and total comprehensive income attributable to owners of the Company .....	18,447	21,909	30,723
Profit and total comprehensive income attributable to the non-controlling interests .....	(95)	632	1,040
Profit and total comprehensive income for the year .....	18,352	22,541	31,763
Dividends paid to non-controlling interests .....	1,249	1,049	1,688
Net cash inflow from operating activities .....	40,449	30,191	56,599
Net cash outflow from investing activities .....	(13,076)	(5,623)	(3,953)
Net cash outflow from financing activities .....	(26,362)	(28,900)	(49,202)
Net cash inflow (outflow) .....	1,011	(4,332)	3,443

### 30. CAPITAL

#### *The Company*

	Number of shares	Nominal value	Share capital
		per share	
		HKD	HKD
<b>Authorized</b>			
On incorporation (Note i) .....	380,000,000	0.001	380,000
At December 31, 2014 .....	380,000,000		380,000
<b>Issued but not fully paid</b>			
On incorporation (Note i) .....	1		—
New issuance (Note ii) .....	99,359,492		—
At December 31, 2014 .....	99,359,493		—
Presented as .....			RMB'000
			—

Notes:

- i. On August 26, 2014, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with authorized share capital comprised of 380,000,000 shares at par value of HKD 0.001 per share. Upon its incorporation, one nil paid subscriber share of the Company were transferred to Homecare, which is wholly owned by Mr. Lin Yuming.
- ii. In December 2014, the Company issued 90,152,787 shares to Homecare, 9,206,705 shares to Mighty Sky at a total consideration of RMB239,998,000, which was fully paid on 16 March, 2015.

*The Group*

The Group's capital at December 31, 2014 represented the aggregate amount of issued share capital of the Company of RMB99,359,493 nil paid shares with nominal value of HK\$0.001 per share and issued share capital of Galaxy Power of 100 nil paid shares with par value of USD1 per share.

**31. RESERVES OF THE COMPANY**

	<u>Accumulated loss</u>
	RMB'000
At August 26, 2014 (date of incorporation) .....	—
Loss and total comprehensive expense for the year .....	<u>(7,393)</u>
Balance at December 31, 2014 .....	<u>(7,393)</u>

**32. OPERATING LEASES***The Group as lessee*

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<u>As at December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000
Minimum lease payments under operating leases:			
Within one year .....	60,779	61,475	68,335
In the second to fifth year .....	238,762	235,348	267,856
After five years .....	<u>359,812</u>	<u>301,711</u>	<u>214,785</u>
	<u>659,353</u>	<u>598,534</u>	<u>550,976</u>

Operating lease payments commitments represent rentals payable by the Group for the premises leased for hospital and offices. These leases were negotiated for lease terms of one to twenty years. Monthly rental was fixed and none of the leases includes any contingent rentals and renewal options.

**33. CAPITAL COMMITMENTS**

	<u>As at December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the Financial Information in respect of acquisition of property, plant and equipment . . .	<u>190</u>	<u>56</u>	<u>92</u>
Capital expenditure authorized but not contracted for in the Financial Information in respect of acquisition of property, plant and equipment and intangible asset .....	<u>333</u>	<u>—</u>	<u>953</u>

**34. CONTINGENT LIABILITY**

The Group is involved as defendants in certain medical disputes arising from its normal business operations. The Directors believe, based on the status of potential and active claims outstanding at the end of each reporting period, and taking into consideration the assessment and analysis of external lawyer and the total claim exposure, provision of RMB2,030,000, RMB1,915,000 and RMB1,400,000 was recognized in respect of the medical dispute as at December 31, 2012, 2013 and 2014 respectively.

**35. RETIREMENT BENEFITS CONTRIBUTION**

The PRC employees of the Group are members of a state-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries of the Company are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The retirement benefit cost charged to profit or loss for the years ended December 31, 2012, 2013 and 2014 amounts to RMB15,269,000, RMB18,254,000 and RMB21,005,000, respectively.

**36. DISPOSAL OF A SUBSIDIARY**

On August 7, 2014, the Group disposed of its entire equity interest in Shenyang HarMoniCare Hospital to a close family member of Mr. Lin Yuming for a consideration of RMB2,660,000.

**Consideration received**

	<b>Year ended</b>
	<b>December 31, 2014</b>
	<b>RMB'000</b>
Consideration received in cash and cash equivalents . . . . .	<u>2,660</u>

## Analysis of assets and liabilities over which control was lost

	<b>Year ended</b> <b>December 31, 2014</b>
	<b>RMB'000</b>
Current assets	
Inventories .....	1,337
Trade receivables .....	423
Prepayments, deposits and other receivables .....	5,352
Bank balances and cash .....	<u>398</u>
	<u>7,510</u>
Non-current assets	
Property, plant and equipment .....	33,758
Intangible assets .....	<u>312</u>
	<u>34,070</u>
Current liabilities	
Trade payables .....	3,658
Other payables and accruals .....	1,763
Amount due to a related party .....	<u>40,097</u>
	<u>45,518</u>
Non-current liabilities	
Accrued rental expense .....	<u>1,197</u>
Net liabilities disposed of .....	<u>(5,135)</u>

## Gain on disposal of a subsidiary

	<b>Year ended</b> <b>December 31, 2014</b>
	<b>RMB'000</b>
Consideration received .....	2,660
Net liabilities disposed of .....	(5,135)
Non-controlling interest .....	<u>(1,027)</u>
Gain on disposal of a subsidiary recognized in equity (note) .....	<u>6,768</u>

Note: The entire equity interest in Shenyang HarMoniCare Hospital was disposed of to a related party of the Group as part of the Reorganization, and therefore, the gain on disposal was recognized in equity of the Group.

## Net cash inflow on disposal of a subsidiary

	Year Ended December 31, 2014
	RMB'000
Consideration received in cash and cash equivalents .....	2,660
Less: Cash and cash equivalents disposed of .....	<u>(398)</u>
Consideration received in cash .....	<u>2,262</u>

## 37. RELATED PARTY TRANSACTIONS

## (a) Name and relationship

<u>Name</u>	<u>Relationship</u>
<b><u>From January 1, 2012 to December 31, 2014</u></b>	
Lin Yuming (林玉明) .....	Shareholder with significant influence over the Company
Lin Yuguo (林玉國) .....	Shareholder of the Company
Lin Yurong (林玉榮) .....	Shareholder of the Company
Lin Yuhua (林玉華) .....	Shareholder of the Company
Su Yuanding (蘇元定) .....	Shareholder of the Company
Fang Zhifeng (方志鋒) .....	Shareholder of the Company
Li Wenfeng (李文鳳) .....	Shareholder of the Company
Zhao Xingli (趙興力) .....	Shareholder of the Company
Wu Yaping (吳亞平) .....	Close family member of Mr. Lin Yuming
Chongqing Modern Woman Hospital Investment Co., Ltd. (重慶現代女子醫院投資有限公司) ("Chongqing Modern Woman Hospital Investment") .....	Company controlled by Mr. Lin Yuming
Bosheng Medical .....	Company under significant influence of Mr. Lin Yuming
Chengdu Songziniao Infertility Hospital Co., Ltd.** (成都送子鳥不孕不育醫院有限責任公司) ("Chengdu Songziniao Hospital") (previously known as 成都麗人醫院有限責任公司) .....	Subsidiary of Bosheng Medical
Dongguan Bosheng Medical Investment Co., Ltd.** (東莞市博生醫療投資有限責任公司) ("Dongguan Bosheng Medical Investment") .....	Subsidiary of Bosheng Medical

Name	Relationship
Heilongjiang HarMoniCare Obstetrics and Gynaecology Hospital Co., Ltd.** (黑龍江和美婦產醫院有限責任公司) ("Heilongjiang HarMoniCare Hospital") . . . . .	Subsidiary of Bosheng Medical
Jincheng Modern Woman Hospital Co., Ltd.** (晉城現代女子醫院有限責任公司) ("Jincheng Modern Woman Hospital") . . . . .	Subsidiary of Bosheng Medical
Shanxi Modern Obstetrics and Gynaecology Hospital Co., Ltd.** (山西現代婦產醫院有限責任公司) ("Shanxi Modern Woman Hospital") . . . . .	Subsidiary of Bosheng Medical
Weihai Modern Obstetrics and Gynaecology Hospital Co., Ltd.** (威海現代婦產醫院有限公司) ("Weihai Modern Woman Hospital") . . . . .	Subsidiary of Bosheng Medical
Xi'an Liren Hospital Co., Ltd.** (西安儷人醫院有限公司) ("Xi'an Liren Hospital") . . . . .	Subsidiary of Bosheng Medical
Yanji Bosheng Modern Woman Hospital Co., Ltd.** (延吉博生現代女子醫院有限公司) ("Yanji Bosheng Modern Woman Hospital") . . . . .	Subsidiary of Bosheng Medical
Zhoushan Modern Woman Hospital Co., Ltd.** (舟山現代女子醫院有限公司) ("Zhoushan Modern Woman Hospital") . . . . .	Subsidiary of Bosheng Medical
Tianjin Hebei Modern Woman Hospital** . . . . .	Subsidiary of Bosheng Medical
Zhongshan Modern Woman Hospital** . . . . .	Subsidiary of Bosheng Medical
Dongguan Modern Woman Gynaecology Hospital Co., Ltd.** (東莞現代婦科醫院有限公司) ("Dongguan Modern Woman Hospital") . . . . .	Subsidiary of Bosheng Medical
Gansu Taihetang Pharmaceutical Co., Ltd. (甘肅太和堂醫藥有限責任公司) ("Gansu Taihetang") . . . . .	Company controlled by Mr. Lin Yurong
Leshan Modern Hospital of Obstetrics and Gynaecology Co., Ltd. (樂山現代婦產醫院有限公司) ("Leshan Modern Woman Hospital") . . . . .	Company controlled by Mr. Lin Yurong



Name	Relationship
Changsha Liren Hospital of Obstetrics and Gynaecology Co., Ltd. (長沙麗人婦產醫院) ("Changsha Liren Hospital") . . . . .	Company under significant influence of Mr. Lin Yuguo
Hebei Modern Woman Hospital Co., Ltd. (河北現代女子醫院有限公司) ("Hebei Modern Woman Hospital") . . . . .	Company controlled by Mr. Wu Yaping
Weihai HarMoniCare Clinic of Gynaecology (威海和美婦科門診部) ("Weihai HarMoniCare Clinic") . . . . .	Company controlled by Mr. Wu Yaping
Linfen Modern Woman Hospital* . . . . .	Associate
Changsha Songziniiao Hospital* . . . . .	Associate
Baotou Modern Maternity Hospital* . . . . .	Associate

\* As disclosed in Note 17, these three entities are no longer related parties of the Group after the disposal of the relevant equity interests.

\*\* These related companies are no longer related parties of the Group after the disposal of the relevant equity interests to independent individuals by Bosheng Medical.

**(b) Related party transactions**

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Royalty and service fee paid to:			
Bosheng Medical . . . . .	18,724	15,743	17,971

The royalty and service fee are determined based on 2%-3% of revenue from specialized hospital services.

	Year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Sales of pharmaceuticals and medical devices to:			
Chengdu Songziniiao Hospital . . . . .	2,539	—	—
Dongguan Bosheng Medical Investment . . . . .	2,857	1,806	1,189
Gansu Taihetang . . . . .	—	232	68
Heilongjiang HarMoniCare Hospital . . . . .	2,002	1,423	3,613
Jincheng Modern Woman Hospital . . . . .	1,640	2,334	1,715
Shanxi Modern Woman Hospital . . . . .	7,881	6,206	6,892
Weihai Modern Woman Hospital . . . . .	1,412	1,564	1,080
Xi'an Liren Hospital . . . . .	4,113	3,954	4,043
Yanji Bosheng Modern Woman Hospital . . . . .	660	897	333
Changsha Liren Hospital . . . . .	3,515	4,127	3,683
Zhoushan Modern Woman Hospital . . . . .	1,156	1,368	159
Baotou Modern Maternity Hospital . . . . .	1,393	1,562	232
Linfen Modern Woman Hospital . . . . .	1,949	2,966	2,351
Tianjin Hebei Modern Woman Hospital . . . . .	2,191	2,621	2,089
Changsha Songziniiao Hospital . . . . .	1,657	1,519	1,012
Zhongshan Modern Woman Hospital . . . . .	1,010	758	1,633
Hebei Modern Woman Hospital . . . . .	720	513	278
Weihai HarMoniCare Clinic . . . . .	30	31	44
	<u>36,725</u>	<u>33,881</u>	<u>30,414</u>

The above transactions were carried out in the ordinary course of business of the Group and conducted in accordance with the terms and conditions mutually agreed by both parties.

**(c) Other related party transactions**

Detailed information about the disposal of Shenyang HarMoniCare Hospital and the investments in Linfen Modern Woman Hospital, Tianjin Hebei Modern Woman Hospital and Zhongshan Modern Woman Hospital were disclosed in Note 17, Note 18, and Note 36.

