THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Common Splendor International Health Industry Group Limited, you should at once hand this circular and the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

COMMON SPLENDOR INTERNATIONAL HEALTH INDUSTRY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

(i) MAJOR TRANSACTION — ACQUISITION OF 88.5184% EQUITY INTEREST IN SHENZHEN AIDIGONG MATERNITY HEALTH MANAGEMENT CO., LTD.; (ii) POSSIBLE ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE; (iii) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; AND (iv) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

A letter from the Board is set out on pages 9 to 57 of this circular.

A notice convening the SGM to be held at Rooms 2709–10, 27th Floor, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 28 August 2019 at 4:00 p.m. is set out on pages 165 to 168 of this circular. A proxy form for use at the SGM is also enclosed. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the proxy form in accordance with the instructions printed on it and return it to the Company's branch registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not less than 48 hours before the time for holding the SGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM should you so wish and, in such event, the relevant proxy form shall be deemed to be revoked.

26 July 2019

CONTENTS

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

"Acquisition"	the acquisition of the Aidigong Interest by the Purchaser from the Vendors pursuant to the Equity Transfer Agreement
"Acquisition Long Stop Date"	31 August 2019 (or such later date to be agreed between Vendor A and the Purchaser in writing)
"Aidigong Interest"	88.5184% of the entire issued share capital of the Target Company owned by the Vendors as at the date of the Equity Transfer Agreement
"Aidigong" or "Target Company"	深圳愛帝宮母嬰健康管理股份有限公司 (Shenzhen Aidigong Maternity Health Management Co., Ltd.*), a non-listed joint stock company established under the laws of the PRC with limited liability
"Announcement"	announcement of the Company dated 25 January 2019
"Beijing Aidigong"	北京愛帝宮健康管理有限公司 (Beijing Aidigong Health Management Co., Ltd*), a company established under the laws of the PRC with limited liability
"Board"	the board of Directors
"Business Day(s)"	a day other than a Saturday or Sunday or statutory holidays in the PRC and Hong Kong
"Chengdu Aidigong"	成都愛帝宮母嬰護理有限責任公司 (Chengdu Aidigong Maternal and Child Nursing Co., Ltd*), a company established under the laws of the PRC with limited liability
"Common Splendor Investment"	東莞同佳投資管理合夥企業(有限合夥) (Dongguan Common Splendor Investment Management Partnership (Limited Partnership)*), a limited liability partnership established in the PRC and indirectly owned as to 56% by the Company
"Company" or "Purchaser's Guarantor"	Common Splendor International Health Industry Group Limited, an exempted company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Equity Transfer Agreement pursuant to the terms and conditions thereof

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	a maximum of RMB888,000,000 (equivalent to approximately HK$1,010,899,200) (subject to downward adjustments), being the aggregate consideration for the Acquisition pursuant to the Equity Transfer Agreement, being the sum of the Share Purchase Price and the Earn-out Payment
"Director(s)"	director(s) of the Company
"Earn-out Payment"	the sum of the Fourth Installment and the Fifth Installment
"Earn-out Period"	the three calendar years of 2018, 2019 and 2020
"Earn-out Mechanisms"	the mechanisms to adjust the Consideration in accordance with the terms and formulae of the Fourth Installment and the Fifth Installment
"Enlarged Group"	the Group as enlarged by the Target Company upon the Completion
"Equity Transfer Agreement"	the conditional equity transfer agreement dated 24 January 2019 (as amended and supplemented by a supplemental agreement dated 23 July 2019) entered into between the Purchaser, the Company and the Vendors in relation to the Acquisition
"First Subscription Agreement"	the conditional subscription agreement dated 25 January 2019 entered into between the Company, the Subscriber A and the Subscriber B
"First Subscription Completion Date"	no later than the 20th Subscription Business Day after the conditions precedent of the First Subscription Agreement having been fulfilled and the Subscriber A and Subscriber B having received the Earn-out Payment or such other date as the Company and the Subscriber A and Subscriber B may agree in writing
"First Subscription Long Stop Date"	4:00 p.m. on the date falling on the 20th Subscription Business Day after the Subscriber A and the Subscriber B having received their respective entitlement of the Fifth Installment
"First Subscription Price"	HK$0.70 per each of the First Subscription Share
"First Subscription Shares"	the Subscription Shares A and Subscription Shares B

"First Subscription Specific Mandate"	a specific mandate to allot and issue the First Subscription Shares to be sought from the Shareholders at the SGM
"First Subscription Subscribers"	the Subscriber A and the Subscriber B
"First Subscriptions"	the subscriptions for the Subscription Shares A by the Subscriber A and for the Subscription Shares B by the Subscriber B pursuant to the terms and conditions of the First Subscription Agreement
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) which are independent of the Company and its connected persons
"Independent Valuer"	BMI Appraisals Limited
"Last Trading Day"	24 January 2019, being the last trading day of the Shares on the Stock Exchange prior to the publication of the Announcement
"Latest Practicable Date"	23 July 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Management Vendors"	Vendor A and Vendor D
"Net Profit(s)"	the audited consolidated net profit attributable to the equity owners of the parent company as disclosed in the audited consolidated account of the Target Company prepared in accordance with the PRC GAAP
"Non-Management Vendors"	Vendor B, Vendor C, Vendor E and Vendor F

"Placee(s)"	any person or entity procured by the Placing Agent or its agent(s) to subscribe for any Placing Shares pursuant to the Placing Agreement
"Placees' Lock Up Undertakings"	the Placing Agent shall procure each of the Placees to deliver a duly executed deed of undertaking to the Company prior to completion of the Placing to undertake, *inter alia*, not to dispose of any of the Placing Shares for a period of 24 months from the date of the allotment and issuance of the Placing Shares
"Placing"	the placing, on a best efforts basis, of up to 750,000,000 Placing Shares on and subject to the terms and condition set out in the Placing Agreement
"Placing Agent"	Kingston Securities Limited, a licensed corporation to carry on business in Type 1 (dealing in securities) regulated activity under the SFO
"Placing Agreement"	the conditional placing agreement dated 28 May 2019 (as amended and supplemented by a side letter dated 17 June 2019) and entered into between the Company and the Placing Agent in relation to the Placing
"Placing Price"	HK$0.40 per Placing Share (exclusive of any brokerage, the Securities and Futures Commission transaction levy, Stock Exchange trading fee and Central Clearing and Settlement System stock settlement fee as may be payable)
"Placing Shares"	a maximum of up to 750,000,000 new Shares to be placed pursuant to the Placing Agreement and to be issued under the specific mandate, each a "Placing Share"
"Placing Specific Mandate"	a specific mandate to allot and issue the Placing Shares to be sought from the Shareholders at the SGM
"PRC"	the People's Republic of China, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC GAAP"	accounting principles generally accepted in the PRC

"Purchaser"	廣東同佳健康產業集團有限公司 (Guangdong Common Splendor Health Industry Company Limited*), a limited liability company established in the PRC and indirectly wholly-owned by the Company
"P/E"	price-to-earnings
"RMB"	Renminbi, the lawful currency of the PRC
"Second Subscription"	the subscription by the Subscriber C for, and the allotment and issue by the Company of, the Subscription Shares C under the terms and subject to the conditions of the Second Subscription Agreement
"Second Subscription Agreement"	the conditional subscription agreement dated 28 May 2019 entered into between the Company and the Subscriber C
"Second Subscription Completion Date"	means the fifth (5th) Business Day (or at such date as may be agreed by the Subscriber C and the Company) following the day on which all the conditions precedent as set out in the Second Subscription Agreement are satisfied in full being the date on which the completion of the Second Subscription occurs in accordance with the terms and conditions of the Second Subscription Agreement
"Second Subscription Price"	HK$0.40 per each Subscription Share C
"Second Subscription Specific Mandate"	a specific mandate to allot and issue the Subscription Shares C to be sought from the Shareholders at the SGM
"SFO"	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)

"SGM"	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the (i) Equity Transfer Agreement and the transactions contemplated thereunder; (ii) the First Subscription Agreement and the transactions contemplated thereunder, including the grant of the First Subscription Specific Mandate for the allotment and issue of the First Subscription Shares to the Directors ; (iii) the Second Subscription Agreement and the transactions contemplated thereunder, including the grant of the Second Subscription Specific Mandate for the allotment and issue of the Subscription Shares C to the Directors; and (iv) the Placing Agreement and the transactions contemplated thereunder, including the grant of the Placing Specific Mandate for the allotment and issue of the Placing Shares to the Directors
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the issued Shares(s)
"Share Purchase Price"	the aggregate sum of the First Installment, Second Installment and the Third Installment, being RMB578,642,000
"Shenzhen Aidigong Autuoao"	深圳市愛帝宮奧拓奧網絡有限公司 (Shenzhen Aidigong Autuoao Network Co., Ltd*), a company established under the laws of the PRC with limited liability
"Shenzhen Aidigong EM"	深圳愛帝宮企業管理有限公司 (Shenzhen Aidigong Enterprise Management Co., Ltd*), a company established under the laws of the PRC with limited liability
"Shenzhen Aidigong MCCM"	深圳愛帝宮母嬰園管理有限公司 (Shenzhen Aidigong Maternal and Child Centre Management Co., Ltd*), a company established under the laws of the PRC with limited liability
"Shenzhen Aidigong Yinhu Branch"	深圳愛帝宮母嬰健康管理股份有限公司銀湖分公司 (Shenzhen Aidigong Maternity Health Management Co., Ltd. Yinhu Branch Office*), a branch company of Aidigong
"Shenzhen Common Splendor"	深圳同佳投資基金管理有限公司 (Shenzhen Common Splendor Investment Funds Management Company Limited*), a limited liability company established in the PRC and indirectly wholly-owned by the Company

"Shenzhen Meimafan"	深圳市美媽範健康科技有限公司 (Shenzhen Meimafan Health Technology Co., Ltd*), a company established under the laws of the PRC with limited liability
"Shenzhen Xijianglang"	深圳市溪江浪科技文化有限公司 (Shenzhen Xijianglang Technology Culture Co., Ltd*), a company established under the laws of the PRC with limited liability
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber C"	Suntek Global Growth Fund SPC, an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of the Cayman Islands participating in Suntek Global Growth Fund Number One SP, a segregated portfolio of such company, being the subscriber under the Second Subscription Agreement
"Subscription Business Day(s)"	a day that is other than a Saturday on which banks in Hong Kong are generally open for business
"Subscriptions"	the First Subscriptions and the Second Subscription
"Subscription Shares"	the Subscription Shares A, Subscription Shares B and Subscription Shares C
"Subscription Shares A"	an aggregate of up to 222,006,334 new Shares to be issued and allotted to the Subscriber A pursuant to the First Subscription Agreement
"Subscription Shares B"	an aggregate of up to 42,093,632 new Shares to be issued and allotted to the Subscriber B pursuant to the First Subscription Agreement
"Subscription Shares C"	an aggregate of 500,000,000 new Shares to be issued and allotted to the Subscriber C pursuant to the Second Subscription Agreement, each a "Subscription Share C"
"substantial shareholder(s)"	has the meaning as ascribed to it under the Listing Rules
"Target Group"	the Target Company and its subsidiaries
"Valuation Report"	the valuation report for the Aidigong Interest as at 31 October 2018 prepared by the Independent Valuer
"Vendor A" or "Ms. Zhu" or "Subscriber A"	Ms. Zhu Yufei, the chairman, the general manager, a director and a shareholder of Aidigong as at the Latest Practicable Date