**(d) Related party balances***Amounts due from related parties*

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
<b>Trade in nature</b>			
Amounts due from related companies			
Dongguan Modern Woman Hospital .....	305	335	—
Heilongjiang HarMoniCare Hospital .....	115	357	—
Jincheng Modern Woman Hospital .....	260	401	—
Leshan Modern Woman Hospital .....	243	243	—
Shanxi Modern Woman Hospital .....	636	2,476	—
Tianjin Hebei Modern Woman Hospital .....	273	1,156	—
Weihai Modern Woman Hospital .....	161	305	—
Xi'an Liren Hospital .....	177	618	—
Yanji Bosheng Modern Woman Hospital .....	35	215	—
Zhoushan Modern Woman Hospital .....	27	77	—
Zhongshan Modern Woman Hospital .....	102	65	—
Hebei Modern Woman Hospital .....	709	684	—
Weihai HarMoniCare Clinic .....	4	29	—
Gansu Taihetang .....	1,856	6,958	—
Changsha Liren Hospital .....	282	570	16
	<u>5,185</u>	<u>14,489</u>	<u>16</u>
Amounts due from associates			
Changsha Songziniiao Hospital .....	204	49	—
Baotou Modern Maternity Hospital .....	224	480	—
Linfen Modern Woman Hospital .....	128	2,577	—
	<u>556</u>	<u>3,106</u>	<u>—</u>

The Group allows a credit period of 90 days for the sales of pharmaceuticals and medical devices. The following is an aged analysis of amounts due from the related parties which are trade in nature based on the invoice date at the end of each reporting period:

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Not past due .....	3,626	10,400	16
Past due by			
Less than 1 year .....	—	5,080	—
1-2 years .....	2,115	—	—
2-3 years .....	—	2,115	—
	<u>5,741</u>	<u>17,595</u>	<u>16</u>

The amounts due from related parties disclosed above included amounts that are past due at the end of each reporting period for which the Group have not recognized an allowance for doubtful debt because there has not been a significant change in credit quality and the balances are still considered fully recoverable.

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
<b>Non-trade in nature</b>			
Amount due from related companies			
Bosheng Medical .....	60,770	42,922	—

The above receivables from related companies are denominated in RMB, unsecured, interest-free and recoverable within one year.

The following information is disclosed pursuant to section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), which requires compliance with section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32):

	Maximum amount outstanding during the year ended December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Bosheng Medical .....	85,569	61,668	50,527

**Amounts due to related parties**

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
<b>Trade in nature</b>			
Amounts due to related companies			
Bosheng Medical .....	1,643	1,391	1,486
Yanji Bosheng .....	—	—	1
Gansu Taihetang .....	—	113	115
	<u>1,643</u>	<u>1,504</u>	<u>1,602</u>

Bosheng Medical allows credit period of 90 days for royalty and service fees.

The following is an aged analysis of amounts due to the related parties which are trade in nature based on the invoice date at the end of each reporting period:

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
0-3 months .....	1,643	1,396	1,602
4-6 months .....	—	108	—
	<u>1,643</u>	<u>1,504</u>	<u>1,602</u>

## Non-trade in nature

	The Group			The Company
	As at December 31,			As at December 31,
	2012	2013	2014	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to related companies				
Bosheng Medical (note i) .....	324,950	346,387	278,590	620
Concord Glory (note ii) .....	—	—	18,969	—
Chongqing Modern Woman Hospital Investment .....	278	156	190	—
HarMoniCare Management and Consulting .....	—	—	—	306
Guiyang HarMoniCare Hospital .....	—	—	—	4,331
	325,228	346,543	297,749	5,257

## Notes:

- i. Included in the balance as at December 31, 2014 was an amount of RMB277,968,000, represented the payable to Bosheng Medical for transfer of the equity interests in HarMoniCare Management and Consulting by Sharp Charm and Harmonicare Medical as detailed in notes 2(7) and 2(8).
- ii. As at December 31, 2014, the balance represents the advance from Concord Glory to Galaxy Power. The balance was subsequently capitalized as share capital and share premium of Galaxy Power in January 2015.

## Amounts due to shareholders

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Fang Zhifeng .....	37	—	—
Li Wenfeng .....	357	—	—
Lin Yuguo .....	931	—	—
Lin Yuhua .....	436	—	—
Lin Yuming .....	10,371	5,716	1,050
Lin Yurong .....	682	—	—
Su Yuanding .....	378	—	—
Zhao Xingli .....	97	—	—
	13,289	5,716	1,050

The above outstanding amounts due to related parties are denominated in RMB, unsecured, non-interest bearing and repayable on demand. Amounts due to shareholders represent the dividends payable and other payables to the shareholders.

**(e) Remuneration of key management personal of the Group**

	As at December 31,		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Short term employee benefits .....	1,042	1,049	1,232
Post-employment benefit .....	16	18	27
	<u>1,058</u>	<u>1,067</u>	<u>1,259</u>

Further details of the Directors' emoluments are included in Note 12.

**38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT***Categories of the financial instruments*

	THE GROUP			THE COMPANY
	As at December 31,			As at December 31,
	2012	2013	2014	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Loans and receivables				
(including cash and bank balances) .....	96,383	90,694	92,148	—
Available-for-sale investments .....	<u>2,000</u>	<u>2,000</u>	<u>—</u>	<u>—</u>
	<u>98,383</u>	<u>92,694</u>	<u>92,148</u>	<u>—</u>
Financial liabilities:				
Amortized cost .....	<u>373,331</u>	<u>380,260</u>	<u>306,952</u>	<u>10,009</u>

*Financial risk management objectives and policies*

The Group's major financial instruments include trade receivables, other receivables, amounts due from related parties, bank balances and cash, trade payables, other payables and amounts due to related parties. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Directors manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**(a) Market risk**

The Group's activities expose it primarily to the foreign currency risk and interest rate risk, which details are described as follows:

**Currency risk**

The Group undertakes certain financing transactions in foreign currencies, which expose the Group to foreign currency risk. The Group does not use any derivative contracts to hedge against its exposure to

currency risk. The Directors manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at the end of each reporting period are as follows:

	Liabilities			Assets		
	As at December 31,			As at December 31,		
	2012	2013	2014	2012	2013	2014
	'000	'000	'000	'000	'000	'000
USD .....	—	—	22,396	—	—	18,970
HKD .....	—	—	9	—	—	9
	==	==	<u>22,405</u>	==	==	<u>18,979</u>

The functional currency of the Company is RMB in which most of its transactions are denominated. The Company does not have any foreign currency transaction during the Track Record Period which exposes the Company to foreign currency risk.

#### *Sensitivity analysis*

The Group is mainly exposed to the risk of fluctuations in the HK dollar and US dollar against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK dollar and US dollar. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to RMB at year end for a 5% change in foreign currency rates. A negative number below indicates a decrease in post-tax profit where RMB weakens 5% against the US dollar. For a 5% strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year, and the amounts below would be positive.

	HKD			USD		
	As at December 31,			As at December 31,		
	2012	2013	2014	2012	2013	2014
	'000	'000	'000	'000	'000	'000
Decrease in post-tax profit .....	==	==	==	==	==	<u>(128)</u>

#### Interest rate risk

The Group are exposed to cash flow interest risk in relation to variable-rate bank balances (see Note 25), which carry prevailing market interest. The Group and the Company currently do not have a specific policy to manage their interest rate risk and have not entered into interest rate swap to hedge their exposure, but will closely monitor their interest rate risk exposure in the future.

No sensitivity analysis on interest rate risk on bank balance is presented as the Directors consider the sensitivity on interest rate risk on bank balance is insignificant.

**(b) Credit risk**

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the combined statements of financial position.

In order to minimize the credit risk, the Directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Directors review the recoverable amount of each material individual debt at the end of each of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group and the Company have concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on cash and cash equivalents and certificate of deposit is limited because the majority of the counterparties are banks with good reputation.

The Group has concentration of credit risk in respect of the amounts due from related parties which are set out in Notes 37(d). The Group monitors the exposure to credit risk on an ongoing basis and credit evaluation is performed on each of the related parties. In order to minimize the credit risk, the Group have reviewed the recoverability of the amounts due from the related parties to ensure that follow-up action is taken timely. Therefore the Directors conclude the exposure to bad debt is not significant. Under such circumstances, the Directors consider that the Group's credit risk is not significant.

**(c) Liquidity risk**

At December 31, 2012, 2013 and 2014, the Group had net current liabilities amounting to RMB305.7 million, RMB350.6 million and RMB314.7 million, respectively. The Group is exposed to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due.

As at December 31, 2014, the balance of amount due to the related parties, which mainly consist of amount due to Bosheng Medical of RMB278.0 million, represented the payable for the transfer of the equity interest in HarMoniCare Management and Consulting by Sharp Charm and Harmonicare Medical. The intermediate shareholders and the beneficial owners of the Group injected the cash flows amounting to RMB278.0 million into the Group from January to March 2015 as the share capital and share premium to finance the obligation repayment on demand. In management of liquidity risk, the Directors monitors and maintains a reasonable level of cash and cash equivalents which deemed adequate by the Directors to finance the Group's operations and mitigate the impacts of fluctuations in cash flows. The Directors relies on the cash generated from operating activities as the main source of liquidity. For the years ended December 31, 2012, 2013 and 2014, the Group had cash generated from operating activities of approximately RMB89.6 million, RMB124.2 million, and RMB189.4 million, respectively. As such, the Directors consider the Group's liquidity risk can be mitigated.



The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	The Group			
	On demand or within one month	Over 1 month but within 3 months	Total undiscounted cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
<u>As at December 31, 2012</u>				
<b>Financial liabilities</b>				
Trade payables .....	16,674	5,501	22,175	22,175
Other payables .....	8,544	2,452	10,996	10,996
Amounts due to related parties .....	340,160	—	340,160	340,160
Total .....	<u>365,378</u>	<u>7,953</u>	<u>373,331</u>	<u>373,331</u>
	On demand or within one month	Over 1 month but within 3 months	Total undiscounted cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
<u>As at December 31, 2013</u>				
<b>Financial liabilities</b>				
Trade payables .....	14,276	7,359	21,635	21,635
Other payables .....	3,128	1,734	4,862	4,862
Amounts due to related parties .....	353,763	—	353,763	353,763
Total .....	<u>371,167</u>	<u>9,093</u>	<u>380,260</u>	<u>380,260</u>
	On demand or within one month	Over 1 month but within 3 months	Total undiscounted cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
<u>As at December 31, 2014</u>				
<b>Financial liabilities</b>				
Trade payables .....	13,418	2,946	16,364	16,364
Other payables .....	3,458	5,698	9,156	9,156
Amounts due to related parties .....	300,401	—	300,401	300,401
Total .....	<u>317,277</u>	<u>8,644</u>	<u>325,921</u>	<u>325,921</u>

	The Company			Carrying amount RMB'000
	On demand	Over	Total	
	or within	1 month but	undiscounted	
	one month	within 3 months	cash flows	
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2014				
<b>Financial liabilities</b>				
Other payables .....	4,752	—	4,752	4,752
Amounts due to related parties .....	5,257	—	5,257	5,257
Total .....	<u>10,009</u>	<u>—</u>	<u>10,009</u>	<u>10,009</u>

### *Fair value of financial instruments*

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

### **39. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, while to maximize the return to the owners of the Company through optimization of debt and equity balances. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debts (which include amounts due to related parties, net of cash and cash equivalents) and equity attributable to owners of the Company, comprising paid-in capital, other reserves and accumulated loss.

The Directors review the capital structure on a quarterly basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendation of management, the Group will balance its overall capital structure through issue of new shares, issue of new debts as well as the redemption of existing debts.

### **B. DIRECTORS' REMUNERATION**

Under the arrangements presently in force, the aggregate remuneration payable to the Directors for the year ending December 31, 2015 is estimated to be approximately RMB2.2 million.

Save as disclosed in this report, no other remuneration has been paid or is payable by the Company or any of its subsidiaries to the Directors in respect of the Track Record Period.

### **C. SUBSEQUENT EVENTS**

1. In January 2015, Mr. Ying Wei transferred all of his equity interest in Galaxy Power to Concord Glory and Concord Glory injected share capital amounting to USD6.2 million into Galaxy Power. Subsequent to the cash injection, the Company acquired 100% equity interest in Galaxy Power, and in exchange, the Company newly issued 15,724,324 ordinary shares to Concord Glory.

On January 28, 2015, Homecare transferred 40.91% of its equity interest in the Company to Honeycare, Harmony Care and Classic Symbol, which are owned by the then individual shareholders respectively.

On February 13, 2015, Concord Glory transferred its 13.66% equity interests in the Company to CDH Harmony at the consideration of USD6.4 million. Subsequent to the transfer, the Company was owned as to 37.43%, 25.48%, 13.66%, 9.84%, 8.00% and 5.58%, by Homecare, Honeycare, CDH Harmony, Harmony Care, Mighty Sky and Classic Symbol, respectively.

From February to March 2015, the total consideration of RMB240 million for subscription of the newly issued shares of the Company was fully paid by Homecare and Mighty Sky.

2. On March 5, 2015, Harmonicare Medical entered into a trademark ownership transfer agreement with Bosheng Medical, pursuant to which Bosheng Medical transferred several trademarks to Harmonicare Medical at the consideration of RMB 33.2 million.
3. On June 9, 2015, the share option scheme of the Company is conditionally approved and adopted by a resolution in writing passed by the shareholders of the Company. Further details of the share options scheme are set out in the section “Appendix VI—Statutory and General Information—D. Share Option Scheme.” No options were granted up to the date of this report.
4. Pursuant to the resolutions of the shareholders of the Company date on June 9, 2015, the Company increased its authorized share capital to HK\$1,140,000 divided into 1,140,000,000 shares of HK\$0.001 each. Immediately following the Global Offering becoming unconditional, 460,335,268 shares will be allotted and issued, credited as fully paid, to Homecare, Honeycare, CDH Harmony, Harmony Care, Mighty Sky and Classic Symbol pursuant to the capitalization issue.

#### **D. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by any of the companies now comprising the Group in respect of any period subsequent to December 31, 2014.

Yours faithfully,

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
Hong Kong

The following information does not form part of the Accountants' Report from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Reporting Accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to the owners of the Company has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, and is set forth below to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to the owners of the Company as at December 31, 2014, as if it had taken place on December 31, 2014.

This unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to the owners of the Company has been prepared for illustrative purposes only, and due to its hypothetical nature, may not give a true picture of the combined net tangible assets of the Group attributable to the owners of the Company had the Global Offering been completed as of December 31, 2014 or at any future dates. It is prepared based on the audited combined total net tangible liabilities of the Group attributable to the owners of the Company as at December 31, 2014 derived from the Accountants' Report contained in Appendix I to this prospectus, and adjusted as described below.

	Audited combined total net tangible liabilities as of December 31, 2014	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets as of December 31, 2014	Unaudited pro forma adjusted net tangible assets per share	
	RMB'000 (Note 1)	RMB'000 (Notes 2 and 4)	RMB'000	RMB (Note 3)	Equivalent to HK\$ (Note 4)
Based on an Offer Price of HK\$6.80 per share . . . . .	(101,472)	962,560	861,088	1.12	1.42
Based on an Offer Price of HK\$7.55 per share . . . . .	(101,472)	1,072,636	971,164	1.27	1.60

*Notes:*

- The audited combined total tangible assets less liabilities of the Group attributable to the owners of the Company as at December 31, 2014 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited combined net liabilities of the Group attributable to the owners of the Company as of December 31, 2014 of approximately RMB97.3 million less the intangible assets of the Group attributable to the owners of the Company as at December 31, 2014 of approximately RMB4.2 million.
- The estimated net proceeds from the Global Offering are based on 191,810,000 Offer Shares at the indicative Offer Price of HK\$6.80 (equivalent to RMB5.36) and HK\$7.55 (equivalent to RMB5.96) per Offer Share, respectively after deduction of total estimated underwriting commissions and fees and other listing related expenses (excluding approximately RMB7.4 million listing expenses which has been charged to profit or loss up to December 31, 2014) paid or payable by the Company, and takes no account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option; any shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any shares which may be issued or repurchased by the Company pursuant to the general mandates granted to our Directors.

3. The unaudited pro forma adjusted combined net tangible assets of the Group per share is arrived at after making the adjustments referred to in note (2) above and on the basis of 767,229,085 shares in total, which include: (i) 99,359,493 shares in issue as at December 31, 2014; and assuming that (ii) the issuance of 15,724,324 shares of the Company to Concord Glory in January 2015; (iii) 460,335,268 shares to be allotted and issued, credited as fully paid, to Homecare, Honeycare, CDH Harmony, Harmony Care, Mighty Sky and Classic Symbol pursuant to the capitalization issue immediately following the Global Offering becoming unconditional; (iv) 191,810,000 shares to be issued pursuant to the Global Offering, had been completed on December 31, 2014. It does not take into account of any shares which may be issued upon the exercise of the Over-allotment Option, any shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any shares which may be issued or repurchased pursuant to our Company's general mandate.
4. For the purpose of the estimated net proceeds from the Global Offering and the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per share, the amount denominated in Hong Kong dollars has been converted to Renminbi, or vice versa, at the rate of HK\$1 to RMB0.7889. No representation is made that the HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or at all.
5. Except for the issuance of shares as aforementioned in note 3 above, no adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at December 31, 2014 to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2014.

**B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

**Deloitte.**  
**德勤**

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF HARMONICARE MEDICAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Harmonicare Medical Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at December 31, 2014 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated June 25, 2015 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at December 31, 2014 as if such event had taken place at December 31, 2014. 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 three years ended December 31, 2014, on which an accountant's report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the 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").

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 (“HKSAE”) 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 comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 event or transaction at December 31, 2014 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

The engagement also involves evaluating the overall presentation of the 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 pro forma financial information has been properly compiled 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
Hong Kong  
June 25, 2015



*The following discussion is a summary of certain anticipated tax consequences of our operations and of an investment in the shares under PRC income tax laws and Hong Kong tax laws. The discussion does not address all possible tax consequences relating to the Company's operations or to an investment in the Shares. In particular, the discussion does not address tax consequences under tax laws of jurisdictions other than Hong Kong and PRC. Accordingly, each prospective investor should consult a tax adviser regarding the tax consequences of an investment in the Shares. The discussion is based upon law and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change.*

## **PRC TAXATION**

### **Enterprise Income Tax**

On January 1, 2008, the *Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得稅法》) came into effect; income derived from the PRC by enterprises or other organizations is subject to a unified enterprise income tax rate of 25%.

### **Business Tax**

Pursuant to the *Interim Regulations of the People's Republic of China on Business Tax* (《中華人民共和國營業稅暫行條例》) promulgated on December 13, 1993 and amended on November 10, 2008, business tax is imposed on enterprises which provide taxable services, transfer intangible property or sell real estate in the PRC. The business tax is levied at a rate from 3% to 20% on the provision of taxable services, transfer of intangible property or sale of real estate in the PRC.

### **Value Added Tax**

According to the *Interim Regulations of the People's Republic of China on Value-added Tax* (《中華人民共和國增值稅暫行條例》) promulgated on December 13, 1993 and amended on November 10, 2008, VAT is payable on the sale or import and export of goods and the provision of processing and repairing services in the PRC. VAT is generally levied at a rate of 17% in the PRC, however a rate of 13% is applicable to the sale or import of certain categories of goods and a rate of 0% is applicable to the export of goods except as otherwise provided by the State Council.

### **Dividends from our China operation**

According to the *Enterprise Income Tax Law of the People's Republic of China and Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得稅法實施條例》) promulgated on December 6, 2007 and effective on January 1, 2008, dividends payable by foreign-invested enterprises established in the PRC to their foreign investors that are not regarded as PRC resident for tax purposes are subject to a withholding tax of 10%, unless otherwise provided in accordance with tax treaties between the jurisdiction of such foreign investor and the PRC.

According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) promulgated and effective on

August 21, 2006, the dividend withholding tax rate may be reduced to 5%, if a Hong Kong resident enterprise is considered to be a non-PRC resident enterprise and holds at least 25% of the equity interests in the PRC enterprise distributing the dividends, subject to approval of the PRC local tax authority. However, if the Hong Kong resident enterprise is not considered to be the beneficial owner of such dividends under applicable PRC tax regulations, such dividends may remain subject to withholding tax at a rate of 10%.

## **HONG KONG TAXATION**

### **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.

### **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.

### **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.

## **CAYMAN ISLANDS 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:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from September 9, 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 a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

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.

#### **FOREIGN EXCHANGE CONTROL IN THE PRC**

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. The SAFE, under the authority of the PBOC, administers all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations. For more details of the foreign exchange regulations and policies in the PRC, see “Summary of Principal Legal and Regulatory Provisions—Legal Supervision Over Foreign Exchange in China” in Appendix IV to this prospectus.

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

- those relating to the reform of medical institutions and that affect our ability to implement our current business strategy to expand our hospital network;
- those relating to the administration and classification of medical institutions, supervision over pharmaceuticals in medical institutions, medical equipment and treatment, medical personnel, environmental protection, and labor protection and that regulate our day-to-day operations and affect our compliance costs;
- those relating to medical malpractice and that have an effect on our potential liabilities arising from day-to-day operations;
- those relating to foreign investment in China and that regulate the ability of our Company, as a foreign company, to conduct business in China; and
- those relating to taxation and foreign exchange matters and that have an impact on our results of operations and business.

For more details on how these regulations may affect our current and future businesses, see “Industry Overview—Overview of the Hospital Market in China” and “Risk Factors—Risks Related to Our Business and Industry—Adverse changes in China’s regulatory regime for the healthcare service industry, particularly changes in healthcare reform policies, could have a material adverse effect on our business.”

## **LAWS AND REGULATIONS RELATED TO THE HEALTHCARE SERVICES SECTOR IN CHINA**

### **Categories of Medical Institutions in China**

Medical institutions in China can be divided into three main categories: public not-for-profit medical institutions, private not-for-profit medical institutions and private for-profit medical institutions. These categories have different registered business nature and apply different financial, tax, pricing and accounting standards. Public not-for-profit medical institutions, including those invested in by the government and military, are eligible for financial subsidies from governments, while private not-for-profit and private for-profit medical institutions are not. Both public not-for-profit and private not-for-profit medical institutions are required to charge healthcare service fees within a range stipulated by the relevant governmental price control authorities, to implement financial and accounting systems in accordance with standards promulgated by government authorities and to retain profits for their continued development. For-profit medical institutions are permitted to charge healthcare service fees in accordance with market practice, to implement financial and accounting systems in accordance with market practice for business enterprises and to distribute profits to their shareholders.

**Regulations on the Reform of Medical Institutions*****Opinions on Promoting Further Reform of the Healthcare System***

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

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

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

***Several Opinions on Promoting the Development of Healthcare Service Industry***

Several Opinions on Promoting the Development of Healthcare Service Industry (國務院關於促進健康服務業發展的若干意見) (the “2013 Opinions”) was promulgated by the State Council on September 28, 2013. The 2013 Opinions encourage the private capital to invest in the healthcare service

industry by various means including new establishment and participation in restructuring, and also encourage private capital investment in not-for-profit medical institutions for provision of basic health care services. The 2013 Opinions proposes the idea of the relaxation of the requirements for sino-foreign equity joint or cooperative joint medical institutions and expand eligibility in the pilot program for wholly foreign-invested medical institutions.

#### ***Decision on Several Important Issues relating to Promoting Overall Reform***

The Decision on Several Important Issues relating to Promoting Overall Reform (中共中央關於全面深化改革若干重大問題的決定) (the “2013 Decision”), which was promulgated by the Central Committee of the Communist Party of China on November 12, 2013, encourages private investors to invest in under-funded service industries and participate in the restructuring of public hospitals by various means. The 2013 Decision also permits physicians to practice in multiple medical institutions, and allows private-invested medical institutions to be included in the medical insurance system.

#### ***Several Opinions on Accelerating the Development of Medical Institutions with Private Capital***

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

#### ***Opinions on Innovating the Investment and Financing Mechanisms in Key Areas and Encouraging Private Investment***

Opinions on Innovating the Investment and Financing Mechanisms in Key Areas and Encouraging Private Investment (國務院關於創新重點領域投融資機制鼓勵社會投資的指導意見) (the “2014 Opinions”), which were promulgated on November 16, 2014 by the State Council, encourage the investment of private capital in certain key sectors. The 2014 Opinions stipulate that the PRC government will continue to (i) promote the restructuring of eligible public medical institutions with the participation of private capital; (ii) encourage private capital to enter the healthcare sector by means such as sole proprietorships, joint ventures, cooperative ventures, joint operations and leasing; (iii) improve the implementation of preferential tax policies and exemption policies of administrative and institutional fees for the construction of not-for-profit medical institutions, and policies to reduce by half the administrative and institutional fees for the construction of for-profit medical institutions; (iv) implement the same pricing policy with regard to the utilization of electricity, water, gas and heat by both public and private medical institutions, and relax the price control over the services provided by the private medical institutions.

**Regulations on the Administration and Classification of Medical Institutions*****Administrative Measures on Medical Institutions and the Medical Institution Practicing License***

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

***Law on Maternal and Infant Healthcare and Its Implementation Measures***

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

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

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

***The Classification of Medical Institutions***

The Interim Measures for the Assessment of Hospitals (醫院評審暫行辦法) and the Measures for the Assessment of Medical Institutions (醫療機構評審辦法), which were promulgated by the NHFPC on September 21, 2011 and July 21, 1995 respectively, stipulate that medical institutions in China are graded into three levels (Grade I, II and III) and three sub-levels (A, B, C) based on the assessment of competent authorities. The highest standard is Grade IIIA (三級甲等). Under the relevant regulations, each hospital will be assessed once every four years. The NHFPC and its Hospital Assessment Committee are responsible for conducting all hospital assessments in China.

***Opinions on Implementing Classification Administration of Urban Medical Institution***

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

**Regulations on Medical Insurance for Urban Employees**

The Interim Measures for the Administration of the Designated Medical Institutions of the Basic Medical Insurance for Urban Employees (城鎮職工基本醫療保險定點醫療機構管理暫行辦法), which was jointly promulgated by the Ministry of Human Resources and Social Security, the NHFPC and State Administration of Traditional Chinese Medicine on May 11, 1999, set out that, medical institutions, which provide medical services to urban employees with basic medical insurance, shall obtain the Certificate of the Designated Medical Institutions of the Basic Medical Insurance from the labor and social security regulatory authorities upon the examination of such authorities.