"US$"	United States dollars, the lawful currency of the United States
"Vendor B" or "Chengdu Pengyi"	成都鵬益企業管理有限公司 (Chengdu Pengyi Enterprise Management Company Limited*), a limited liability company established in the PRC
"Vendor C" or "Shenzhen Taorun"	深圳市陶潤管理諮詢合夥企業(有限合夥) (Shenzhen City Taorun Management Advisory Partnership (Limited Partnership)*), a limited liability partnership established in the PRC
"Vendor D" or "Shenzhen Aixinhengjiuyuan" or "Subscriber B"	深圳市愛心恒久遠資本管理合夥企業(有限合夥) (Shenzhen City Aixinhengjiuyuan Assets Management Partnership (Limited Partnership)*), a limited liability partnership established in the PRC
"Vendor E" or "Shenzhen Chuangfuboda"	深圳市創富博大投資中心(有限合夥) (Shenzhen City Chuangfuboda Investment Centre (Limited Partnership)*), a limited liability partnership established in the PRC
"Vendor F" or "Shenzhen Sanhaotaifu"	深圳市三好泰富資本投資合夥企業(有限合夥) (Shenzhen City Sanhaotaifu Capital Investment Partnership) (Limited Partnership)*), a limited liability partnership established in the PRC
"Vendors"	Vendor A, Vendor B, Vendor C, Vendor D, Vendor E and Vendor F, or the Management Vendors and the Non-Management Vendors
"%"	per cent

For the purpose of this circular, unless otherwise stated, the translations of Renminbi into Hong Kong dollars or vice versa have been calculated by using an exchange rate of RMB1.00 equal to HK$1.1384 and translations of United States dollars into Hong Kong dollars or vice versa have been calculated by using an exchange rate of US$1.00 equal to HK$7.78. Such exchange rates have been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were, may have been or will be exchanged at such rates or any other rates or at all.

* *For identification purpose only*

COMMON SPLENDOR INTERNATIONAL HEALTH INDUSTRY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

Executive Directors
Mr. Cheung Wai Kuen *(Chairman)*
Mr. Cheng Hau Yan *(Deputy Chairman)*
Mr. Ye Jiong Xian *(Chief Executive Officer)*

Non-executive Directors
Mr. Lin Jiang
Mr. Hou Kai Wen

Independent Non-executive Directors
Mr. Mai Yang Guang
Mr. Lam Chi Wing
Mr. Wong Yiu Kit, Ernest

Registered Office:
Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Principal Office in Hong Kong
Room 2709–10, 27th Floor
North Tower, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui, Kowloon
Hong Kong

26 July 2019

To the Shareholders

Dear Sir or Madam,

(i) MAJOR TRANSACTION — ACQUISITION OF 88.5184% EQUITY INTEREST IN SHENZHEN AIDIGONG MATERNITY HEALTH MANAGEMENT CO., LTD.; (ii) POSSIBLE ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE; (iii) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; AND (iv) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

Reference is made to the Announcement in relation to, among other matters, the Acquisition, which constituted a major transaction for the Company under Chapter 14 of the Listing Rules, and the First Subscriptions; the announcement of the Company dated 28 May 2019 in relation to the

Second Subscription of new Shares under the Second Subscription Specific Mandate and the Placing of new Shares under the Placing Specific Mandate; and the announcement of the Company dated 23 July 2019 in relation to the extension of the Acquisition Long Stop Date.

The purpose of this circular is to provide you with (i) details of the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) an accountants' report on the Target Group; (iii) financial information of the Group and the Target Group; (iv) pro forma financial information on the Enlarged Group; (v) the First Subscription Agreement and the transactions contemplated thereunder, including the grant of the First Subscription Specific Mandate for the allotment and issue of the First Subscription Shares to the Directors; (vi) the Second Subscription Agreement and the transactions contemplated thereunder, including the grant of the Second Subscription Specific Mandate for the allotment and issue of the Subscription Shares C to the Directors; (vii) the Placing Agreement and the transactions contemplated thereunder, including the grant of the Placing Specific Mandate for the allotment and issue of the Placing Shares to the Directors; (viii) the Valuation Report; and (ix) notice of SGM and other information as required under the Listing Rules.

BACKGROUND

The Board is pleased to announce that,

(i) on 24 January 2019 (after trading hours) (as amended and supplemented by a supplemental agreement dated 23 July 2019 entered into between Vendor A and the Purchaser), the Purchaser (a wholly-owned subsidiary of the Company), the Company and the Vendors entered into the Equity Transfer Agreement, pursuant to which, among other matters, the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Aidigong Interest;

(ii) on 25 January 2019 (after trading hours), the Company and the First Subscription Subscribers entered into the First Subscription Agreement pursuant to which the Company conditionally agreed to issue, and the Subscriber A and the Subscriber B conditionally agreed to subscribe for, the Subscription Shares A and the Subscription Shares B, respectively;

(iii) on 28 May 2019 (after trading hours), the Company entered into the Second Subscription Agreement with the Subscriber C pursuant to which the Subscriber C has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, an aggregate of 500,000,000 Subscription Shares C at the Second Subscription Price of HK$0.40 per Subscription Share C; and

(iv) on 28 May 2019 (after trading hours) (as amended and supplemented by a side letter dated 17 June 2019), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed, as agent of the Company, to procure on a best efforts basis currently expected to be not less than six

Placees who and whose ultimate beneficial owners shall be Independent Third Parties to subscribe for up to the maximum of 750,000,000 Placing Shares at the Placing Price of HK$0.40 per Placing Share.

THE EQUITY TRANSFER AGREEMENT

The principal terms and conditions of the Equity Transfer Agreement are as follows:

Date

24 January 2019 (as amended and supplemented by a supplemental agreement dated 23 July 2019 entered into between Vendor A and the Purchaser)

Parties

(i) Purchaser: the Purchaser (a wholly-owned subsidiary of the Company)

(ii) Vendors:

(1) Vendor A as to 44.3304% of the issued share capital of the Target Company;

(2) Vendor B as to 20.0032% of the issued share capital of the Target Company;

(3) Vendor C as to 9.4392% of the issued share capital of the Target Company;

(4) Vendor D as to 7.0656% of the issued share capital of the Target Company;

(5) Vendor E as to 3.8400% of the issued share capital of the Target Company; and

(6) Vendor F as to 3.8400% of the issued share capital of the Target Company

(iii) Purchaser's Guarantor: the Company

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save for (i) the entering into of the First Subscription Agreement by each of the Management Vendors with the Company, whereby the Management Vendors may become Shareholders immediately upon the completion of the First Subscriptions (for details, please refer to the section headed "The First Subscription Agreement" below in this circular); and (ii) each of the Vendors and Common Splendor Investment (a non-wholly owned subsidiary owned as to 56% by the Company) being the existing shareholders of the Target Company, each of the Vendors and their respective ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Aidigong Interest, representing 88.5184% of the issued share capital of the Target Company.

The Aidigong Interest represents the entire aggregate equity interest of Aidigong owned by the Vendors as at the date of the Equity Transfer Agreement.

Guarantee

The Company agreed to guarantee the due payment of the Consideration by the Purchaser to the Vendors.

Consideration

The maximum Consideration of RMB888,000,000 (equivalent to HK$1,010,899,200) comprises the Share Purchase Price of RMB578,642,000 and the maximum Earn-out Payment of RMB309,358,000. The Share Purchase Price shall be payable to each of the Vendors in three (3) installments, while the Earn-out Payment is only payable to the Management Vendors subject to the Earn-out Mechanisms as set out in (iv) and (v) below.

The payment terms for the Consideration is set out in the below table.

Vendors	**First Installment**	**Second Installment**	**Third Installment**	**Share Purchase Price**	**Maximum Earn-out Payment**	**Aggregate maximum Consideration payable to each of the Vendors**
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*
	[A]	[B]	[C]	[D]=[A]+[B]+[C]	[E]	[F]=[D]+[E]
Vendor A	26,683,000	124,520,000	26,683,000	177,886,000	266,829,000	444,715,000
Vendor B	30,100,000	140,468,000	30,100,000	200,668,000	—	200,668,000
Vendor C	14,204,000	66,284,000	14,204,000	94,692,000	—	94,692,000
Vendor D	4,253,000	19,846,000	4,253,000	28,352,000	42,529,000	70,881,000
Vendor E	5,778,000	26,966,000	5,778,000	38,522,000	—	38,522,000
Vendor F	5,778,000	26,966,000	5,778,000	38,522,000	—	38,522,000
Total	86,796,000	405,050,000	86,796,000	578,642,000	309,358,000	888,000,000

The Consideration shall be satisfied by the Purchaser by way of cash in the following manners:

(i) RMB86,796,000 (equivalent to HK$98,808,566), being the first installment, will be payable on the day of signing of the documents for registration in respect of the transfer of Aidigong Interest in accordance with the requirement of the relevant authorities ("**Registration Authorities**") for registration of equity applicable to the Target Company (the "**First Installment**"), the relevant documents shall be submitted to the Registration Authorities by the Vendors within seven (7) Business Days after the receipt of the First Installment. The Vendors agreed that the First Installment shall be paid to a designated account under the name of Vendor A. The Purchaser will be deemed to have paid the First Installment in full to the Vendors in the amounts as set out in the table above upon the payment of the First Installment to Vendor A's designated bank account;

(ii) RMB405,050,000 (equivalent to approximately HK$461,108,920), being the second installment, will be payable to the bank accounts of each of the Vendors in the amounts as set out in the above table within ten (10) Business Days from the date on which the registration with the Registration Authorities in respect of the transfer of Aidigong Interest having been completed (the "**Second Installment**");

(iii) RMB86,796,000 (equivalent to HK$98,808,566), being the third installment, will be payable to the bank accounts of each of the Vendors in the amounts as set out in the above table within twenty (20) Business Days from the date on which the registration with the Registration Authorities in respect of the transfer of Aidigong Interest having been completed (the "**Third Installment**");

(iv) the fourth installment to be payable to the bank accounts of each of the Management Vendors in proportion to their respective shareholdings in the Target Company within ten (10) Business Days after the issue of the audited account of the Target Company for the financial year ending 31 December 2019 prepared in accordance with the PRC GAAP by a PRC auditor (in any event no later than 31 March 2020), the amount of which is to be calculated in accordance with the following formula (the "**Fourth Installment**"):

$$\left(\begin{array}{c}\text{Net Profit for the}\\ \text{financial year ending}\\ \text{31 December 2019}\end{array} \times 13 \times 51.3960\% \right) - \begin{array}{c}\text{Accumulated portions of the}\\ \text{Consideration already paid to}\\ \text{the Management Vendors}\end{array}$$

where (i) the "Accumulated portions of the Consideration already paid to the Management Vendors" shall refer to the sum of the First Installment, Second Installment and Third Installment received by each of the Management Vendors, which amounts to a total of RMB206,238,000 (equivalent to approximately HK$234,781,339); and (ii) 51.3960% refers to the aggregate shareholdings in the Target Company owned by the Management Vendors as at the date of the Equity Transfer Agreement. The amount of the Fourth Installment shall not exceed RMB200,000,000 (equivalent to approximately HK$227,680,000) (if the calculated amount of the Fourth Installment is a negative number, the Purchaser shall not be required to pay the Fourth Installment and the Management Vendors shall not be required to compensate the Purchaser for the negative amount). The multiple of 13 in the formula above was determined with reference to the minimum value of the P/E multiples of the Comparable Companies (as defined below);