**Regulations on the Supervision over Pharmaceuticals in Medical Institutions*****Measures for the Supervision and Administration of Pharmaceuticals in Medical Institutions (for Trial Implementation)***

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

***Administrative Measures for the Control of Radioactive Pharmaceuticals***

The Administrative Measures for the Control of Radioactive Pharmaceuticals (放射性藥品管理辦法), which were promulgated by the State Council and came into effect on January 13, 1989 and revised on January 8, 2011, require medical institutions to comply with relevant national regulations and rules concerning radioisotope health protection when using radioactive pharmaceuticals. Any medical institution that wants to use radioactive pharmaceuticals must obtain a License for the Use of Radioactive



Pharmaceuticals from the public security departments, the environmental protection departments and the public health departments at provincial, regional or municipal levels, as applicable. The License for the Use of Radioactive Pharmaceuticals is valid for five years and is of varying grades based on the technical skill and professional level of the radiological personnel and the equipment of the medical institution. In addition, before a medical institution holding a License for the Use of Radioactive Pharmaceuticals commences the preparation of radioactive materials for clinical use, it must submit an application to the health administration department at the provincial, regional or municipal level for approval and complete filing procedures with the NHFPC.

#### ***Regulations on the Administration of Narcotic Pharmaceuticals and Psychotropic Substances***

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

#### ***Administrative Measures on the Radiotherapy***

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

#### ***Regulations on the Safety Management of Oxygen Chambers for Medical Usage***

The Regulations on the Safety Management of Oxygen Chambers for Medical Usage (醫用氧艙安全管理規定), which were jointly promulgated by the State Bureau of Quality and Technical Supervision (which was subsequently reorganized into the General Administration of Quality Supervision, Inspection and Quarantine (中華人民共和國國家質量監督檢驗檢疫總局), or the “AQSIQ”) and the NHFPC on September 18, 1999 and came into effect on January 1, 2000, stipulate that medical institutions with a Medical Institutions Practicing License are permitted to use oxygen chambers for medical purposes, such as air compression chambers, oxygen chambers and the multi-functional loading pressure cabins for hyperbaric oxygenation. Before the purchase of an oxygen chamber, medical institutions must apply to the competent public health administrative authority where the medical institution is located and obtain an

approval for the Installation of Oxygen Chamber for Medical Usage from the provincial public health administrative. Before the oxygen chamber is brought into operation, the medical institution should register with the local AQSIQ branch where the medical institution is located and obtain a License for the Use of an Oxygen Chamber for Medical Usage. Medical institutions are also required to arrange annual and triennial examinations in accordance with the relevant regulations and rules.

### **Laws and Regulations on Medical Personnel of Medical Institutions**

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

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

#### ***The Notice on Issues Concerning Physicians who Practice at Multiple Medical Institutions***

The Notice on Issues Concerning Physicians who Practice at Multiple Medical Institutions (衛生部關於醫師多點執業有關問題的通知), which was promulgated by the NHFPC on September 11, 2009 and came into effect on the same date, provides that a classification administration system shall be implemented for physicians' practices at multiple medical institutions. Physicians can practice at cooperative medical institutions after performing relevant record-filing procedures with the authorities with which the physicians' Medical Institution Practicing Licenses are registered. The local NHFPC shall implement its policies for physicians who practice at multiple medical institutions after being approved by NHFPC.

On July 12, 2011, the Notice of the General Office of NHFPC on Expanding the Pilot Scheme for Physicians who Practice at Multiple Medical Institutions (衛生部辦公廳關於擴大醫師多點執業試點範圍的通知) further relaxed the regulation on physicians' practices at multiple medical institutions and expands its trial areas. Qualified physicians in the pilot areas can apply for up to three medical institutions at which to practice. Physicians who apply for practicing at multiple medical institutions shall achieve the permission from their first practicing medical institution and approval of the local health administrative departments.

Several Opinions on Accelerating the Development of Medical Institutions with Private Capital (關於加快發展社會辦醫的若干意見), which were promulgated on December 30, 2013 by NHFPC and the State Administration of Traditional Chinese Medicine, specifically stipulate that physicians shall be permitted to practice at multiple medical institutions and relevant authorities should provide favorable support for the orderly movement of medical personnel.

#### ***Regulations on Nurses***

The Regulations on Nurses (護士條例), which were promulgated by the State Council on January 31, 2008 and came into effect on May 12, 2008, provide that a nurse must obtain a nurse's Practicing

Certificate, which is valid for five years. The number of nurses on staff at a medical institution shall not be less than the standard number as prescribed by the competent public health administrative authorities.

### **Laws and Regulations on Medical Malpractice**

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

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

#### ***Contract Law of the People's Republic of China***

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

#### ***Tort Liability Law of the People's Republic of China***

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

#### ***Regulations on Handling Medical Malpractice***

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

### **Regulations on Medical Advertising in China**

#### ***Advertisement Law of the People's Republic of China***

The Advertisement Law of the People's Republic of China (中華人民共和國廣告法) (the "Advertisement Law"), which was promulgated by the Standing Committee of NPC on October 27, 1994

and came into effect on February 1, 1995, provides that advertisements shall not contain false statements and be deceitful or misleading to consumers. Advertisements legally required to receive censorship, including those that are relating to pharmaceuticals and medical devices, shall be reviewed by relevant authorities in accordance with relevant rules before being distributed by broadcasting, movies, television, newspapers, journals or otherwise. The Advertisement Law was amended by the Standing Committee of the NPC on April 24, 2015 and will take effect on September 1, 2015. The amended Advertisement Law further stipulates that any advertisement for medical treatment, pharmaceuticals or medical devices shall not contain: (i) any assertion or guarantee for efficacy and safety; (ii) any statement on cure rate or effective rate; (iii) any comparison with the efficacy and safety of other pharmaceuticals or medical devices or with other medical institutions; (iv) any use of endorsements or testimonials; or (v) other items as prohibited by laws and administrative regulations.

#### *Administrative Measures on Medical Advertisement*

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

#### **Regulations on Environmental Protection related to Medical Institutions**

##### *Regulations on the Management of Medical Waste and its implementation measures*

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

##### *Regulations on Urban Drainage and Sewage Treatment*

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

**Laws and Regulations on Pharmaceutical Distribution*****Pharmaceutical Administration Law of the People's Republic of China and its Implementation Regulations***

The Pharmaceutical Administration Law of the People's Republic of China (中華人民共和國藥品管理法) (the "Pharmaceutical Administration Law"), which was promulgated by the Standing Committee of the NPC on September 20, 1984, revised respectively on February 28, 2001 December 28, 2013 and April 24, 2015, sets forth the regulatory framework governing pharmaceutical manufacturers, pharmaceutical distributors, pharmacies in medical institutions, and the packaging, pricing, advertising and the inspection of pharmaceuticals. The Pharmaceutical Administration Law also provides specific regulations on the relevant licenses and approvals required for pharmaceutical manufacturing and related operating activities.

The Regulations for the Implementation of the Pharmaceutical Administration Law of the People's Republic of China (中華人民共和國藥品管理法實施條例) (the "Regulations for the Implementation of the Pharmaceutical Administration Law"), which were promulgated by the State Council on August 4, 2002, came into effect on September 15, 2002 revised on December 28, 2013, provide detailed implementing measures of the Pharmaceutical Administration Law.

Pursuant to the Pharmaceutical Administration Law and the Regulations for the Implementation of the Pharmaceutical Administration Law, the establishment of enterprises engaged in the pharmaceutical wholesale or retail business requires the approval of the relevant pharmaceutical regulatory departments, and such enterprises are required to obtain a Pharmaceutical Distribution Certificate (藥品經營許可證). The term of validity of a Pharmaceutical Distribution Certificate is five years. Pharmaceutical distributors must keep authentic and complete records of the procurement and sales of pharmaceuticals. Medical institutions are subject to the examination and permission of the competent public health authorities in the dispensing of pharmaceutical preparations and must obtain the Pharmaceutical Preparation Certificate for Medical Institutions (醫療機構制劑許可證) issued by the relevant pharmaceutical regulatory authorities. The term of validity of the Pharmaceutical Preparation Certificate for Medical Institutions is five years. The pharmaceutical preparations shall not be advertised or marketed in any form.

***Administrative Measures on Pharmaceutical Distribution Certificates***

The Administrative Measures on Pharmaceutical Distribution Certificates (藥品經營許可證管理辦法), which were promulgated on February 4, 2004 and came into effect on April 1, 2004 by the CFDA, set out the application requirements and procedures, the changes and renewal of, and the supervision and inspection over, Pharmaceutical Distribution Certificates. The CFDA and its local branches are responsible for the approval and issuance of the Pharmaceutical Distribution Certificates and the supervision over both Pharmaceutical Distribution Certificates and pharmaceutical distribution enterprises.

***Guidelines on Good Supply Practices for Pharmaceutical Products and the Administrative Measures for Certification thereof***

The Guidelines on Good Supply Practices for Pharmaceutical Products (藥品經營質量管理規範), which were promulgated by the NHFPC on January 22, 2013 and came into effect on June 1, 2013, and the

Administrative Measures for the Certification of the Good Supply Practice for Pharmaceutical Products (藥品經營質量管理規範認證管理辦法), which were promulgated by the CFDA on April 24, 2003, provide that each retail or wholesale operator of pharmaceutical products must conduct business in accordance with the Good Supply Practices for Pharmaceutical Products, which comprise a set of quality guidelines for operations related to pharmaceutical products, and obtain the Good Supply Practices for Pharmaceutical Products Certificate (the “GSP Certificate”) which is valid for five years and may be extended three months prior to its expiration upon a re-examination by the relevant authority.

#### ***Administrative Measures on the Supervision of the Distribution of Pharmaceutical Products***

The Administrative Measures on the Supervision of the Distribution of Pharmaceutical Products (藥品流通監督管理辦法), which were promulgated by the CFDA on January 31, 2007 and came into effect on May 1, 2007, govern the procurement and sales of pharmaceutical products by pharmaceutical manufacturers and distribution enterprises as well as the procurement and storage of pharmaceutical products by medical institutions.

#### ***Regulations on Prescription Pharmaceuticals and Non-prescription Pharmaceuticals***

The Measures for the Classification and Administration of Prescription Pharmaceuticals and Non-prescription Pharmaceuticals (For Trial Implementation) (處方藥與非處方藥分類管理辦法 (試行)), which were promulgated by the CFDA on June 18, 1999 and came into effect on January 1, 2000, set forth the basic system for the classification and administration of prescription pharmaceuticals and non-prescription pharmaceuticals. Enterprises engaging in the wholesale distribution of prescription and non-prescription pharmaceuticals and enterprises engaging in the retail of prescription and type-A non-prescription pharmaceuticals should obtain a Pharmaceutical Distribution Certificate.

The Interim Measures on the Distribution of Prescription Pharmaceuticals and Nonprescription Pharmaceuticals (處方藥與非處方藥流通管理暫行規定), which were promulgated by the CFDA on December 28, 1999 and came into effect on January 1, 2000, set forth further rules for the administration of the distribution of prescription and non-prescription pharmaceuticals.

#### ***Regulations on Centralized Pharmaceutical Procurement by Medical Institutions***

The Opinions on Further Regulating Centralized Pharmaceutical Procurement by Medical Institutions (進一步規範醫療機構藥品集中採購工作的意見), which were promulgated by the NHFPC on January 17, 2009 and the Interpretations of Issues Related to the Opinions on Further Regulating Centralized Pharmaceutical Procurement by Medical Institutions (關於進一步規範醫療機構藥品集中採購工作的意見有關問題的說明), which were jointly promulgated by the NHFPC and other five departments on June 19, 2009, as well as the Standards of Centralized Pharmaceutical Procurement Work for Medical Institutions (醫療機構藥品集中採購工作規範) jointly promulgated by the NHFPC and other five departments on July 15, 2010, stipulate that the general framework and detailed operational procedures with respect to the centralized pharmaceutical procurement mechanism under which not-for-profit medical institutions established by governments or state-owned enterprises are required to procure pharmaceuticals through the non-profit centralized pharmaceutical procurement platform organized by the competent governmental

authorities. Medical institutions of other forms, such as for-profit medical institutions, are also encouraged to participate in the centralized pharmaceutical procurement system.

The Guiding Opinions of the General Office of the State Council on Improving Centralized Procurement of Drugs for Public Hospitals (國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見), which were promulgated on February 9, 2015, set forth rules in relation to the classified procurement of pharmaceutical products by public hospitals and the strengthening of pharmaceutical products delivery management. In addition, the guiding opinions instruct public hospitals to improve management over pharmaceutical supply agreements and the payments for pharmaceutical products. In particular, public hospitals are encouraged to settle their procurement directly with pharmaceutical manufacturers and payments shall be made within 30 days upon satisfactory inspection after delivery.

Pursuant to the Opinions on Further Regulating the Price of Pharmaceuticals and Healthcare Services (關於進一步整頓藥品和醫療服務市場價格秩序的意見), which were jointly promulgated by the NDRC and other departments on May 19, 2006, the profit margin of the pharmaceuticals subject to government pricing sold by medical institutions shall not exceed 15% of the actual procurement cost of such pharmaceuticals, and the profit margin of ready-for-use Chinese herbs shall not exceed 25%.

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

## **Regulations on Medical Devices**

### ***Regulations on the Supervision and Administration of Medical Devices***

The Regulations on the Supervision and Administration of Medical Devices (醫療器械監督管理條例) (the “Regulations on Medical Devices”), which were promulgated by the State Council on January 4, 2000, amended on March 7, 2014 and came into effect on June 1, 2014, regulate the management of medical device manufactures and the supervision, distribution and use of medical devices as well as relevant legal obligations. Pursuant to the Regulations on Medical Devices, the government shall implement a product registration system for the production of medical devices. Enterprises to be established for marketing Class I medical devices are not required to file a record or obtain approval. Enterprises to be established for marketing Class II medical devices shall file a record with the competent pharmaceutical regulatory

department. Enterprises to be established for marketing Class III medical devices shall be examined and approved by the competent pharmaceutical regulatory department and obtain a Medical Device Marketing Enterprise License (醫療器械經營許可證). The term of validity of a Medical Device Marketing Enterprise License is five years.

#### *Measures on the Supervision and Administration of the Operation of Medical Devices*

The Measures on the Supervision and Administration of the Operation of Medical Devices (醫療器械經營監督管理辦法), which was promulgated by the CFDA on July 30, 2014 and came into effect on October 1, 2014, stipulate the specific regulations over the application requirements and procedures, change and renewal of the Medical Device Marketing Enterprise License and relevant supervision, examination and legal responsibilities. The municipal branches of CFDA are responsible for the approval and issuance of the Medical Device Marketing Enterprise License and the supervision over these license holders.

### **LAWS AND REGULATIONS RELATED TO FOREIGN INVESTMENT IN CHINA**

#### **Company Law of the People's Republic of China**

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

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

The Wholly Foreign-Owned Enterprise Law of the People's Republic of China (中華人民共和國外資企業法), which was promulgated by the Standing Committee of the NPC on October 31, 2000 and came into effect on the same day, and the Implementation Measures for the Wholly Foreign-Owned Enterprise Law (中華人民共和國外資企業法實施細則), which were promulgated by the State Council on April 12, 2001, and came into effect on the same day and was amended on February 19, 2014 and came into effect on March 1, 2014, stipulate foreign enterprises and other economic organizations or individuals may establish wholly foreign-owned enterprises ("WFOEs") in China. The establishment of a WFOE is subject to the examination and approval by the competent commercial departments before an Approval Certificate (批准證書) is issued.

#### **Interim Provisions on Investment Made by Foreign-Invested Enterprises in China**

The Interim Provisions on Investment Made by Foreign-Invested Enterprises in China (關於外商投資企業境內投資的暫行規定), which were jointly promulgated by MOFCOM and the State Administration of Industry and Commerce on July 25, 2000 and came into effect on September 1, 2000, stipulate that the provisions of the Interim Provisions Guiding Foreign Investment Direction and the Industry Catalogue for Guiding Foreign Investment will govern foreign-invested enterprises' investment in



China. Foreign-invested enterprises are not permitted to invest in any sector prohibited to foreign investment. Where a foreign-invested enterprise makes investment in a restricted sector, the foreign-invested enterprise must file an application with the provincial commercial department of the place where the investee company is located. The relevant company registration authority will, in accordance with the relevant provisions of the Company Law and the Regulations on the Administration of Company Registration of the People's Republic of China (中華人民共和國公司登記管理條例), decide whether to approve the registration or not. If the registration is approved, a Business License of an Enterprise Legal Person will be issued with the designation "Invested by a Foreign-Invested Enterprise" added. The foreign-invested enterprise is required to report the establishment of the investee company within 30 days of the date of its establishment to the original examination and approval authority for record-filing.

### **Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors**

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定) (the "M&A Rules"), which were jointly promulgated by the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC, and the SAFE on August 8, 2006, came into effect on September 8, 2006 and subsequently amended on June 22, 2009, require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by relevant commerce authorities.

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

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

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

The Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (中外合資、合作醫療機構管理暫行辦法), which were promulgated by MOFCOM on May 15, 2000 and came into effect on July 1, 2000, allow foreign investors to partner with Chinese medical entities to establish a medical institution in China by means of equity joint venture or cooperative joint venture. Establishment of an equity joint venture or cooperative joint venture shall meet

certain requirements, including that the total investment sum must not be less than RMB20 million, and that the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. Establishment of an equity joint venture or cooperative joint venture shall be subject to approval by relevant authorities.

#### **Notice on Further Encouraging and Guiding Private Capital to Invest in Medical Institutions**

Pursuant to Order No. 58, foreign investors are permitted to establish for-profit or not-for-profit medical institutions in China as foreign-invested projects. Overseas medical institutions, enterprises and other economic organizations are permitted to establish medical facilities together with domestic medical institutions, enterprises or other economic organizations in the form of equity or cooperative joint ventures, and the restrictions on equity proportion for foreign capital will be gradually removed. A pilot program will be introduced and gradually expanded to permit eligible foreign investors to establish wholly foreign owned medical institutions.

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

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

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

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

**LAWS AND REGULATIONS RELATED TO LABOR PROTECTION IN CHINA****Labor Law of the People's Republic of China**

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

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

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

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

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

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

## LAWS AND REGULATIONS RELATED TO TAXATION IN CHINA

### Enterprise Income Tax

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

According to the Notice on Strengthening the Administration of Enterprises Income Tax on Income From Transfers of Equity Interests by Non-resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) which was promulgated by the SAT on December 10, 2009 with retroactive effect from January 1, 2008, and the Announcement of the SAT on Several Issues concerning the Administration of Income Tax on Non-Resident Enterprises (國家稅務總局關於非居民企業所得稅管理若干問題的公告), which was promulgated by the SAT on March 28, 2011, in the event that a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly through disposing of the equity interests of an overseas holding company, and the actual tax imposed on the capital gain from the equity transfer is lower than 12.5%, or the jurisdiction in which the overseas holding company is established excludes foreign-sourced capital gain income, the foreign investor shall report this indirect transfer to the competent tax departments of the PRC. Under the substance over form principle, PRC tax departments may disregard the existence of the overseas holding company if such company lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of 10% and the foreign investor may be subject to penalty for any late tax payment.

**Withholding Tax and International Tax Treaties**

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

Pursuant to the Notice on the Several Issues of the Implementation of Tax Treaty (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated by the SAT and came into effect on February 20, 2009, the non-resident taxpayer or the withholding agent is required to obtain and keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty if the main purpose of an offshore transaction or arrangement is to obtain a preferential tax treatment.

Pursuant to the Trial Administrative Measures on Non-residents to Enjoy the Treatment Under Tax Treaties (非居民享受稅收協定待遇管理辦法(試行)的通知), which were promulgated by the SAT on August 24, 2009 and came into effect on October 1, 2009, and the Supplemental Notice on Several Issues of the Trial Administrative Measures on Non-residents to Enjoy the Treatment Under Tax Treaties (關於「非居民享受稅收協定待遇管理辦法(試行)」有關問題的補充通知), which was promulgated by on June 21, 2010, a non-resident enterprise subject to taxation is required to obtain approval from the relevant tax administration department before it may enjoy a tax reduction or exemption under the dividend provision of a tax treaty.

**Business Tax**

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

**Value-added Tax**

The Temporary Regulations on Value-added Tax (增值稅暫行條例), which were promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and amended on November 10, 2008 and came into effect on January 1, 2009, and the Detailed Implementing Rules of the Temporary

Regulations on Value-added Tax (增值稅暫行條例實施細則), which were promulgated by the MOF and became effective on December 25, 1993, and were amended on December 15, 2008 and October 28, 2011, set out that all taxpayers selling goods or providing processing, repairing or replacement services and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling or importing various goods and on taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

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

The Notice on Relevant Tax Policies on Medical and Health Institutions (關於醫療衛生機構有關稅收政策的通知), which was promulgated by the MOF and the SAT on July 10, 2000 and came into effect on the same date, provides that incomes of for-profit medical institutions are taxable in accordance with relevant rules. Nevertheless, for-profit medical institutions are granted a three years' tax holiday commencing from the issuance of practice license if the profit is directly used for improving the medical and health conditions, during which: (1) self-produced preparations for self-use by for-profit medical institutions are exempted from value-added tax and (2) properties, land and vehicles for self-use by for-profit medical institutions are exempted for property tax, urban land use tax and vehicle use tax. Pharmaceutical retail enterprises spun-off from drug stores of for-profit medical institutions shall subject to applicable taxations.

#### LEGAL SUPERVISION OVER FOREIGN EXCHANGE IN CHINA

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

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

On July 4, 2014, the SAFE issued Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or Circular 37, which has replaced Circular 75, and states that (i) a PRC resident, including a PRC resident natural person or a PRC legal person, shall register with the local branch of the SAFE before it contributes the assets of or its equity interest into a special purpose vehicle for the purpose of investment and financing, and (ii) when the special purpose vehicle undergoes change of basic information, such as change of a PRC resident natural person shareholder, name or operating period, or a material event, such as change in share capital of a PRC resident natural person, merger or split, the PRC resident shall register such change with the local branch of the SAFE timely.

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

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 26, 2014 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were adopted on June 9, 2015. The following is a summary of certain provisions of the Articles:

### **(a) Directors**

- (i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.



Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments 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 be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the

board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not 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 close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) 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; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or

may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not 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 shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the 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; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles 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 authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of

the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with



generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so 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 in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may 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, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of

shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be

entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, 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 in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether

on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(p) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) 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 of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall

be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation 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.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and 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 *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members 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 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 the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three

in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) 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 of the Company for an amount equal to such net proceeds.

**(u) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Operations**

As an exempted company, the Company's 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 amount of its authorized share capital.

**(b) Share capital**

The 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 premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (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) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the

company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of 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 business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any 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).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person 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 acting 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.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution 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 issued shares of the company other than shares held as treasury 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.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the 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 2(m) above for further details).

**(f) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative 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 and the wrongdoers are themselves in control of the

company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must 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.

**(g) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) 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.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from September 9, 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 a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) 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.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company will have no general right under the 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.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the 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. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of

members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) **Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

**(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the 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.

**(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(q) 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 court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "—2. Documents available for inspection" in Appendix VII. 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 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 Islands Companies Law as an exempted company with limited liability on August 26, 2014. We have established a principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on February 9, 2015 under the same address. Ms. Ng Sin Yee, Clare and Ms. Siy Ling Lung have been appointed as our agents for the acceptance of service of process and notices on our behalf in Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the Cayman Islands Companies Law and to our Memorandum and the Articles of Association. A summary of certain provisions of our Memorandum and the Articles of Association and relevant aspects of the Cayman Islands Companies Law is set out in Appendix V to this prospectus.

**2. Changes in our share capital**

As of the date of our incorporation, our authorized share capital is HK\$380,000 divided into 380,000,000 Shares of nominal value of HK\$0.001 each. The following sets out the changes in our share capital since our incorporation:

On August 26, 2014, our Company issued and allotted one Share to the initial subscriber Ms. Sharon Pierson at HK\$0.001 per Share and such one Share was transferred to Homecare on the same day.

On December 25, 2014, additional 90,152,787 Shares and 9,206,705 Shares were allotted and issued to Homecare and Mighty Sky, respectively, for a consideration of RMB217,770,990 and RMB22,237,528, respectively, which were determined with reference to the valuation of HarMoniCare Management and Consulting as of August 31, 2014 conducted by an independent professional valuer. As a result, Homecare and Mighty Sky held 90,152,788 Shares and 9,206,705 Shares, respectively, in our Company.

On January 28, 2015, Concord Glory subscribed for 15,724,324 newly issued ordinary Shares of our Company, at the consideration of all the issued and outstanding shares of Galaxy Power at the time. As a result, Galaxy Power became our wholly-owned subsidiary, and Concord Glory held 15,724,324 Shares in our Company.

On January 28, 2015, Homecare transferred 25.48%, 9.84% and 5.58%, respectively, of its equity interests in our Company to Honeycare, Harmony Care and Classic Symbol, at a consideration of RMB70.8 million, RMB27.4 million and RMB15.5 million, respectively, which were determined with reference to the valuation of HarMoniCare Management and Consulting as of August 31, 2014 conducted by an independent professional valuer. As a result, Honeycare, Harmony Care and Classic Symbol held 29,327,569 Shares, 11,326,795 Shares and 6,416,946 Shares, respectively, of our Company.

On February 13, 2015, Concord Glory transferred its 13.66% equity interest in our Company to CDH Harmony, at a consideration of USD6,383,680, which was determined with reference to the valuation

of HarMoniCare Management and Consulting conducted by an independent professional valuer. The payment of the consideration was made on March 2, 2015. As a result, CDH Harmony held 15,724,324 Shares of our Company.

On June 9, 2015, pursuant to the resolutions in writing of our Shareholders, our authorized share capital was increased to HK\$1,140,000 divided into 1,140,000,000 shares of HK\$0.001 each.

The following change in the share capital of our Company will take place after the date of this prospectus:

- immediately following the Global Offering becoming unconditional, 460,335,268 Shares will be allotted and issued, credited as fully paid, to Homecare, Honeycare, CDH Harmony, Harmony Care, Mighty Sky and Classic Symbol pursuant to the Capitalization Issue.