The above formula and the amount calculated do not apply where Net Profit for the year ending 31 December 2019 being less than RMB52,000,000. If the Net Profit is less than RMB52,000,000, the Purchaser shall not be required to pay the Fourth Installment to the Management Vendors. The lower limit for Net Profit for the year ending 31 December 2019 of RMB52 million was determined with reference to the Net Profit for the year ending 31 December 2018 that shall not be less than RMB57 million, which is one of the effective conditions of the Equity Transfer Agreement. Given the target Net Profit for the year ending 31 December 2018 of RMB57 million is set far above the historical actual Net Profit for the year ended 31 December 2017 of approximately RMB3.48 million, after arm's length negotiation between the Company and the Management Vendors, the lower limit for the Net Profit for the year ending 31 December 2019 was set with a discount of approximately 9% to the target Net Profit for the year ending 31 December 2018 to cater for any possible downward fluctuation of Net Profit, limited to 9%, and the Company considers a single digit percentage of downward fluctuation of less than 10% to be reasonable and acceptable; and

(v) the fifth installment to be payable to the bank accounts of each of the Management Vendors in proportion to their respective shareholdings in the Target Company within ten (10) Business Days after the issue of the audited account of the Target Company for the financial year ending 31 December 2020 prepared in accordance with the PRC GAAP by a PRC auditor (in any event no later than 31 March 2021), the amount of which is to be calculated in accordance with the following formula (the "**Fifth Installment**"):

$$\left(\frac{\text{Aggregate Net Profits for all three financial years ending 31 December 2020}}{\text{RMB197,000,000}} \times \frac{\text{RMB888,000,000}}{88.5184\%} \times 51.3960\% \right) - \text{Aggregate of the portions of the First Installment, Second Installment, Third Installment and Fourth Installment already paid to the Management Vendors}$$

the denominator of RMB197,000,000 in the formula above was determined based on the target Net Profits for each of the three years ending 31 December 2020. If the calculated amount of the Fifth Installment is a negative number, the Purchaser shall not be required to pay the Fifth Installment and the Management Vendors shall not be required to compensate the Purchaser for the negative amount. Although there is no lower limit for the Net Profit for the year ending 31 December 2020 for the Purchaser to pay the Fifth Installment, the Company considers that to be reasonable given that in order for the Purchaser to pay the Fifth Installment, the Target Group needs to achieve a minimum of aggregate Net Profit for the three financial years ending 31 December 2020. For reference, in case the Fourth Installment is nil (i.e. the Net Profit for the year ending 31 December 2019 is less than RMB52 million), the minimum of aggregate Net Profit for the three financial years ending 31 December 2020 shall be RMB78,799,994 in order for the Purchaser to pay the Fifth Installment. In case the Purchaser shall pay part or all of the Fourth Installment, the minimum of aggregate Net Profit for the three financial years ending 31 December 2020 shall be between RMB132,749,689 and RMB155,216,555 (depending on the amount of the Fourth Installment) in order for the Purchaser to pay the Fifth Installment. Following the determination of the Net Profit for the last year during the Earn-out Period, being the financial year ending on 31 December 2020, in the event that the aggregate actual Net Profit for all two years of 2018 and 2019 shortfall (if any) can be offset by the Net Profit for the year ending 31 December 2020 such that aggregate Net Profit for the three years ending 31 December 2020 will meet RMB 197 million, the Management Vendors will still be entitled to maximum amount of the Earn-out Payment. Thus, the Directors therefore believe it is fair to use the aggregate Net Profit for three years ending 31 December 2020 instead of based solely on the Net Profits for the year ending 31 December 2020 to determine the Fifth Installment, given that the performance of a continuous period of three years shall be a better indicator to demonstrate the sustainability of the business of the Target Group.

The Vendors (including the Management Vendors) will be entitled to the full amount of Share Purchase Price upon the fulfilment of the effective conditions of the Equity Transfer Agreement and upon the registration with the Registration Authorities in respect of the transfer of Aidigong Interest having been completed. It has been agreed between the Company and the Management Vendors that the Share Purchase Price payable to the Management Vendors, which account for approximately 40% of the maximum Consideration payable to the Management Vendors, shall be the minimum amount of the Consideration receivable by the Management Vendors. Any amount receivable by the Management Vendors above the Share Purchase Price (i.e. Earn-out Payment) will be subject to the Net Profit for the two years ending 31 December 2020 with the retention of Ms. Zhu as the chairman and general manager of the Target Company during the Earn-out Period. Based on this, the Management Vendors shall not be required to compensate the Purchaser when negative amount is calculated for each of the Fourth Installment and the Fifth Installment, which the Directors consider such payment terms to be appropriate.

For the avoidance of doubt, the aggregate Consideration payable by the Purchaser to the Vendors shall not exceed RMB888,000,000. The maximum amount of aggregate Consideration of RMB888,000,000 was determined with reference to the valuation of Aidigong Interest of approximately RMB918 million as at 31 October 2018 prepared by the Independent Valuer using the market approach. The Valuation Report is set out in Appendix V to this circular. The Consideration of RMB888 million is at a discount of approximately 3.27% to the appraised value of 88.5184% equity interest of the Target Group of RMB918 million as at 31 October 2018 prepared by the Independent Valuer.

The Net Profit for the year ending 31 December 2019 shall be no less than RMB60.80 million in order for the Management Vendors to be entitled to the maximum amount of the Fourth Installment of RMB200 million.

The Net Profit for the year ending 31 December 2020 shall be no less than RMB79.20 million in order for the Management Vendors to be entitled to the maximum amount of the Consideration of RMB 888 million (assuming that the Management Vendors will be entitled to the maximum amount of the Fourth Installment by achieving the minimum Net Profit for the year ending 31 December 2019 of RMB60.80 million and the Net Profit for the financial year ended 31 December 2018 will be RMB57,000,000 (equivalent to approximately HK$64,888,800, being the minimum level as required under one of the effective conditions to the Equity Transfer Agreement)).

The benchmarks for the target Net Profit for each of the two years ending 31 December 2020 were determined after arm's length negotiation between the management of the Company and the Management Vendors, having considered (i) the Net Profit for the financial year ending 31 December 2018 shall not be less than RMB57,000,000 (equivalent to approximately HK$64,888,800) is one of the conditions to be fulfilled in order for the Equity Transfer Agreement to become effective; and (ii) the business prospect of the Target Company, with a view that the Net Profit would achieve an annual growth rate of not less than 6.67% for the year ending 31 December 2019 and not less than 30.26% for the year ending 31 December 2020 based on PRC GAAP (assuming that the Management Vendors will get the maximum amount of the Earn-Out Payment for each of the two years ending 31 December 2020). The parties expect a growth rate of not less than 6.67% in the target Net Profit for the year ending 31 December 2019 on the basis that Chengdu postpartum care centre will be the first full year in operation since its commencement of business in October 2018. Given the capacity of Chengdu centre (in terms of number of suites) is only half of that of Nanshan centre opened in May 2017. Therefore, the Target Group expected that the growth rate of the Net Profit for year 2019 will be much less than that in year 2018.

The parties expect a growth rate of not less than 30.26% in the target Net Profit for the year ending 31 December 2020, which is relatively higher when compared to that of the target Net Profit for the year ending 31 December 2019, for the reason that the Target Company would benefit from the synergy effect brought by the Acquisition as disclosed in the paragraph headed "Reasons for and Benefits of the Acquisition" below, leading to a potential steady growth in its business.

In respect of the Consideration payable to the Vendors, it can be divided into the Share Purchase Price (which is the minimum amount of the Consideration agreed by the parties) and the Earn-out Payment (which is the additional Consideration to be paid by the Purchaser if certain Net Profit can be achieved). The Consideration payable to the Management Vendors is splitted into Share Purchase Price and Earn-out Payment. It has been agreed between the Company and Management Vendors that over 50% of the maximum Consideration receivable by the Management Vendors, including Ms. Zhu who is founder and chairman of the Target Group involving in the day-to-day operation of the Target Group, shall be in the form of Earn-out Payment whose final amount is subject to the level of the Net Profit for the two years ending 31 December 2020, and after arm's length negotiation, the proportion of Share Purchase Price and the Earn-out Payment has been agreed to be 40% and 60% of the maximum Consideration receivable by the Management Vendors, respectively. The breakdown between the Share Purchase Price and the Earn-out Payment (if applicable) payable to each of the Management Vendors and the Non-Management Vendors as a percentage out of the respective total amount receivable are set out in the below table.

	Share Purchase Price	**Earn-out Payment for the year ending 31 December 2019** *(Note)*	**Earn-out Payment for the year ending 31 December 2020** *(Note)*
Percentage out of the total amount receivable by the Management Vendors	40%	39%	21%
Percentage out of the total amount receivable by the Non-Management Vendors	100%	Not applicable	Not applicable

Note: The above amount is based on the assumption that the Management Vendors will receive the maximum amount of the Earn-out Payment for the years ending 31 December 2019 and 2020 as set out in (iv) and (v) above.

Effective conditions

The Equity Transfer Agreement shall become effective upon the fulfilment of the following conditions:

(a) the Net Profit for the financial year ended 31 December 2018 shall not be less than RMB57,000,000 (equivalent to approximately HK$64,888,800);

(b) the Equity Transfer Agreement and the transactions contemplated thereunder having been approved by each of the Vendors and the Target Company;

(c) since the date of the Equity Transfer Agreement, there being no circumstance which would hinder the transactions contemplated under the Equity Transfer Agreement;

(d) the Equity Transfer Agreement and the transactions contemplated thereunder having been internally approved by each of the Purchaser and the Company;

(e) the passing of the resolution(s) by the Shareholders at the SGM approving the Equity Transfer Agreement and the transactions contemplated thereunder, as well as the relevant documents;

(f) the Purchaser and the Company having obtained the necessary consent, approval or filing regarding the transactions contemplated under the Equity Transfer Agreement from the relevant securities regulatory authority; and

(g) all necessary consents, approvals or permissions (if applicable) from or by the relevant regulatory authorities in respect of the Equity Transfer Agreement and the transactions contemplated thereunder required for the Equity Transfer Agreement to become effective having been obtained.

For the avoidance of doubt, and to further clarify to condition (c) above, if there is any obstacle hindering the equity transfer under the Equity Transfer Agreement caused by any of the Vendors, the Equity Transfer Agreement shall not become effective for that/those particular Vendor(s), but shall not affect the other parties from performing their obligations under the Equity Transfer Agreement. Given that there are a number of Vendors as parties to the Equity Transfer Agreement, the purpose of such term is that in case any of the Vendors has obstacle to proceed with the transactions contemplated under the Equity Transfer Agreement, the other Vendors can still proceed with the Acquisition.