Immediately following completion of the Capitalization Issue and the Global Offering but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, our issued share capital will be HK\$767,229.085 divided into 767,229,085 Shares, all fully paid or credited as fully paid.

Save as disclosed in this Appendix, there has been no alteration in our share capital preceding the date of this prospectus.

### **3. Changes in the share capital of our subsidiaries**

Our subsidiaries are set out in the Accountants' Report set out in Appendix I to this prospectus. The following alterations in the share capital or registered capital (as the case may be) of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

- The registered capital of HarMoniCare Management and Consulting was increased from RMB50,000,000 to RMB250,000,000 on August 25, 2014.
- The registered capital of Beijing HAD was increased from RMB500,000 to RMB50,000,000 on March 13, 2015.

### **4. Resolutions in writing of our Shareholders**

At an extraordinary general meeting of the Company held on June 9, 2015, among other things, the following resolutions were passed by the Shareholders of the Company:

- (i) the authorized share capital of the Company was increased to HK\$1,140,000 divided into 1,140,000,000 Shares of HK\$0.001 each;
- (ii) the amendment to the Memorandum and Articles of Association in respect of the change of composition of the Board for purpose of compliance with relevant provisions under the Listing Rules;
- (iii) the issue by the Company of the Shares of nominal value of HK\$0.001 each up to 210,810,000 Shares in total (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme are not exercised) and such Shares be listed on the Hong Kong Stock Exchange; and

- (iv) subject to the completion of the Global Offering, the Memorandum and Articles of Association be approved and adopted, which shall only become effective on the Listing Date and the Board be authorized to amend the Memorandum and Articles of Association in accordance with any comments from the Hong Kong Stock Exchange.

## 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 resolution passed by our then Shareholders on June 9, 2015, a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorizing any repurchase by us 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 more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering and the Capitalization Issue, 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 the purpose in accordance with our Articles 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.

#### (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. 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 us 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 delisted and the certificates for those Shares must be cancelled and destroyed.

(v) Suspension of repurchase

Pursuant to the Listing Rules, we may not make any repurchases of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been 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 us 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 connected person (as defined in the Listing Rules) and a 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, 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 us.

The exercise in full of the Repurchase Mandate, on the basis of 767,229,085 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (but without taking into account any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme), could accordingly result in 76,722,909 Shares being repurchased by us 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 associates (as defined in the Listing Rules) currently intends to sell any Shares to us 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. We have not repurchased any Shares since our incorporation.

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 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 than 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 connected person has notified us that he or she has a present intention to sell Shares to us, 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 share transfer agreement dated December 18, 2013, entered into between Chongqing Bosheng Hospital Management Co., Ltd. (重慶博生醫院管理有限公司) (“Chongqing Bosheng Management”) and Guiyang HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (貴陽和美婦產醫院有限公司) (“Guiyang HarMoniCare Hospital”), pursuant to which Chongqing Bosheng Management transferred its 4% equity interest in Chongqing Dushi Liren Hospital Co., Ltd. (重慶都市麗人醫院有限公司) (“Chongqing Dushi Liren Hospital”) to Guiyang HarMoniCare Hospital for a consideration of RMB300,000.00;
- (b) the share transfer agreement dated December 18, 2013, entered into between Bosheng Medical Investment Co., Ltd. (博生醫療投資股份有限公司) (“Bosheng Medical”) and Guiyang HarMoniCare Hospital, pursuant to which Bosheng Medical transferred its 82.5% equity interest in Guiyang Modern Woman Hospital Co., Ltd. (貴陽現代女子醫院有限公司) (“Guiyang Modern Woman Hospital”) to Guiyang HarMoniCare Hospital for a consideration of RMB2,112,000.00;
- (c) the capital contribution transfer agreement dated December 18, 2013, entered into between Bosheng Medical and Guiyang HarMoniCare Hospital, pursuant to which Bosheng Medical transferred its capital contribution of RMB8,800,000.00 in Guangzhou Woman Hospital Co., Ltd. (廣州女子醫院有限公司) (“Guangzhou Woman Hospital”), representing 88% of the registered capital of Guangzhou Woman Hospital, to Guiyang HarMoniCare Hospital for a consideration of RMB17,300,000.00;
- (d) the share transfer agreement dated December 18, 2013, entered into between Bosheng Medical and Guiyang HarMoniCare Hospital, pursuant to which Bosheng Medical transferred its 71% equity interest in Chongqing Dushi Liren Hospital to Guiyang HarMoniCare Hospital for a consideration of RMB5,500,000.00;
- (e) the share transfer agreement dated December 18, 2013, entered into between Bosheng Medical and Guiyang HarMoniCare Hospital, pursuant to which Bosheng Medical transferred its 65% equity interest in Wuhan Modern Obstetrics and Gynecology Hospital Co., Ltd. (武漢現代婦產醫院有限公司) to Guiyang HarMoniCare Hospital for a consideration of RMB14,600,000.00;
- (f) the interests transfer agreement dated December 18, 2013, entered into among Bosheng Medical, Guiyang HarMoniCare Hospital and Chongqing Bosheng Management, pursuant to which

Bosheng Medical transferred its 75% interests in Chongqing Modern Woman Hospital (Limited Partnership) (重慶現代女子醫院(有限合夥)) (“Chongqing Modern Woman Hospital”) to Guiyang HarMoniCare Hospital for a consideration of RMB1,000,000.00;

- (g) the share transfer agreement dated December 18, 2013, entered into between Chongqing Bosheng Management and Guiyang HarMoniCare Hospital, pursuant to which Chongqing Bosheng Management transferred its 4% equity interest in Guiyang Modern Woman Hospital to Guiyang HarMoniCare Hospital for a consideration of RMB102,400.00;
- (h) the share transfer agreement dated December 18, 2013, entered into between Bosheng Medical and Guiyang HarMoniCare Hospital, pursuant to which Bosheng Medical transferred its 97% equity interest in Chongqing Wanzhou Bosheng HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (重慶萬州博生和美婦產醫院有限公司) (“Chongqing Wanzhou HarMoniCare Hospital” and now renamed as Chongqing Wanzhou HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (重慶萬州和美婦產醫院有限公司)) to Guiyang HarMoniCare Hospital for a nominal consideration of RMB1.00;
- (i) the share transfer agreement dated December 18, 2013, entered into between Bosheng Medical and Guiyang HarMoniCare Hospital, pursuant to which Bosheng Medical transferred its 96.5% equity interest in Chongqing Fuling Bosheng HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (重慶涪陵博生和美婦產醫院有限公司) (now renamed as Chongqing Fuling HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (重慶涪陵和美婦產醫院有限公司)) to Guiyang HarMoniCare Hospital for a consideration of RMB11,500,000.00;
- (j) the share transfer agreement dated December 18, 2013, entered into between Bosheng Medical and Guiyang HarMoniCare Hospital, pursuant to which Bosheng Medical transferred its 83% equity interest in Fuzhou Modern Obstetrics and Gynecology Hospital Co., Ltd. (福州現代婦產醫院有限公司) to Guiyang HarMoniCare Hospital for a consideration of RMB10,600,000.00;
- (k) the share transfer agreement dated December 18, 2013, entered into between Bosheng Medical and Guiyang HarMoniCare Hospital, pursuant to which Bosheng Medical transferred its 92% equity interest in Shenzhen HarMoniCare Gynecology and Paediatrics Hospital Co., Ltd. (深圳和美婦兒科醫院有限公司) to Guiyang HarMoniCare Hospital for a nominal consideration of RMB1.00;
- (l) the share transfer agreement dated December 18, 2013, entered into between Bosheng Medical and Guiyang HarMoniCare Hospital, pursuant to which Bosheng Medical transferred its 100% equity interest in Beijing HarMoniCare Gynecology and Paediatrics Hospital Co., Ltd. (北京和美婦兒醫院有限公司) to Guiyang HarMoniCare Hospital for a nominal consideration of RMB1.00;
- (m) the share transfer agreement dated December 18, 2013, entered into between Bosheng Medical and Guiyang HarMoniCare Hospital, pursuant to which Bosheng Medical transferred its 51% equity interest in Shenyang HarMoniCare Obstetrics and Gynecology Hospital Co., Ltd. (瀋陽和美婦產醫院有限公司) (“Shenyang HarMoniCare Hospital”) to Guiyang HarMoniCare Hospital for a nominal consideration of RMB1.00;

- (n) the share transfer agreement dated December 18, 2013, entered into between Mr. Wu Yaping (吳亞平) and Guiyang HarMoniCare Hospital, pursuant to which Mr. Wu Yaping transferred his 29% equity interest in Shenyang HarMoniCare Hospital to Guiyang HarMoniCare Hospital for a nominal consideration of RMB1.00;
- (o) the share transfer agreement dated December 18, 2013, entered into between Bosheng Medical and Guiyang HarMoniCare Hospital, pursuant to which Bosheng Medical transferred its 100% equity interest in Shanxi Tai He Tang Pharmaceuticals Co., Ltd. (山西太和堂藥業有限公司) to Guiyang HarMoniCare Hospital for a consideration of RMB5,100,000.00;
- (p) the share transfer agreement dated December 23, 2013, entered into between Bosheng Medical and Guiyang HarMoniCare Hospital, pursuant to which Bosheng Medical transferred its 100% equity interest in Shanxi Wo De Investment Co., Ltd. (山西沃德投資有限公司) (“Shanxi Wo De Investment”) to Guiyang HarMoniCare Hospital for a consideration of RMB17,800,000.00;
- (q) the share transfer agreement dated February 28, 2014, entered into between Shanxi Wo De Investment and Mr. Chen Jinda (陳進達), pursuant to which Shanxi Wo De Investment transferred its 25% equity interest in Baotou Modern Woman Hospital Co., Ltd. (包頭現代女子醫院有限責任公司) (now renamed as Baotou Modern Maternity Hospital Co., Ltd. (包頭現代婦產醫院有限責任公司)) to Mr. Chen Jinda for a consideration of RMB2,566,250.00;
- (r) the capital contribution transfer agreement dated June 9, 2014, entered into between Mr. Chen Kaiji (陳開基) and Guiyang HarMoniCare Hospital, pursuant to which Mr. Chen Kaiji transferred his capital contribution of RMB100,000.00 in Guangzhou Woman Hospital, representing 1% of the registered capital of Guangzhou Woman Hospital, to Guiyang HarMoniCare Hospital for a consideration of RMB100,000.00;
- (s) the share transfer agreement dated July 16, 2014, entered into between Chongqing Modern Woman Hospital Investment Co., Ltd. (重慶現代女子醫院投資有限公司) (“Chongqing Modern Woman Hospital Investment”) and Guiyang HarMoniCare Hospital, pursuant to which Chongqing Modern Woman Hospital Investment transferred its 0.5% equity interest in Chongqing Dushi Liren Hospital to Guiyang HarMoniCare Hospital for a consideration of RMB59,000.00;
- (t) the share transfer agreement dated July 16, 2014, entered into between Bosheng Medical and Guiyang HarMoniCare Hospital, pursuant to which Bosheng Medical transferred its 100% equity interest in Chongqing Bosheng Management to Guiyang HarMoniCare Hospital for a consideration of RMB2,500,000.00;
- (u) the share transfer agreement dated July 22, 2014, entered into between Shanxi Wo De Investment and Mr. Lin Quan (林權), pursuant to which Shanxi Wo De Investment transferred its 24% equity interest in Changsha Modern Gynecology Hospital Co., Ltd. (長沙現代婦科醫院有限公司) (“Changsha Modern Gynecology Hospital” and now renamed as Changsha Songziniu Hospital Co., Ltd. (長沙送子鳥生殖與不孕醫院有限公司)) to Mr. Lin Quan for a consideration of RMB120,000.00;

- (v) the share transfer agreement dated July 23, 2014, entered into between Guiyang HarMoniCare Hospital and Mr. Wu Yaping, pursuant to which Guiyang HarMoniCare Hospital transferred its 80% equity interest in Shenyang HarMoniCare Hospital to Mr. Wu Yaping for a consideration of RMB2,660,000.00;
- (w) the share transfer agreement dated August 12, 2014, entered into between Bosheng Medical and HarMoniCare Medical Investment Co., Ltd. (和美醫療投資有限公司) (“HarMoniCare Medical Investment” and now renamed as HarMoniCare Medical Management and Consulting Co., Ltd. (和美醫療管理諮詢有限公司)), pursuant to which Bosheng Medical transferred its 100% equity interest in Guiyang HarMoniCare Hospital to HarMoniCare Medical Investment for a consideration of RMB44,650,000.00;
- (x) the capital contribution transfer agreement dated September 10, 2014, entered into between Guiyang HarMoniCare Hospital and Chongqing Bosheng Management, pursuant to which Guiyang HarMoniCare Hospital transferred its capital contribution of RMB14,750,000.00 in Chongqing Modern Woman Hospital Company Ltd. (重慶現代女子醫院有限公司) (“Chongqing Modern Woman Hospital Company”) to Chongqing Bosheng Management for a nominal consideration of RMB1.00;
- (y) the capital contribution transfer agreement dated September 10, 2014, entered into between Shanxi Wo De Investment and Chongqing Bosheng Management, pursuant to which Shanxi Wo De Investment transferred its capital contribution of RMB200,000 in Chongqing Modern Woman Hospital Company to Chongqing Bosheng Management for a nominal consideration of RMB1.00;
- (z) the share acquisition agreement dated September 15, 2014, entered into between Bosheng Medical and Sharp Charm Limited (“Sharp Charm”), pursuant to which Bosheng Medical transferred its 13.66% equity interest in HarMoniCare Medical Management and Consulting Co., Ltd. (和美醫療管理諮詢有限公司) (“HarMoniCare Management and Consulting”) to Sharp Charm for a consideration of RMB37,970,600.00;
- (aa) the share transfer agreement dated November 24, 2014, entered into between HarMoniCare Management and Consulting and Beijing He An Da Investment Co., Ltd. (北京合安達投資有限公司) (“Beijing HAD” and now renamed as Beijing He An Da Management Consulting Co., Ltd. (北京合安達管理諮詢有限公司)), pursuant to which HarMoniCare Management and Consulting transferred its 100% equity interest in Guiyang HarMoniCare Hospital to Beijing HAD for a consideration of RMB44,650,000.00;
- (bb) the share transfer agreement dated December 16, 2014, entered into between Bosheng Medical and Harmonicare Medical Holdings Limited (和美醫療控股有限公司) (“Harmonicare Medical” and now renamed as Harmonicare Medical Group Limited (和美醫療集團有限公司)), pursuant to which Bosheng Medical transferred its 86.34% equity interest in HarMoniCare Management and Consulting to Harmonicare Medical for a consideration of RMB239,998,500.00;
- (cc) the share transfer agreement dated February 13, 2015, entered into among Concord Glory Limited (“Concord Glory”), Harmonicare Medical Holdings Limited (和美醫療控股有限公司) (the “Company”) and CDH Harmony Limited (“CDH Harmony”), pursuant to which Concord Glory

transferred its 13.66% equity interest in the Company to CDH Harmony for a consideration of USD6,383,680.00;

- (dd) the subscription and shareholders agreement dated February 18, 2015, entered into among the Company, Homecare International Investment Limited (“Homecare”), Harmony Care International Investment Limited, Honeycare International Investment Limited, Classic Symbol Limited, Mighty Sky Investments Limited, Concord Glory, Mr. Lin Yuming (林玉明) and Mr. Xing Yunbo (刑運波), pursuant to which all parties thereto agreed and confirmed (1) the major steps of the Reorganization, the details of which are set out in “History, Reorganization and Corporate Structure—Offshore Reorganization—7. Shareholders Agreement among Shareholders of our Company” in this prospectus, and (2) certain rights and obligations of the shareholders;
- (ee) the deed of non-competition dated June 9, 2015, granted by Homecare and Mr. Lin Yuming (the “Controlling Shareholders”) to give certain non-competition undertakings in favor of the Company, details of which are set out in “Relationship with our Controlling Shareholders—Non-Competition Undertaking” in this prospectus;
- (ff) the deed of indemnity dated June 9, 2015, granted by the Controlling Shareholders to give certain joint and several indemnities in favor of the Company; and
- (gg) the Hong Kong Underwriting Agreement.

## 2. Intellectual Property Rights of our Group





As of the Latest Practicable Date, we have registered the following intellectual property rights which we consider to be material to our business.

### (a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks:

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
1		303125745	The Company	44	Hong Kong	September 5, 2014	September 4, 2024

As of the Latest Practicable Date, we have been licensed by Bosheng Medical to use the following trademarks in the PRC, which we consider to be material to our business:

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
1.		7810235	Bosheng Medical	44	PRC	August 21, 2012	August 20, 2022
2.		6694004	Bosheng Medical	44	PRC	May 7, 2010	May 6, 2020
3.		3069945	Bosheng Medical	42	PRC	April 28, 2003	April 27, 2023
4.	现代女子	3605075	Bosheng Medical	44	PRC	July 21, 2005	July 20, 2015
5.		3605077	Bosheng Medical	44	PRC	July 21, 2005	July 20, 2015

(b) *Domain Names*

As of the Latest Practicable Date, we have registered the following domain names which we consider material to our business:

No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
1.	gyhemei.com	Guiyang HarMoniCare Hospital	July 14, 2009	July 24, 2020
2.	whxdnz.com	Wuhan Modern Hospital	July 4, 2005	July 4, 2018
3.	meili027.com	Wuhan Modern Hospital	July 14, 2009	July 14, 2016
4.	baobao027.com	Wuhan Modern Hospital	September 20, 2012	September 20, 2016
5.	027whxd.com	Wuhan Modern Hospital	August 22, 2012	August 22, 2016
6.	027xdfc.com	Wuhan Modern Hospital	September 20, 2012	September 20, 2016
7.	xdrenliu.com	Wuhan Modern Hospital	September 20, 2012	September 20, 2016
8.	cqmw.com.cn	Chongqing Modern Woman Hospital	March 26, 2004	March 26, 2018
9.	cqmw.cn	Chongqing Modern Woman Hospital	March 26, 2004	March 26, 2018
10.	cqmw.com	Chongqing Modern Woman Hospital	March 26, 2004	March 26, 2018
11.	nzby120.com	Chongqing Modern Woman Hospital	April 13, 2011	April 13, 2016
12.	20kcw.com	Chongqing Modern Woman Hospital	April 6, 2011	April 6, 2016



No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
13.	62909119.com	Chongqing Modern Woman Hospital	January 17, 2013	January 17, 2018
14.	81891166.com	Guangzhou Woman Hospital	December 23, 2011	December 23, 2016
15.	381891111.com	Guangzhou Woman Hospital	December 23, 2011	December 23, 2016
16.	birth123.com	Guangzhou Woman Hospital	December 4, 2009	December 4, 2016
17.	fkask.com	Guangzhou Woman Hospital	March 24, 2008	March 24, 2016
18.	gdrenliu.com	Guangzhou Woman Hospital	October 7, 2008	October 7, 2018
19.	gznxby.com	Guangzhou Woman Hospital	January 4, 2011	January 4, 2016
20.	gzrlw.net	Guangzhou Woman Hospital	January 17, 2011	January 17, 2016
21.	hemei91.com	Shenzhen HarMoniCare Hospital	December 16, 2013	December 16, 2015
22.	hm91.com	Shenzhen HarMoniCare Hospital	October 13, 2009	October 13, 2015
23.	hmeirong.com	Shenzhen HarMoniCare Hospital	April 18, 2011	April 19, 2016
24.	hmcare.cn	Beijing HarMoniCare Hospital	September 7, 2010	September 7, 2015
25.	hmcare.com.cn	Beijing HarMoniCare Hospital	September 7, 2010	September 7, 2015
26.	hmcare.net	Beijing HarMoniCare Hospital	September 7, 2010	September 7, 2017
27.	hmcare.org	Beijing HarMoniCare Hospital	September 7, 2010	September 7, 2015
28.	jingmaquan.com	Beijing HarMoniCare Hospital	July 15, 2013	July 15, 2015
29.	591rl.com	Fuzhou Modern Woman Hospital	September 24, 2010	September 24, 2015
30.	fzfcyy.com	Fuzhou Modern Woman Hospital	September 15, 2009	September 15, 2017
31.	0591ck.com	Fuzhou Modern Woman Hospital	January 12, 2010	January 12, 2018
32.	fzxdfc.com	Fuzhou Modern Woman Hospital	August 27, 2013	August 27, 2016
33.	0591rl.com	Fuzhou Modern Woman Hospital	August 27, 2013	August 27, 2016
34.	fjbuyun.com	Fuzhou Modern Woman Hospital	December 19, 2011	December 19, 2017

<u>No.</u>	<u>Domain Name</u>	<u>Registered Owner</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
35.	fjyunyu.com	Fuzhou Modern Woman Hospital	December 19, 2011	December 19, 2017
36.	gymwh.com	Guiyang Modern Woman Hospital	November 9, 2006	November 9, 2016
37.	58561111.com	Chongqing Wanzhou HarMoniCare Hospital	December 22, 2008	December 22, 2021
38.	72780555.com	Chongqing Fuling HarMoniCare Hospital	May 13, 2010	May 13, 2020
39.	cqcbh.com	Chongqing Dushi Liren Hospital	April 20, 2006	April 20, 2020

### C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

#### (a) *Directors' interests and short positions in the share capital and debentures of the Company and its associated corporations*

Immediately following completion of the Global Offering (but without taking account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme), the interests or short positions of our Directors 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 us 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"), once the Shares are listed will be as follows:

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number of Shares or underlying Shares</u>	<u>Approximate percentage of shareholding interest</u>
Mr. Lin Yuming .....	Interest of controlled corporation	215,407,390	28.07%
Mr. Lin Yuguo .....	Interest of controlled corporation	130,137,845	16.96%

*(b) Substantial Shareholders*

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised and no exercise of any share option which may be granted under the Share Option Scheme, 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:

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>Number of Shares held immediately following the completion of the Capitalization Issue and the Global Offering</u>	<u>Percentage of shareholding immediately prior to the Capitalization Issue and the Global Offering</u>	<u>Percentage of shareholding immediately following the completion of the Capitalization Issue and the Global Offering</u>
Homecare . . . . .	Beneficial owner	215,407,390	37.43%	28.07%
Mr. Lin Yuming <sup>(1)</sup> . . . . .	Interest in a controlled corporation	215,407,390	37.43%	28.07%
Honeycare . . . . .	Beneficial owner	130,137,845	25.48%	16.96%
CDH Harmony . . . . .	Beneficial owner	78,621,620	13.66%	10.25%
CDH Jiangen <sup>(2)</sup> . . . . .	Interest in a controlled corporation	78,621,620	13.66%	10.25%
CDH I <sup>(3)</sup> . . . . .	Interest in a controlled corporation	78,621,620	13.66%	10.25%
Ms. Zhang Qing Hua <sup>(4)</sup> . . . . .	Interest of spouse	215,407,390	37.43%	28.07%

*Notes:*

1. Mr. Lin Yuming holds 100% of the issued share capital of Homecare and therefore Mr. Lin Yuming is deemed or taken to be interested in the issued share capital of our Company in which Homecare has shareholding interests.
2. CDH Jiangen holds 100% of the issued share capital of CDH Harmony and therefore CDH Jiangen is deemed or taken to be interested in the issued share capital of our Company in which CDH Harmony has shareholding interests.
3. CDH Jiangen is held by CDH I (78%) and CDH Yuanbo (22%) as limited partners. Therefore, CDH I is deemed or taken to be interested in the issued share capital of our Company in which the CDH Jiangen has shareholding interests.
4. Ms. Zhang Qing Hua is the wife of Mr. Lin Yuming and is therefore deemed to be interested in the Shares that Mr. Lin Yuming is interested in under the SFO.
5. For details of relationships among our substantial shareholders, see “History, Reorganization and Corporate Structure—History and Development—Corporate History.”

**(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, the following persons (not being Directors or chief executive of the Company) will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than us):

<u>Name</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding interest</u>
Mr. Chen Jianhua . . . . .	Shareholder of Fuzhou Modern Woman Hospital	N/A	10%

**2. Particulars of Service Contracts****(a) Executive Directors**

Each of the executive Directors has entered into a service contract with our Company on June 9, 2015, 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 in accordance with the terms of the service contracts.

**(b) Non-executive Director and Independent Non-executive Directors**

Each of the non-executive Directors and the independent non-executive Directors has signed a letter of appointment with our Company on June 9, 2015, for a term of three years with effect from the Listing Date, and such appointment may be terminated in accordance with the terms of the letters of appointment.

**(c) Others**

- (a) 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).
- (b) For the three years ended December 31, 2012, 2013 and 2014, the aggregate of the remuneration and benefits in kind payable to the Directors were approximately RMB374,000, RMB332,000 and RMB368,000, respectively. Details of the Directors' remuneration are also set out in note 12 of the Accountant's Report set out in Appendix I to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2012, 2013 and 2014 by us to the Directors.
- (c) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2015 is estimated to be approximately RMB2.2 million.
- (d) 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, 2012, 2013 and 2014 (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.

- (e) 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, 2012, 2013 and 2014.
- (f) 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.
- (g) None of our Directors has provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

### **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 sub-section headed “—E. Other Information—8. Consent 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. Related Party Transactions**

During the two years preceding the date of this Prospectus, we have engaged in the material related party transactions as described in note 37 of the Accountants’ Report set out in Appendix I to this prospectus.

### **5. 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 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 “—E. Other Information—7. Qualification of Experts” of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;
- (d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in “—E. Other Information—7. Qualification of Experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (e) in connection with the Underwriting Agreements, none of the parties listed in “—E. Other Information—7. Qualification of experts” of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

#### D. SHARE OPTION SCHEME

##### Summary of terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholders on June 9, 2015 (“**Adoption Date**”):

##### *1. Purpose of the scheme and performance target*

The purpose of the Share Option Scheme is to enable our Group to grant options as defined in the Share Option Scheme to selected participants as incentives or rewards for their contributions to our Group. The Board has not specified any performance target that must be achieved before options can be exercised.

Given that the Board are entitled to determine any performance targets to be achieved and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Board, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increase of market price of the Shares in order to capitalize on the benefits of the options granted.