All the conditions set out above shall have to be satisfied on or before the Acquisition Long Stop Date. The acquisition from each of the Vendors are not inter-conditional to each other.

As at the Latest Practicable Date, save for conditions (a), (b), (c) and (d), none of the above conditions to the Equity Transfer Agreement has been fulfilled.

Retention of Ms. Zhu as the chairman and general manager of the Target Company

Upon completion of the transfer of the Aidigong Interest, during the Earn-out Period, Ms. Zhu shall be retained as the chairman and the general manager of the Target Company and shall be fully responsible for the operation of the Target Company. As at the Latest Practicable Date, the Board intends to retain Ms. Zhu as chairman and/or general manager of the Target Company after the Earn-out Period. In the event that Ms. Zhu is not retained as senior management staff of the Target Group to oversee the day-to-day business operation after the Earn-out Period for whatever reasons (including due to other business devotion or personal reasons), the Board intends to retain Ms. Zhu to act as a consultant of the Target Group to advise on the operation direction and business plan. The Board considers that our Directors and senior management have experience in operating healthcare business. In addition, the executive directors and senior management of the Company will closely involve in the day-to-day operation of the Target Group together with Ms. Zhu upon completion of the transfer of the Aidigong Interest to understand the business operation of the Target Group. The Board considers that with their experience in the healthcare industry, the executive Directors shall be able to understand the business operation of the Target Group with the assistance of Ms. Zhu during the Earn-out Period. The Board will also consider recruit candidate with managerial experience or industry experience to oversee the business operation of the Target Group should Ms. Zhu decide not to retain as senior management staff of the Target Group after the end of the Earn-out Period.

To ensure the business expansion and profit growth of the Target Company, without the written consent of Ms. Zhu, the Purchaser shall not transfer the funds of the Target Company out of its bank account during the Earn-out Period. Though Ms. Zhu will no longer be a shareholder of Aidigong upon transfer of the Aidigong Interest, she will be retained as the chairman and general manager of the Target Company during the Earn-out Period, fully responsible for the operation of the Target Company. Ms. Zhu shall have the authority to decide on the use of the funding of the Target Company to ensure the Target Group has the necessary funding for its business operation and/or expansion during the Earn-out Period, as she is also one of the Management Vendors who is entitled to the Earn-out Payment should the Net Profit for the two years ending 31 December 2019 and 31 December 2020 meet the prescribed amount as set out in the Equity Transfer Agreement. Apart from the written consent from Ms. Zhu, transfer of funding out of the bank account of the Target Group also requires approval from the Board or its duly authorized representative(s). The Board therefore considers it is reasonable to seek written consent from Ms. Zhu if the Purchaser wishes to transfer the funds of the Target Company out of its bank account during the Earn-out Period. Obtaining written consent from Ms. Zhu is required only for the transfer the funds of the Target Company out of its bank account, but not for the use of fund of Target Company for operation of the business of the Target Group.

Non-competition Undertaking from Ms. Zhu

Ms. Zhu irrevocably undertakes that during her tenure and within two years after the end of the tenure at the Target Company, save for her interest in the Target Company, Ms. Zhu will not engage in any form of competitive business anywhere in or outside the PRC (including but not limited to any forms of investment, acquisition, custody, joint venture, contracting, operating lease or other means of owning shares and interests), will not engage in any business identical or similar to that of the Target Company and will not engage in business that may be related to or constitute a direct or indirect competition with the business of the Target Company.

Other Principal Terms

(i) In the event that the Purchaser appoints any person other than Ms. Zhu as the chairman and the general manager of the Target Company during the Earn-out Period, and Ms. Zhu is not legally prohibited to take up the aforesaid roles, then unless Ms. Zhu resigned from the aforesaid roles on her own accord, the Purchaser shall, within ten (10) Business Days after the completion of the registration and filing of the record in the PRC for the aforesaid changes, pay the remaining unpaid amount of the maximum aggregate Consideration to the Vendors in one go regardless of the amount of the Net Profit during the Earn-out Period. The retention of Ms. Zhu as the chairman and the general manager of the Target Company during the Earn-out Period can ensure retention of critical management team to continue carrying out the business operation and business plans of the Target Group after the transfer of the Aidigong Interest. In addition, the Earn-out Mechanisms is a tool to incentivize the Management Vendors (including Ms. Zhu) to create value for the Group as enlarged by the Target Group during the Earn-out Period. The Board therefore considers that such principal term is fair and reasonable. In addition, the Board will not envisage it will terminate the appointment of Ms. Zhu during the Earn-out Period for reason other than Ms. Zhu is legally prohibited to take up the aforesaid roles.

(ii) If the Purchaser delays the payment of any of the First Installment, Second Installment or Third Installment under the Equity Transfer Agreement for more than twenty (20) Business Days, Vendor A has the right to make the decision to terminate the Equity Transfer Agreement on behalf of all the Vendors. The Purchaser shall pay the default penalty which is equivalent to 25% of the total maximum Consideration (in proportion to the Vendors' respective shareholdings in the Target Company) together with the compensation for the losses caused by the Purchaser to the Vendors. The Board considers that such principal terms (ii) and (iii) are fair and reasonable as (a) there were other competitors which wish to purchase the equity interests in the Target Group; (b) the Company is optimistic of the prospects of the Target Group (details of which are set out in "Reasons for and Benefits of the Acquisition" below; (c) such terms are negotiated on arm's length basis given that Ms. Zhu will be exposed to PRC tax liability given that Ms. Zhu is the founder of the Target Group and therefore her tax liability would be much more significant when compared with other Vendors which purchased the interest in the Target Company at a later stage; and (d) the Board will not envisage that the Purchaser will delay payment of any of the First Installment, Second Installment, Third Installment, Fourth Installment and Fifth Installment.

(iii) If the Purchaser delays the payment of any of the Fourth Installment or Fifth Installment under the Equity Transfer Agreement for more than twenty (20) Business Days, the Purchaser shall, within five (5) Business Days upon the written request of Vendor A, transfer their respective interest of Aidigong under the Equity Transfer Agreement back to each of the Management Vendors at nil consideration and the Consideration already paid to each of the Management Vendors shall not be required to be refunded to the Purchaser.

As advised by the Company's PRC legal advisors, (1) in the Equity Transfer Agreement, (i) the Purchaser shall be obligated to compensate for all the loss caused to the Vendors, and reasonable expenses incurred by the Vendors to avoid any loss but is not subject to 25% of the total maximum Consideration (i.e. RMB 222 million) in case the Purchaser fails to sign the documents for registration in accordance with the Equity Transfer Agreement; (ii) the Purchaser may be obligated to pay the default penalty to the Vendors at the standard of 0.05% of the First Installment per day, if the Target Company fails to complete the registration formalities for the change of shares within 20 Business Days after the Equity Transfer Agreement comes into effect due to reasons attributable to the Purchaser; if it exceeds 20 Business Days, Vendor A has the right to terminate the Equity Transfer Agreement on behalf of the Vendors; and (iii) if the disputes arising from the Equity Transfer Agreement or related to the Equity Transfer Agreement fail to be settled through negotiation within 30 days from the date of disputes, either party shall have the right to submit the disputes to the competent arbitration institution for arbitration; and (2) the Purchaser's liability ultimately depends on the effective arbitration award ruling of the competent arbitration authority (if an arbitration proceeding is involved).

While the Company will use its best endeavours to continue to explore other alternative fund raising methods to finance the Consideration, in the unlikely event the Company envisages difficulty to raise sufficient fund to finance the Consideration, e.g. due to the sudden change of the market conditions, the Directors still have the option to decide whether to sign the documents for registration in respect of the transfer of Aidigong Interest in accordance with the requirement of the Registration Authorities for registration, which shall also be the date when the First Installment shall be payable by the Purchaser to the Vendors, in order to proceed to the Completion. In such case the Purchaser will not be subject to the default penalty which is equivalent to 25% of the total maximum Consideration, but compensate for the loss caused to the Vendors, and reasonable expenses incurred by the Vendors to avoid any loss (such as the Vendors' costs in negotiating and entering into the Equity Transfer Agreement) and penalty of 0.05% of the First Installment per day. If the disputes arising from the Equity Transfer Agreement or related to the Equity Transfer Agreement, including the amount of the default penalty payable by the Purchaser for not signing the documents for registration in respect of the transfer of Aidigong Interest in accordance with the requirement of the Registration Authorities for registration, fail to be settled through negotiation within 30 days from the date of disputes and that either party submit the disputes to the competent arbitration institution for arbitration, the Purchaser's liability ultimately depends on the effective arbitration award ruling of the competent arbitration authority, which the Company consider that arbitration award ruling regarding the default penalty shall be fair and reasonable.

Completion

Completion shall take place when the Consideration has been settled in full in accordance with the terms of the Equity Transfer Agreement.

BASIS OF CONSIDERATION

The Consideration was arrived at after arm's length negotiations among the parties to the Equity Transfer Agreement after taking into account, among others, (i) the Valuation Report of the Target Group prepared by the Independent Valuer; (ii) the P/E multiples of various listed companies in Hong Kong engaged in healthcare industry; (iii) the Earn-out Mechanisms; (iv) the implied P/E ratio of the Consideration; (v) the business potential and prospects of the Target Group and the industry in which the Target Group is engaged; and (vi) the benefits to be derived by the Group from the Acquisition as described under the section headed "Reasons for and benefits of the Acquisition" below in this circular.

The Valuation Report of the Target Group prepared by the Independent Valuer

The Company has engaged BMI Appraisals Limited to prepare the Valuation Report on the Target Group, a copy of which is set out in Appendix V to this circular. According to the Valuation Report, the appraised value of 88.5184% of the Target Company was approximately RMB918 million as at 31 October 2018. The Consideration of RMB888 million is at a discount of approximately 3.27% to the appraised value of 88.5184% equity interest of the Target Group of RMB918 million as at 31 October 2018 prepared by the Independent Valuer using the market approach.

The Directors has reviewed and discussed with the Independent Valuer the methodology, inputs and assumptions adopted in the Valuation Report. When preparing the Valuation Report, the Independent Valuer has considered all three commonly adopted valuation approaches, namely the income approach, cost approach and market approach. Considering that (i) the income approach heavily relies on subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections are also needed to arrive at an indication of value, and (ii) the cost approach does not directly incorporate information about the economic benefits contributed by the subject asset, the market approach has been adopted The Directors consider the adoption of the market approach, which utilises comparisons with publicly traded Comparable Companies and/or comparable transactions to arrive at an estimation of the market value of a company, for the valuation of the Target Group to be appropriate, as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

Under the market approach, there are two commonly adopted methodologies, namely the sales comparison method and the guideline company methods. The Independent Valuer has adopted the guideline company method for valuing the Target Company, for which reference is made to the publicly traded Comparable Companies, as no recent comparable transaction could be identified. The Independent Valuer has used the enterprise value to earnings before interest and taxes (after excluding non-recurring items) multiple (the "**EV/EBIT**" multiple) and the P/E multiple to determine the indicated enterprise value and equity value of the Target Group. The Directors understand from the Independent Valuer that both price multiples are commonly used for corporate valuation purposes, and the use of both multiples for the purpose of valuing the Target Group is prudent as it offers a broader base for determining the Target Group's value.

The Independent Valuer has identified five Comparable Companies (the "**Comparable Companies**") that carried on a business similar to that of the Target Group based on the selection criteria as set out in the sub-section headed "*Comparable Companies*" of section "*13. Valuation Parameters*" of the Valuation Report. The Directors has discussed with the Independent Valuer and was given the understanding that no readily identifiable and profitable publicly listed companies with principal business substantially similar to that of the Target Group have been found, and for this reason, the Independent Valuer has expanded its scope to include publicly listed companies which are principally engaged in the provision of healthcare services including the maternal and/or postpartum health services and the related operation.

The percentage revenue attributable to the provision of the maternal and/or postpartum health services and the related operation disclosed by Comparable Companies has been set out in the section headed "Valuation Parameters" of the Valuation Report in Appendix V of this circular. The five Comparable Companies has been engaged in the provision of the pediatric and/or obstetric & gynecologic services in their respective latest financial year, which is substantially similar or related to the postpartum care services provided by the Target Company. It is noted that three out of five Comparable Companies has not separately disclosed the percentage revenue attributable to the provision of the maternal and/or postpartum health services in their respective latest published annual report. The Directors have discussed with the Independent Valuer and was given the understanding that those other service grouped together with the pediatric and/or obstetric & gynecologic services under the same segment were operations closely related to it and their percentage revenue attributable to the provision of the maternal and/or postpartum health services and related operation accounts for over 50% of their respective total revenue.

Based on the above, the Directors considered that the selection criteria adopted by the Independent Valuer an appropriate approach to identify the Comparable Companies which are engaged in business that is similar to the Target Group.

For the Comparable Companies, the Independent Valuer derived the implied EV/EBIT multiple and the P/E multiple. The price multiples were not adjusted for size risk premium and company specific risk premium. As a result, the median of the price multiples, which was used for valuation, would not be affected if such size adjustments were made. Furthermore, Company specific risk adjustment was not made because there was no significant company specific risk noted for the Target Company. Furthermore, such adjustments may involve judgmental factors, which rely on subjective opinions and difficult to justify. For both the EV/EBIT and the P/E multiples, the Independent Valuer selected the median of the price multiples to reflect how much an investor would pay for a company that engaged in the same or a similar line of business as that of the Target Group, and considered that the median of price multiples is appropriate to the valuation because it has excluded the extreme multiples which could be caused by specific considerations of the acquirers in the comparable transactions that cannot reliably be discerned. The Directors consider it appropriate to use median price multiples as it minimises the effect of possible outliers (as opposed to the arithmetical mean) in this case.

Adjustments were made to take into account the control premium to account for the acquisition of the Target Group. The valuation has been further adjusted to take into account that a marketability discount, based on the fact that the Target Group is not publicly traded, unlike the Comparable Companies. The Directors consider the application of a control premium and a marketability discount on the valuation based on Comparable Companies to be a reasonable approach, given the Group will be acquiring a 88.5184% stake in the Target Group (rather than a minority stake as would typically be the case for transactions on a stock exchange), and that the Target Group is not traded on any stock exchange and therefore its shares have limited liquidity.

Taken into account that (i) the Comparable Companies that provide postpartum healthcare and healthcare related services have shown similarities to that of the Target Company despite the fact the revenue contribution did not show maternal and postpartum care services separately; (ii) the discount for lack of marketability adjustment as a downward adjustment of the liquidity of the ownership interest in the Target Company as it is unlikely to undergo public offering or to be listed in any major stock exchange; (iii) the control premium adjustment according to a study namely FactSet Mergerstat, LLC as suggested by the Independent Valuer to account for the adjustment of minority interest value to the controlling interest value of the Target Company; (iv) the basis of determination that the size risk premium is not used as adjustment as the size of the Comparable Companies and the Target Company are similar; (v) the basis of determination that the company specific risk premium is not used in the adjustment; and (vi) the basis of determining that the market approach being the most suitable valuation methodology among other approach as disclosed in the Valuation Report in Appendix V, the Board is at the view that the valuation of the Target Company is fair and reasonable.

The P/E multiples of various listed companies in Hong Kong engaged in healthcare industry and the implied price-earnings multiple of the Consideration

As mentioned in the sub-section headed "The Valuation Report of the Target Group prepared by the Independent Valuer" above, the Independent Valuer has identified five Comparable Companies that carried on a business similar to that of the Target Group based on the selection criteria set out in the subsection "*Comparable Companies*" of section "*13. Valuation Parameters*" of the Valuation Report.

Set out below are the P/E multiples of the Comparable Companies based on their respective share closing prices and their corresponding latest published annual report available as at the date of the Valuation Report (i.e. 31 October 2018.)

Name	Stock Code	Principal business activities	P/E multiples
China Resources Medical	1515	China Resources Medical Holdings Company Limited operates hospitals and clinics. The company offers clinical treatment, healthcare management, public sanitary, and other medical health services. China Resources Medical Holdings also engage in finance, real estate, consumption, and other businesses.	14.47
New Century Healthcare	1518	New Century Healthcare Holding Co. Limited operates as a holding company. The company, through its subsidiaries, manages pediatrics, obstetrics, and gynecology hospitals throughout China.	22.35
Guangdong Kanghua Healthcare	3689	Guangdong Kanghua Healthcare Co., Ltd. owns and operates hospitals. The company offers healthcare, cardiovascular related, and medical services. Guangdong Kanghua Healthcare serves patients in China.	13.09

Name	Stock Code	Principal business activities	P/E multiples
Harmonicare Medical Holdings	1509	Harmonicare Medical Holdings Limited is a private obstetrics and gynecology specialty hospital group in China. The company's departments include ultrasound, radiology, laboratory and pharmacy. Harmonicare also offers dental care and medical aesthetic services.	51.57
UMP Healthcare Holdings	722	UMP Healthcare Holdings Ltd. offers healthcare solutions provider. The company provides services for medical and dental needs. UMP serves both contract and plan customers.	33.58
		Median:	**22.35**
		Mean:	27.01
		Minimum:	13.09
		Maximum:	51.57

Source: Bloomberg

Based on the Directors' assessment, the selection criteria for the Comparable Companies are comprehensive and clear as it takes into account a wide range of factors such as principal business activities, location of operations and source of revenues to ensure that the Comparable Companies are similar in characteristics to the Target Company. Given that the relevant financial information of the Comparable Companies were based on publicly available information within a reasonable period prior to the valuation date that could be verified and the inclusion of five Comparable Companies to reduce the degree of valuation variance and inaccuracy, the Directors considered that the selection criteria adopted by the Independent Valuer to be fair and reasonable.

The P/E as implied by the Consideration and the Share Purchase Price are approximately 17.60 times and 11.47 times respectively, which is lower than the average value of 27.01 times and the median value of 22.35 times represented by the Comparable Companies, the Company considers the Consideration for the Company as purchaser in the Acquisition to be fair and reasonable in this regard. The P/E as implied by the Consideration of 17.60 times was derived by dividing the maximum Consideration adjusted for 100% issued share capital of Aidigong (i.e. dividing the maximum Consideration of RMB888 million by 88.5184% (being the Aidigong Interest)) by RMB57 million (being the minimum Net Profit for the year ending 31 December 2018, which is one of the effective conditions of the Equity Transfer Agreement).

The P/E as implied by the Share Purchase Price of approximately 11.47 times was derived from dividing the Share Purchase Price adjusted for 100% issued share capital of Aidigong (i.e. dividing RMB578.642 million of the Share Purchase Price by 88.5184% (being the Aidigong Interest)) by RMB57 million (being the minimum Net Profit for the year ending 31 December 2018, which is one of the effective conditions of the Equity Transfer Agreement).

Under the Fourth Installment, a P/E of 13 times was adopted in the formula for the calculation of the Earn-Out Payment for year ending 31 December 2019, which is determined with reference to the minimum value of the P/E of the Comparable Companies.

The Earn-out Mechanisms

As downside protection for the Company, the Consideration payable to each of the Management Vendors is subject to a downward adjustment as set out in the Earn-out Mechanisms if the Net Profits fall below a certain benchmark level. The Earn-out Mechanisms will align interests of Management Vendors and those of the Company, and that the retention of critical management team to continue carrying out the business plans of the Target Group after Completion. In addition, the Earn-out Mechanisms is a tool to incentivize the Management Vendors to create value for the Group as enlarged by the Target Group during the Earn-out Period.

The business potential and prospects of the Target Group and the industry in which the Target Group is engaged

The PRC government has implemented "Two-Child" policy since 2016 and the number of newborns reached a historical high of 17.9 million in 2016 for the past ten years from 2007 to 2016 according to the National Bureau of Statistics. The number of newborns was 17.2 million in 2017, and 8.83 million of them were second-child, representing an increase of 1.62 million of newborns as second-child as compared to 2016. The total number of newborns in 2017 decreased slightly due to the decrease of the number of first-child, but the percentage of second-child out of newborns in 2017 was 51.2%, representing an increase of 11% compared to 2016. The compound annual growth rate (the "**CAGR**") from 2008 to 2017 is 0.46%. After the "Two-Child" policy was implemented since 2016, the CAGR of the population in the PRC for the two years of 2016 and 2017 increased to 0.27%. The average birth rate for the ten years from 2008 to 2017 in the PRC was 1.22%, and the birth rates for the year 2016 and 2017 were 1.30% and 1.24% respectively.

According to the National Bureau of Statistics, during the period from 2008 to 2017, the CAGR of the gross domestic product (the "**GDP**") of the PRC is 9.98%. The GDP growth in the PRC region has been significant, leading to the purchasing power of people living in such area moving towards the tertiary industry.

According to data released by the National Bureau of Statistics, in 2017, per capita disposable income of urban residents, per capita consumption expenditure of urban residents and per capita health expenditure of urban residents in China were RMB36,396, RMB24,445 and RMB1,404 respectively, representing an increase of 8.3%, 5.9% and 8.09% respectively as compared with figures in year 2016. The consumption upgrade and the increased awareness for health management boosted the demand for quality postpartum care services and increased care for women.

According to the National Bureau of Statistics, the female population in the PRC has been in a steady growth. The CAGR for the female population in the PRC in the past ten years from 2008 to 2017 is 0.58%. In particular, the CAGR for the past ten years from 2008 to 2017 of female population in their 30s to 20s are 0.55% and 0.51% respectively. The combined results show that the female population, especially the females in their 30s and 20s, is growing over the past decade. This will give a sustainable potential customers to the postpartum care industry.

According to the National Bureau of Statistics, from 1990 to 2017, the average age of women giving birth for the first time has changed from 23.4 to 26.8, representing a delay of three years. The 80's and 90's generations are the major group of people to give birth and women of these generations have received higher education and demonstrated higher spending power compared to previous generations. The concept of high-end healthcare consumption is widely accepted. Besides, the trend of delayed childbearing leaves older pregnant women higher risk for giving birth. Thus the demand for quality postpartum care service is on the rise and women are more willing to spend more money to care for themselves.