2. *Who may join*

The Board may, at their absolute discretion, invite any person belonging to any of the following classes of participants (“**Eligible Persons**”), to take up options to subscribe for Shares:

Any employee (whether full time or part time) of our Company, its subsidiaries or any entity (“**Invested Entity**”) in which our Group holds any equity interest, including:

- (a) any executive Director of our Company, its subsidiaries or Invested Entity;
- (b) any non-executive Director (including independent non-executive Director) of our Company, its subsidiaries or any Invested Entity;
- (c) any senior management of our Company, its subsidiaries or Invested Entity;

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, any person who falls within any of the above classes shall not, by itself, unless the Board otherwise determines, be construed as a grantee of option under the Share Option Scheme.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company as consideration for the grant.

3. *Maximum number of Shares*

- (a) Subject to the provisions of paragraph 3(b) below:
  - (i) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 76,722,909 Shares, being 10% (“**Scheme Mandate Limit**”) of the Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no exercise of any option which may be granted under the Share Option Scheme) unless our Company obtains a fresh approval from its shareholders pursuant to paragraphs (ii) and/or (iii) below. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
  - (ii) Our Company may seek an approval from the shareholders in general meeting to refresh the Scheme Mandate Limit from time to time such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 10% of the Shares in issue as of the date of such shareholders’ approval. Options previously granted under the Share Option Scheme (including options which are outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) will not be counted for the purpose of calculating the new limit. Our Company must send a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules to the shareholders.

- (iii) Our Company may seek separate shareholders' approval in general meeting to grant options over and above the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought and for whom specific approval is then obtained. Our Company must issue a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules to the shareholders.
- (b) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 30% of the Shares in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of our Company if such limit is exceeded.
- (c) If our Company conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of securities that may be issued upon exercise of all options to be granted under all of the share option schemes of our Company under the 10% limit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.

#### 4. *Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme (including both exercised or outstanding options) to each Eligible Person in any 12-month period must not exceed 1% of the issued share capital of our Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of our Company with such Eligible Person and its associates abstaining from voting.

#### 5. *Grant of options to connected persons*

- (a) Any grant of options under the Share Option Scheme and any other schemes to a connected person or any of their respective associates must be approved by independent non-executive Directors of our Company (excluding any independent non-executive Director who is the grantee of the options).
- (b) Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
  - (i) representing in aggregate over 0.1% of the Shares in issue; and
  - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such proposed grant of options must be approved by shareholders in general meetings of our Company. Our Company must send a circular to the shareholders. All connected persons of



our Company must abstain from voting in favor of the proposed grant of options at such general meeting. Our Company shall comply with the requirements under Rule 13.40, Rule 13.41 and Rule 13.42 of the Listing Rules.

6. *Time of acceptance and exercise of Option*

An option may be accepted by an Eligible Person within 15 days from the date of the offer of grant of the option.

Subject to the discretion of the Board who may impose restrictions on the exercise of the option, an option may be exercised one year after the date on which the option is granted and shall expire on the earlier of the last day of (i) a six years period from the date of such grant and (ii) the expiration of the Share Option Scheme.

7. *Subscription price for Shares*

The subscription price (“**Subscription Price**”) for Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange’s daily quotations on the date of grant of that option, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange’s daily quotations for the five business days immediately preceding the date of grant of that option; and (iii) the nominal value of the Shares.

8. *Ranking of Shares*

Shares issued upon the exercise of an option shall not carry voting rights until the registration on our Company’s register of members of the option holder as the holder thereof. If under the terms of a resolution passed or an announcement made by our Company prior to the date of exercise of an option, a dividend is to be or is proposed to be paid to holders of Shares on the register of members on a date prior to such date of exercise, the Shares to be issued upon such exercise will not be entitled to such dividend. Subject as aforesaid, Shares allotted upon the exercise of an option shall rank equally in all respects with the Shares in issue on the date of such exercise.

9. *Restrictions on the time of grant of Options*

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board for the approval of our Company’s interim, quarterly, half-yearly or annual results (whether or not it is required under the Listing Rules), and (ii) the last date on which our Company must publish its interim, quarterly, half-yearly or annual results announcement under the Listing Rules (whether or not it is required under the Listing Rules), and ending on the date of the announcement of the results, no option may be granted.

The Board may not grant any option to any Eligible Person who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

*10. Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of six years commencing from the Adoption Date.

*11. Lapse of Option*

If the grantee of an option ceases to be an Eligible Person by reason of:

- (a) termination of his employment (if the Eligible Person is an employee of our Company, its subsidiaries or any Invested Entity) as any one of more of the grounds that he has been guilty of misconduct, bankruptcy, insolvency or conviction for a criminal offence or has made any arrangements or composition with his creditors generally;
- (b) death, winding-up or dissolution; or
- (c) voluntary resignation, retirement, expiry of employment contract or termination of employment (if the Eligible Person is an employee of our Company, its subsidiaries or any Invested Entity) on any grounds other than those set out in (a) or (b) above,

then the grantee's outstanding option shall lapse on or before:

- (A) in the case of (a) above, on the date of the grantee's termination of employment;
- (B) in the case of (b) above, on the date which is the earlier of 12 months after the grantee so ceases or the expiration of the Option Period (as defined in the Share Option Scheme); and
- (C) in the case of (c) above, on the date which is 1 month from the date of the grantee's cessation of employment.

*12. Rights on a general offer, a compromise or arrangement*

In the event of a general offer, whether by way of take-over, or scheme of arrangement, is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and such offer becomes or is declared unconditional, a grantee (or his or her legal personal representative(s)) shall be entitled to exercise the Option (to the extent not already exercised) at any time within 1 month after the date on which such offer becomes or is declared unconditional.

In the event of compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all option holders on the same date as it dispatches the notice which is sent to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon each option holder (his or her personal representative(s)) may by notice in writing to our Company (such notice to be received by our Company not later than 7 Business Days prior to the proposed general meeting of our Company) accompanied by the remittance for the Subscription Price in respect of the relevant option exercise the option (to the extent not already exercised) either to its full extent or

to the extent specified in such notice provided that the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective and as soon as possible thereafter our Company shall allot and issue such number of Shares to the option holder which falls to be issued on such exercise credited as fully paid and register the option holder as holder of such Shares.

*13. Rights on winding up*

In the event that a notice is given by our Company to the shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily windup our Company, our Company shall forthwith give notice thereof to all option holders and thereupon, each option holder (or his or her legal personal representative(s)) may by notice in writing to our Company (such notice to be received by our Company not later than seven Business Days prior to the proposed general meeting of our Company) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than 1 Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the option holders credited as fully paid.

*14. Adjustments to the subscription price*

In the event of any reduction, sub-division or consolidation of the share capital of our Company or any rights issue or capitalization issue, or any distribution of capital assets to shareholders pro rata, the Subscription Price or the number of securities subject to options already granted so far as unexercised and/or the subscription price and/or the method of exercise of the option shall be adjusted in such manner as the Board may think fair and reasonable, provided always that (i) an option holder shall have the same proportion of issued share capital of our Company as that to which he was previously entitled before prior to such adjustments; and (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of Shares or other securities of our Group as consideration for the acquisition of any assets or business of our Group may not be regarded as a circumstance requiring adjustment. In addition, in respect of any such adjustments, other than any adjustments made on a capitalization issue, an independent financial adviser or the auditors of our Company must confirm to the Board in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

*15. Cancellation of options*

Any cancellation of options granted but not exercised must be approved by the Board, with participants and their associates abstaining from voting. New options may be issued to an option holder in place of his cancelled options only if there are available unissued options (excluding the cancelled options) within the limit set out in paragraph 3 above.

*16. Termination of the Share Option Scheme*

The Board may terminate the Share Option Scheme at any time and in such event no further options shall be offered, but options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

In the event of such termination of the Share Option Scheme, details of the options granted, including options exercised or outstanding, under the Share Option Scheme and options that become void or non-exercisable shall be disclosed in a circular to shareholders seeking approval of the first new scheme established thereafter.

*17. Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

*18. Others*

Any alternations to the Share Option Scheme in relation to the following areas shall be approved by the shareholders in general meeting:

- (a) any provisions relating to the matters set out in Rule 17.03 of the Listing Rules and the alternation to the terms and conditions will be more favorable to the Eligible Persons;
- (b) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- (c) the amended terms of the Share Option Scheme must still comply with the relevant requirements of Chapter 17 of the Listing Rules; and
- (d) any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme.

**Present status of the Share Option Scheme***(i) Approval of the Listing Committee required*

The Share Option Scheme is conditional upon (a) the Listing Committee granting approval of the listing of and permission to deal in the Shares and any Shares (representing not more than 10% of our Company's issued share capital upon listing) falling to be issued pursuant to the exercise of the options; (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms thereof; and (c) the commencement of dealings in the Shares on the Stock Exchange.

*(ii) Application for approval*

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the Shares (representing not more than 10% of our Company's issued share capital upon listing) which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) *Grant of option*

As of the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

## **E. OTHER INFORMATION**

### **1. Estate Duty**

We have been advised that no material liability for estate duty is likely to fall upon us in the Cayman Islands, BVI, the PRC and other jurisdictions in which the companies comprising our Group are incorporated.

### **2. Indemnities**

Our Controlling Shareholders (the “Indemnifiers”) have entered into the Deed of Indemnity with our Company in favor of us (being the contract referred to in “—B. Further Information About Our Business—1. Summary of Material Contracts” in this Appendix) to provide, inter alia, the following indemnity:

Our Controlling Shareholders, Mr. Lin Yuming and Homecare, will jointly and severally indemnify us against any claims, costs, penalties, fines, damages, losses, fees, expenses and liabilities which may be incurred or suffered by our Group relating to the property-related non-compliance incidents described in “Business—Properties—Property-related Non-compliance Incidents.”

### **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 business, financial condition or results of operations.

### **4. Joint Sponsors**

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme). Apart from CCBI, the other Joint Sponsor, namely Morgan Stanley, satisfy the independent criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. For more details, see “Underwriting—Independence of Joint Sponsors.” The fees to the Joint Sponsors were approximately USD1,000,000 and were paid by us.

### **5. Preliminary expenses**

The preliminary expenses incurred by us in relation to our incorporation were approximately USD6,787.88 and were paid by us.

**6. 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.

**7. Qualification of Experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Morgan Stanley Asia Limited . . . . .	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
CCB International Capital Limited . . . . .	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu . . . . .	Certified Public Accountants, Hong Kong
Frost & Sullivan . . . . .	Industry consultant
Commerce & Finance Law Offices . . . . .	PRC legal adviser
Conyers Dill & Pearman . . . . .	Cayman Islands legal adviser

**8. Consent of Experts**

Each of the experts 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 valuation certificate and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

**9. Particulars of the Selling Shareholders**

<u>Name</u>	<u>Description</u>	<u>Address</u>	<u>Number of Sale Shares (assuming the Over-Allotment Option is not exercised)</u>	<u>Number of Sale Shares (assuming the Over-Allotment Option is exercised in full)</u>
Harmony Care International Investment Limited	a limited company incorporated under the laws of BVI on August 27, 2014	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands VG1110	2,000,000	2,000,000
Honeycare International Investment Limited	a limited company incorporated under the laws of BVI on August 27, 2014	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands VG1110	16,500,000	16,500,000
Classic Symbol Limited	a limited company incorporated under the laws of BVI on November 18, 2014	NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands VG1110	500,000	500,000

**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.

**E. 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) Our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.
- (c) Our Directors confirm that:
- (i) there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2014 (being the date to which the latest audited combined financial statements of the Group were prepared); and
  - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
  - (iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.
- (d) Our principal register of members will be maintained by our principal share registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor 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 Codan Trust Company (Cayman) Limited.
- (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:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to in “Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts” in Appendix VI to this prospectus;
- (c) the written consents referred to in “Statutory and General Information—E. Other Information—8. Consent of Experts” in Appendix VI to this prospectus;
- (d) a statement of adjustment made by Deloitte Touche Tohmatsu in arising at the figures set out in the Accountants’ Report, the text of which are set out in Appendix I to this prospectus; and
- (e) the statement of particulars of each of the Selling Shareholders including its name, description and address.

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Shearman & Sterling at 12<sup>th</sup> Floor Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the texts of which are set out in Appendix I to this prospectus and the related statement of adjustment;
- (c) the assurance report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of HarMoniCare Management and Consulting for the years ended December 31, 2012, 2013 and 2014;
- (e) the legal opinions issued by Commerce & Finance Law Offices, our PRC legal advisers in respect of certain aspects of the Group;
- (f) the letters of advice issued by Conyers Dill & Pearman, our Cayman Islands legal advisers, summarizing the constitution of our Company and certain aspects of Cayman Islands Companies Law referred to in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix V to this prospectus;
- (g) the Cayman Islands Companies Law;
- (h) copies of material contracts referred to in “Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts” in Appendix VI to this prospectus;
- (i) the written consents referred to in “Statutory and General Information—E. Other Information—8. Consent of Experts” in Appendix VI to this prospectus;

- (j) service contracts and letters of appointment entered into between the Company and each of the Directors (as applicable); and
- (k) the statement of particulars of each of the Selling Shareholders including its name, description and address.



和美医疗控股有限公司  
HARMONICARE MEDICAL HOLDINGS LIMITED