Considering the above factors and the benefits to be derived by the Group from the Acquisition as described under the section headed "Reasons for and Benefits of the Acquisition" section below and given that the maximum aggregate Consideration is less than the valuation of Aidigong Interest as set out in Appendix V to this circular; and the Purchaser is only required to pay the maximum aggregate Consideration only when the Target Company can record certain Net Profits level for the two years ended 31 December 2020, therefore the actual Consideration payable may be less than the maximum aggregate Consideration, the Board considers that the Consideration is fair and reasonable and in the interest of the Company and Shareholders as a whole.

SOURCE OF FUNDING

The Consideration is intended to be financed through:

(i) as to approximately HK$199,000,000 from the net proceeds from the Second Subscription;

(ii) as to approximately HK$178,056,000 from the net proceeds from the Placing;

(iii) as to approximately HK$387,056,000 from the banking facilities of a principal amount of RMB340,000,000 (out of which RMB50,000,000 is for a term of three years and RMB290,000,000 is for a term of seven years) from a PRC commercial bank; and

(iv) the remaining Consideration from the internal resource of the Group and/or the Target Group (in respect of the Fourth Installment and the Fifth Installment), The Company has obtained the letter of intent for the above bank facilities and expects the formal facility letter will be issued by the bank shortly after the Acquisition is approved at the SGM. The Board is confident that both the Second Subscription and the Placing could be completed accordingly in order to enable the Group to have sufficient funds for the settlement of the financial needs of the Group as mentioned above. In particular, the Subscriber C has the obligation to complete the Second Subscription after the conditions precedent for the Second Subscriptions are satisfied. In any event, if any of the Second Subscription and the Placing fail to be completed, the Board will continue to explore and is confident that to complete alternative fund raising methods (such as the issue and placing of bonds and convertible securities which the Company had previously discussed with certain potential investors who expressed interest but the Company chose not to proceed because it believed that it could obtain better terms than those being negotiated) to ensure the Company can proceed with the completion of the Acquisition and settle the Consideration timely. As at the Latest Practicable Date, (i) the Group had a short-term loan receivable of approximately HK$40,200,000 which it is expected to be received by the end of year 2019 (i.e. before the time for payment of the Fourth Installment); and (ii) the Group had a loan to the Shareholder of approximately HK$33,156,000 which the Group can request early repayment on demand by giving one month notice to the relevant Shareholder. Further, the Group recorded positive profit for 2017 and 2018 and it is expected that the Group will commence the sales of healthcare preserving properties in last quarter of 2019 with saleable area of 25,000 square metres in the parcel of land located at south to Huang Long Da Road, Youheling Economic Corporation, Shixiatun Village, Zhangning Town, Boluo County, Huizhou, the PRC (further information has been set out in the Company's announcement dated 29 September 2016) which the Group expects to generate revenue of not less than RMB100 million in the first quarter of 2020.

The Fifth Installment shall be payable to the Vendors within ten (10) Business Days after the issue of the audited account of the Target Company for the financial year ending 31 December 2020 (in any event no later than 31 March 2021). And the Earn-out Period, during which the Purchaser shall not transfer the funds of the Target Company out of its bank account without the written consent of Ms. Zhu, shall end on 31 December 2020. The Purchaser therefore can use the internal resources of the Target Group to finance the payment of the Fifth Installment. In addition, the Target Group has been profit making over the past three financial years ended 31 December 2018 and the four months ended 30 April 2019 and has no external borrowing as at 30 April 2019. As at 30 April 2019, the Target Group also had (i) bank and cash balance of approximately RMB70,243,000; and (ii) structured bank deposit of approximately RMB90,376,000 that will mature in year 2019 or can be redeemed on demand by the Target Group. The Fourth Installment and the Fifth Installment are payable only if certain profit levels can be achieved by the Target Group. In addition, in view of the prospects of the Target Group, it is in the interest of the Company and Shareholders as a whole to enter into the Equity Transfer Agreement and to complete the Acquisition.

INFORMATION OF THE VENDORS

To the best of the knowledge, information and belief of the Directors,

(i) Vendor A is a PRC citizen. As at the Latest Practicable Date, she is the chairman, the general manager, a director and a shareholder of Aidigong;

(ii) Vendor B is a limited company established in the PRC and principally engaged in equity investments and is owned by Perennial Healthcare Pte. Ltd., a subsidiary of Perennial Real Estate Holdings Limited (Singapore Stock code: 40S) (a company listed on the Singapore Stock Exchange);

(iii) Vendor C is a limited liability partnership established in the PRC and principally engaged in equity investments and is owned by Shenzhen Felicity Group Co., Ltd.* (深圳陶潤集團有限公司) (which is owned by Li Zhen Ying as to 99.90% and Tang Lian Dong as to 0.10%) as to 80% and Shenzhen Yutian Investment and Development Co., Ltd.* (深圳市禦天投資發展有限公司) (which is owned by Li Zhen Ying as to 99% and Tang Lian Dong as to 1%) as to 20%;

(iv) Vendor D is a limited liability partnership established in the PRC and is an employee stock ownership platform. Vendor A and her sibling in aggregate own approximately 76.46% of the equity interest of Vendor D, and Vendor A is the executive partner of Vendor D as at the Latest Practicable Date;

(v) Vendor E is a limited liability partnership established in the PRC and principally engaged in equity investments and is owned by Dong Ying Xin, Zhu Chu Sheng, Zhang Zhao Lian, Lei Rong, Zhan Chuan, Wang Fu Gui, Zheng Li, Zhan You Wu, Wang Zhuo and Shenzhen Juanying Fubang Investment and Management Co., Ltd.* (深圳市雋贏富邦投資管理有限公司) (which is owned by Xiao Ming and Cai Ying Juan as to 50% and 50% respectively) as to approximately 29.16%, 16.67%, 12.67%, 8.33%, 8.33%, 8.33%, 7.50%, 4.17%, 4.17% and 0.67% respectively; and

(vi) Vendor F is a limited liability partnership established in the PRC and principally engaged in equity investments and is owned by Huang Song Hua, Huang De Bang, He Si Feng, Wu Zhou Sheng, Liang Yun Yun, Zhu Jia Yin and Liu Hao as to approximately 29.16%, 20.00%, 16.67%, 13.33%, 12.50%, 4.17% and 4.17% respectively.

INFORMATION OF THE TARGET GROUP

Background of the Target Group

The Target Company was established in 2007 whose main business is to provide one-stop postpartum and newborn healthcare services to postpartum mothers and newborn babies while the postpartum mothers and the newborn babies are accommodated in the postpartum care centres suites owned and operated by the Target Group in the PRC during the postnatal period. The postpartum health services consist of four main areas of (i) health care, (ii) dietary and nutrition, (iii) postpartum recovery and (iv) postpartum beauty, while newborn health services consist of two main areas of (i) health care and (ii) intellectual development. Other ancillary services include photo shooting for mothers and the newborns as well as hosting "full moon" parties for newborns turning one month old. The Target Group has teams of specialists comprising professional nurses, senior nutritionists, postpartum recovery caregivers, lactation consultants, yoga trainers and logistics support staff, to provide professional one-stop postpartum and newborn healthcare services integrated with modern medical, psychological, nutritional and nursing knowledge for the satisfaction of the needs of different families.

The Target Company opened new postpartum care centres in Nanshan, Shenzhen in 2017, and in Chengdu, the PRC in 2018 to expand their geographical presence in second-tier cities in the PRC. The construction work for those two new postpartum care centres commenced in mid 2016 and mid 2017, respectively. The capacity (in terms of number of suites) of those two (2) new postpartum care centres are relatively bigger than that of the then existing three (3) postpartum care centres in aggregate, and accounts for more than 50% of the total capacity of the Target Group.

Set out below are the number of suites of each of the five (5) existing postpartum care centres and their business commencement date:

Location of postpartum care centres	Number of suites	Commencement of business time
Futian, Shenzhen	81	November 2007
Luohu, Shenzhen	47	October 2014
Beijing	42	May 2016
Nanshan, Shenzhen	139	May 2017
Chengdu	72	October 2018
Total	381	

As disclosed in the above table, the Target Group currently operates, through its subsidiaries, five (5) postpartum care centres in first-tier and second-tier cities in the PRC. The postpartum care centres operated by the Target Group have a total of 381 suites which is capable of accommodating 381 pairs of parents and newborns (or their whole family) simultaneously for the provision of postpartum and newborn healthcare services. For each of the three years ended 31 December 2018 and the four months ended 30 April 2019, the number of customers of the Target Group (i.e. postpartum mothers and their newborns) accommodating at their postpartum care centres were 1,311, 2,655, 3,266 and 1,243, respectively.

In addition to the above five (5) postpartum care centres, the Target Group will continue to expand and develop its principal business, including:

a. continuing to find suitable cities to establish new postpartum care centres, and to increase the number of suites and the market share in the PRC;

b. developing artificial intelligence maternal and child management system to manage the health of maternal and child online, to serve off-site customers and to greatly increase the service population; and

c. developing all kinds of products with inelastic demand for maternal and child health for sales in and out of the store.

Awards and recognitions of the Target Group

The table below sets out the major awards and certificates that the Target Group has obtained:

Award/Recognition/Certificate	Granting authority	Date of issue	Expiry Date
ISO 9001:2008	SGS Societe Generale de Surveillance S.A	30 January 2016	15 September 2018
Trustworthy Enterprise in Shenzhen Health Industry (深圳健康產業誠信企業)	Shenzhen Healthcare Industry Development Association (深圳市健康產業發展促進會) Shenzhen Health Association (深圳市保健協會)	April 2018	Not applicable
Leading Enterprise in Shenzhen Health Industry (深圳健康產業領軍企業)	Shenzhen Healthcare Industry Development Association (深圳市健康產業發展促進會) Shenzhen Health Association (深圳市保健協會)	April 2017	Not applicable
Socially responsible Enterprise in Shenzhen Health Industry (深圳健康產業社會責任企業)	Shenzhen Healthcare Industry Development Association (深圳市健康產業發展促進會) Shenzhen Health Association (深圳市保健協會)	April 2017	Not applicable
Quality and Credit Assured Unit-3.15 Best Satisfying Unit (重質守信-3.15滿意單位)	China Foundation of Consumer Protection (中國保護消費者基金會)	25 February 2016	25 February 2017
The Most Innovative Brand in China (中國最具創新力品牌)	Asian Brand Value Research Institute (亞洲品牌研究院)	February 2016	February 2016
Asia Famous and Fine Brand Award (亞洲名優品牌獎)	Asia Brand Ceremony Organizing Committee (亞洲品牌盛典組委會)	9 September 2015	8 September 2016

Award/Recognition/Certificate	Granting authority	Date of issue	Expiry Date
Best Model Brand of Public Satisfaction in National Maternal and Child Health Care Service Industry (全國母嬰健康護理服務業公眾滿意度最佳典範品牌)	Organizing Committee of Research for the Public Satisfaction in National Service Industry (全國服務業公眾滿意度調研活動組委會)	April 2015	Not applicable
Most Favorite Customized Health Brand Amongst Women (最受女性喜愛的私人訂制健康品牌)	Brand China Industry Union (品牌中國產業聯盟)	18 April 2014	Not applicable
Most Favorite Maternity Health Brand Amongst Women (最受女性喜愛的母嬰健康品牌)	2010 Organization Committee of Promotion Activities for Brand in China (2010中國品牌推介活動組委會)	22 April 2010	Not applicable
2010 Featured Maternal and Child Health Service Institution (2010特色婦幼健康服務機構)	China International Medical Exchange Foundation (中華國際醫學交流基金會) Chinese Hospital Association (中國醫院協會)	September 2010	Not applicable
2010 Most Favorite Maternity Health Brand Amongst Women (2010最受女性喜愛的母嬰健康品牌)	2010 Organization Committee of Promotion Activities for Women's Brand in China (2010中國女性品牌推介活動組委會)	22 April 2010	Not applicable
2010 Maternal and Child Health Industry Top Ten Influential Brand (2010婦幼健康行業十大影響力品牌)	China International Medical Exchange Foundation (中華國際醫學交流基金會) Chinese Hospital Association (中國醫院協會)	September 2010	Not applicable
Top 10 Most Popular Maternal and Child Health Institutions (老百姓最喜愛的十大母嬰保健機構)	China International Medical Exchange Foundation (中華國際醫學交流基金會) Maternal and Child Doctor Management Division of Chinese Preventive Medicine Association (中華預防醫學會婦幼醫生管理分會)	September 2009	Not applicable
Customer Feedback Satisfaction Enterprise (No Complaint) of the PRC (全國服務質量(無投訴)消費者反饋滿意單位)	China Association for Quality Promotion (中國質量萬里行)	September 2009	2010

Award/Recognition/Certificate	Granting authority	Date of issue	Expiry Date
2008 China Health Management Demonstration Unit (二零零八中華健康管理示範單位)	China International Medical Exchange Foundation (中華國際醫學交流基金會)	25 April 2008	24 April 2009
2007 Excellent Member (二零零七年度優秀會員)	Taiwan International Maternal and Child Health Protection Association (臺灣國際母嬰健康保護協會)	December 2007	December 2008
Early Education Base for National Eugenics Training Program (全國優生優育培訓計劃早期教育基地)	China Parenting Medicine Association (中華育兒醫學會)	October 2007	Not applicable
Member Certified Unit (會員認證單位)	International Health Association (國際健康協會)	October 2007	Not applicable
	International Health Association China Branch (國際健康協會中國分會)		
Service Excellence Award	The international woman protection society in England	2007	Not applicable

FINANCIAL INFORMATION OF THE TARGET GROUP

The audited consolidated financial information of the Target Group for the three years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019 are set out below:

	Four months ended 30 April		Year ended 31 December		
	2019	2018	2018	2017	2016
	RMB'000	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*	*RMB'000*
Profit before taxation	23,691	19,897	75,312	4,683	14,348
Profit after taxation	18,222	15,105	59,009	4,661	13,043

The audited consolidated net asset value of the Target Group as at 30 April 2019 was approximately RMB159.06 million (equivalent to approximately HK$181.07 million).

For the reasons for the fluctuation in the Target Group's profit from 2016 to 2018 and the four months ended 30 April 2019, please refer to the paragraphs headed "Financial and Business Performance — Profit after taxation" in Appendix III to this circular.

FINANCIAL EFFECT OF THE ACQUISITION

Upon completion of the transfer of the Aidigong Interest, (i) the Target Company will be owned by the Company through the Purchaser (a wholly-owned subsidiary of the Company) as to 88.5184% and through Common Splendor Investment (a non-wholly owned subsidiary owned as to 56% by the Company) as to 11.4816% respectively; and (ii) the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated to the consolidated financial statements of the Group.

According to the Equity Transfer Agreement, the documents for registration in respect of the transfer of Aidigong Interest shall be signed in accordance with the requirement of the Registration Authorities on the date of payment of the First Installment, and such documents shall be submitted to the Registration Authorities by the Vendors within seven (7) Business Days after the receipt of the First Installment, which shall take place after the effective conditions of the Equity Transfer Agreement having been fulfilled and the Company expects to take place in 2019. The Aidigong Interest, which is 88.5184% of the entire issued share capital of the Target Company owned by the Vendors as at the date of the Equity Transfer Agreement, will then be transferred from each of the Vendors to the Purchaser upon the date on which the registration with the Registration Authorities in respect of the transfer of Aidigong Interest having been completed before the Second Installment shall be paid to the Vendors, which is payable within ten (10) Business Days from the date on which the registration with the Registration Authorities in respect of the transfer of Aidigong Interest having been completed, which the Company expects to take place in 2019. Whilst the Equity Transfer Agreement is silent on the deadline to sign the registration documents to allow more flexibility, it provides that if the Target Company fails to complete the registration formalities for the change of shares within 20 Business Days after the Equity Transfer Agreement comes into effect due to reasons attributable to the Purchaser, Vendor A has the right to terminate the Equity Transfer Agreement.

As at the Latest Practicable Date, the Group holds 11.4816% of the Target Company through Common Splendor Investment (a non-wholly owned subsidiary owned as to 56% by the Company). The Group will be able to consolidate Aidigong as its subsidiary when the Group has a beneficial interest of over 50% issued share capital of the Target Company. The Group is expected to own over 50% issued share capital of the Target Company upon the date on which the registration with the Registration Authorities in respect of the transfer of Aidigong Interest having been completed, which is expected to be completed before the end of the Earn-Out Period.

Assets and liabilities

As at 31 December 2018, the audited consolidated total assets of the Group were approximately HK$1,367.72 million. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the unaudited pro forma consolidated total assets of the Enlarged Group would have been increased to approximately HK$3,097.25 million, representing an increase of approximately 126.45% as compared to the audited consolidated total assets of the Group as at 31 December 2018.

As at 31 December 2018, the audited consolidated total liabilities of the Group were approximately HK$405.49 million. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the unaudited pro forma consolidated total liabilities of the Enlarged Group would have been increased to approximately HK$1,762.97 million, representing an increase of approximately 334.78% as compared to the audited consolidated total liabilities of the Group as at 31 December 2018.

Net current assets

As at 31 December 2018, the audited consolidated net current assets of the Group were approximately HK$125.72 million. Based on the unaudited pro forma financial information of the Enlarged Group as set out in the Appendix IV to this circular, the unaudited pro forma consolidated net current assets of the Enlarged Group would have been increased to HK$146.07 million, representing an increase of approximately 16.19% as compared to the audited consolidated net assets of the Group as at 31 December 2018. The increase was mainly due to (i) 60% of the net proceeds arising from the proposed Placing of a maximum up to 750,000,000 new Shares at HK$0.40 per Placing Shares (equivalent to HK$178,056,000); (ii) proposed Second Subscription in the net proceeds of approximately HK$199,000,000; and (iii) the banking facilities available to the Group of approximately RMB340,000,000 (equivalent to approximately HK$387,056,000).

Goodwill

As set out in note 3 to the unaudited pro forma financial information of the Enlarged Group, the Enlarged Group would have recognised a goodwill arising from the Acquisition of approximately HK$536.68 million, which is the excess amount of the discounted cash consideration of the Acquisition and the deferred tax liabilities over the fair value of the acquired identifiable net assets of the Target Group as at 30 April 2019 (details of which have been set out in the pro forma statement).

Upon completion of the Acquisition, the fair values of the net assets of Target Group as at the date of Completion will be used to determine the actual amount of goodwill of the Acquisition. Such actual amount may be different from the amount presented herein and such difference may be significant.

The Directors are not aware of any indications that an impairment of the Enlarged Group's goodwill and other intangible assets is required after considering the nature, prospects, financial condition and business risks of the Enlarged Group.

Earnings

The audited net profit attributable to the owners of the Company for the financial year ended 31 December 2018 as extracted from the annual report for the year ended 31 December 2018 was approximately HK$2.16 million.

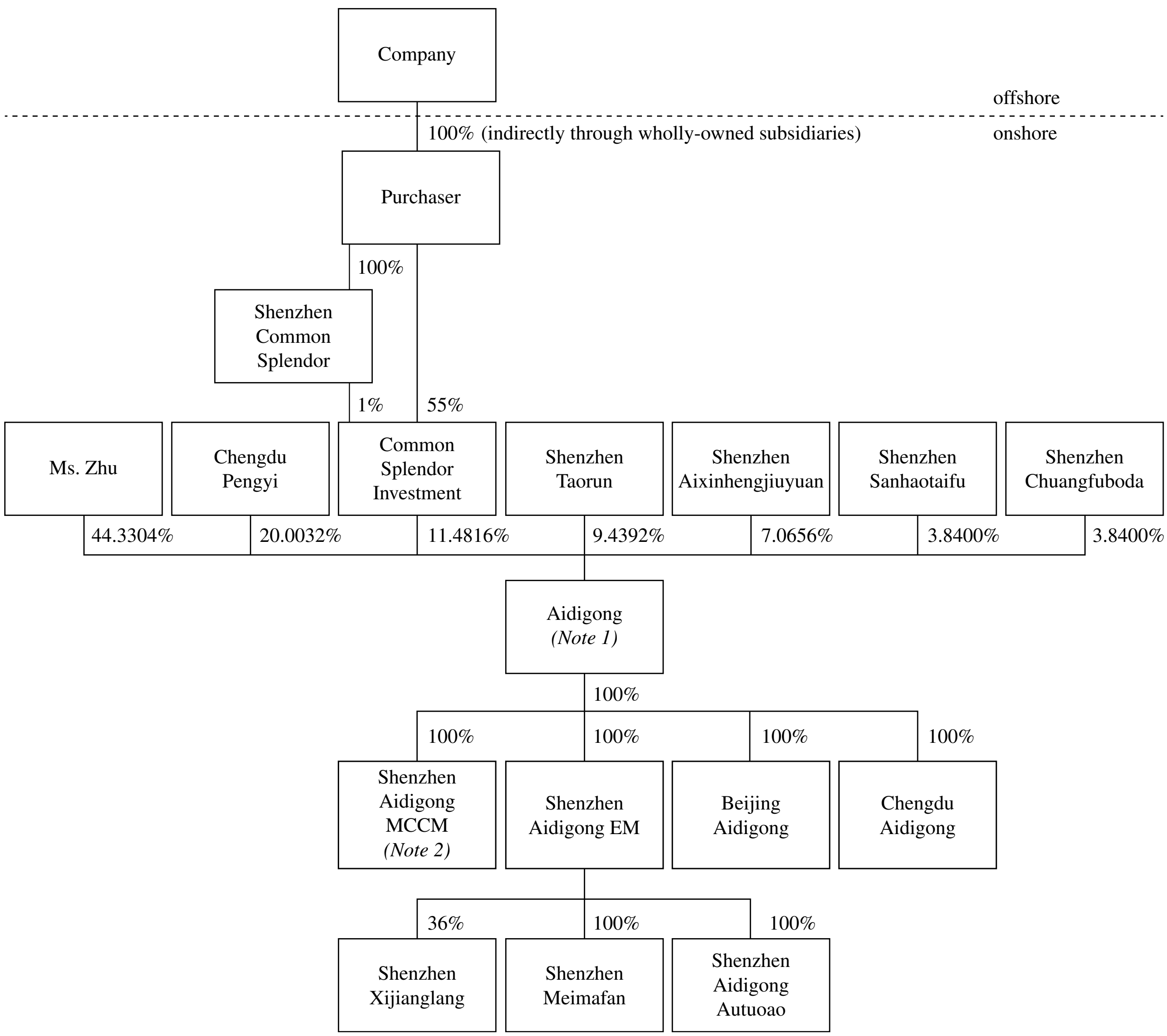
As set out in Appendix II to this circular, the Target Group recorded an audited net profit attributable to the equity holders of the Target Group of approximately RMB59.55 million (equivalent to approximately HK$67.79 million) for the financial year ended 31 December 2018.

With reference to the historical financial performance of the Target Company, the Directors are of the view that the Acquisition would have a positive impact on the future earnings of the Enlarged Group.

Shareholding Structure of Target Company

The following diagrams set out the shareholding structure of Aidigong

(i) *As at the Latest Practicable Date:*

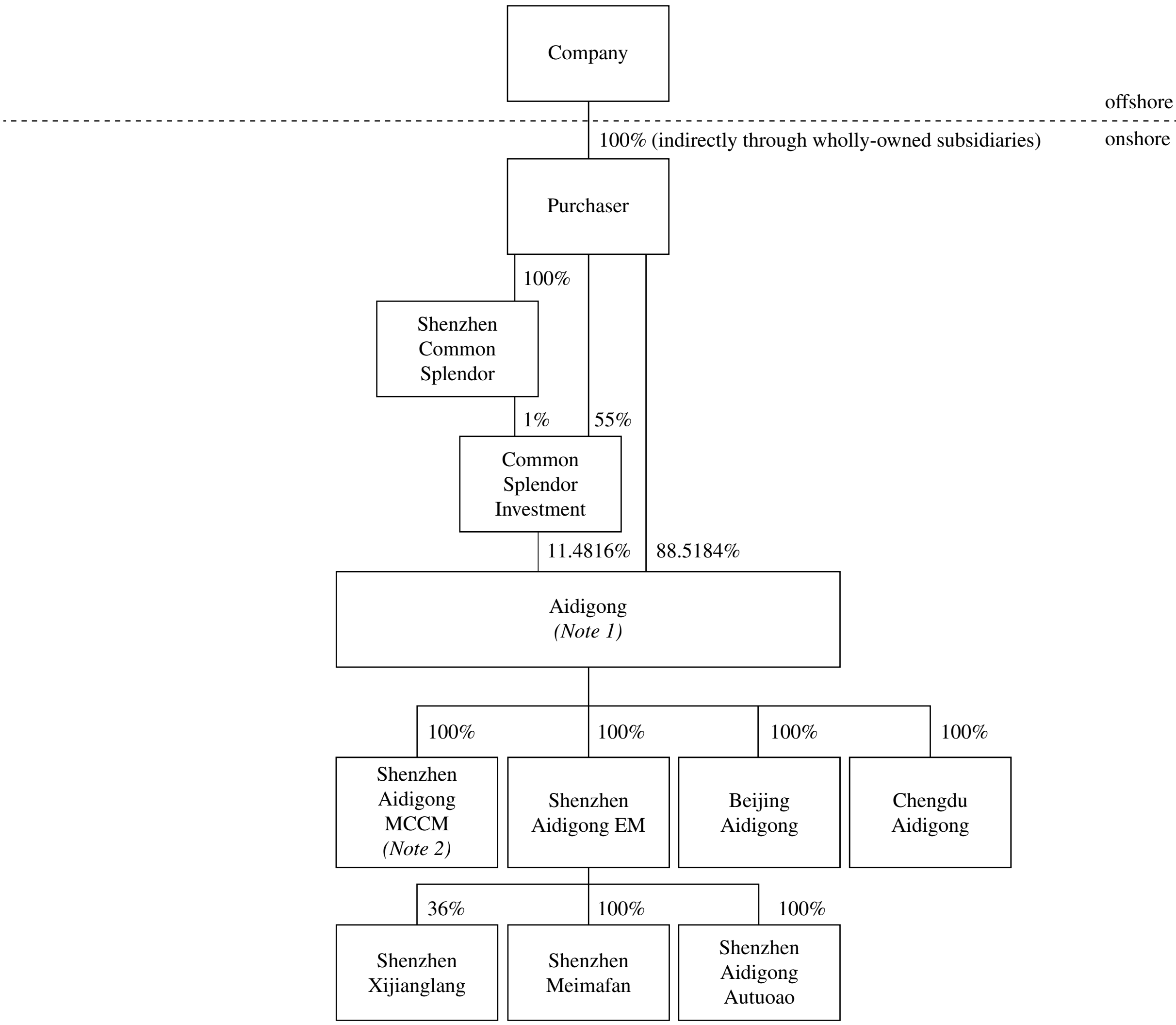


Notes:

(1) Aidigong has a branch company Shenzhen Aidigong Yinhu Branch.

(2) Shenzhen Aidigong MCCM has a branch company Shenzhen Aidigong Maternal and Child Centre Management Co., Ltd. Taigucheng Branch (深圳愛帝宮母嬰園管理有限公司太古城分公司*).

(ii) *Immediately upon completion of the transfer of the Aidigong Interest to the Purchaser:*



Notes:

(1) Aidigong has a branch company Shenzhen Aidigong Yinhu Branch.

(2) Shenzhen Aidigong MCCM has a branch company Shenzhen Aidigong Maternal and Child Centre Management Co., Ltd. Taigucheng Branch (深圳愛帝宮母嬰園管理有限公司太古城分公司*).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is mainly engaged in health industry business, including medical anti-aging and health preservation base, medical and healthcare industry investment management, natural health food business, as well as investing and financing activities.

With the adjustments on the development strategies of the Group in recent years, the Group currently has formed a relatively integrated business system in medical antiaging area including the businesses of "medical anti-aging" (mainly focused on internal health) and the "medical beauty anti-aging" (mainly focused on external health), as well as the "health preservation base" which covers traditional medical anti-aging methods.

The Group is committed to building itself into an international leading healthcare conglomerate, focusing on life healthcare and committed to the industrialization development in respect of human health solutions. By employing the development strategy of "global integration, global layout", the Group will continue to draw in top talent and technology, deploy services, products and various resources, and will through acquisition and reorganization rapidly establish its life healthcare core business and seek various investment development opportunities from time to time in the healthcare field.

As at the Latest Practicable Date, the Group holds 11.4816% of the Target Company through Common Splendor Investment (a non-wholly owned subsidiary owned as to 56% by the Company). As at the Latest Practicable Date, the Target Group has five (5) postpartum care centres in Shenzhen, Beijing and Chengdu, all being the first-tier or second-tier cities in the PRC, providing healthcare services to newborns and postpartum mothers.

With the relaxation of its birth control policy through the implementation of the two-child policy in the PRC in 2016 (whereas before that, each couple was allowed to give birth to one-child only in the PRC), together with the increase in the per capita disposable income in the urban residents and per capita healthcare expenditure in the urban residents in the PRC, with a compound annual growth rate of approximately 8.88% and 7.22% from 2008 to 2017, respectively, the Directors are of the view that the maternal and child healthcare related services have a rigid demand and the overall market will continue to grow rapidly.

The Group will obtain controlling interest in the Target Company as a result of the Acquisition. As the Target Company is primarily engaged in the healthcare industry, the Directors believe that the entering into of the Equity Transfer Agreement will allow the Group to further expand its investments to the new sub-segment of healthcare industry and expand its business operation by providing not only medical anti-aging and health preservation base, medical and healthcare industry investment management, natural health food business, as well as investing and financing activities, but also postpartum care services to postpartum mothers and their newborns, thereby broadening its customer base. The Directors expect that the Acquisition may create synergy with the existing principal businesses of the Group in the following aspects:

(i) the Group is able to expand its sales channel through the five postpartum care centres of the Target Company in Shenzhen, Beijing and Chengdu;

(ii) there may be potential cross-selling opportunities among the customer base of the Group and the Target Company; and

(iii) resources of the Group will be allocated in a more efficient and effective manner. For instance, administrative and financial resources will be shared between the Target Company and the Group.

Taking into account (i) the operating history of the Target Group of the postpartum care service in the PRC since 2007; (ii) the extensive experience of Ms. Zhu in the postpartum care industry (her biography is set out in the section headed "Biography of Ms. Zhu" below); (iii) the established network of postpartum care centres in first-tier and second-tier cities in the PRC; and (iv) the relaxation of birth control policy and the improvement in standard of living of citizens in the PRC, the Board considers that the Acquisition is in line with the Group's investment strategy and the Equity Transfer Agreement is on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

The Board noted that the accountants' report of the Target Group as set out in Appendix II to this circular contains a statement that says "casts significant doubt on the Target Group's ability to continue as a going concern" and the net current liabilities position of the Enlarged Group upon transfer of the Aidigong Interest, the Board is of the view that the above going concern statement and the net current liabilities are mainly due to the fact that the Target Group has a deferred revenue in relation to the prepayment of packages, which is recorded as current liabilities of the Target Group, whereby once the Target Group has performed its obligations, such prepayment will then be recognized as income and the Board does not expect to refund such prepayment. The Board is also confident that the Target Group will continue to generate positive operating cashflow after the Completion. After taking into consideration of the above factors, notwithstanding the auditors' view and the current net liabilities position, the Board takes the view that the Acquisition are in the interests of the Company and the Shareholders taken as a whole.

As at the Latest Practicable Date, the Company has no intention to dispose of, downsize or cease the existing business of the Group. Further, as at the Latest Practicable Date, other than the Acquisition, the Company has not entered into any agreement or negotiation to acquire any other business.

Biography of Ms. Zhu

Ms. Zhu, aged 55, is the founder and the chairman of Aidigong since its establishment in October 2007. Graduated from Affiliated Nursing School of Guizhou Medical University* (貴陽醫學院附屬衛校) in 1978. Before the establishment of Aidigong, she was the head nurse of the delivery room at the Peking University Shenzhen Hospital* (北京大學深圳醫院產科). She is the current president of Shenzhen Maternal and Child Services Association* (深圳市母嬰服務業協會), and she was awarded as "The Most Influential Female Entrepreneur in Shenzhen for the First Session"* (首屆深圳最具影響力女企業家) and "2018 (Eighth Session) Shenzhen Top 10 Outstanding Female Entrepreneurs"* (2018(第八屆)深圳十大傑出女企業家).

THE FIRST SUBSCRIPTION AGREEMENT

The principal terms and conditions of the First Subscription Agreement are as follows:

Date:

25 January 2019

Parties:

(1) The Company as issuer

(2) Vendor A as the Subscriber A

(3) Vendor D as the Subscriber B

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, save for (i) the entering into of the Equity Transfer Agreement and (ii) each of the Subscriber A and Subscriber B and Common Splendor Investment (a non-wholly owned subsidiary owned as to 56% by the Company) being the existing shareholders of the Target Company, each of the Subscriber A, the Subscriber B and their respective ultimate beneficial owners are Independent Third Parties. The Subscriber A and her sibling in aggregate own approximately 76.46% of the equity interest of the Subscriber B, and the Subscriber A is the executive partner of Subscriber B as at the Latest Practicable Date. The ultimate beneficial owners of Subscriber B are set out in the table below:

	Name of the ultimate beneficial owners	**Ownership (%)**
1.	Subscriber A	75.5848%
2.	Li Jun	16.1988%
3.	Du Li Juan	1.1696%
4.	Zhu Rong, who is a sibling of Subscriber A	0.8772%
5.	Liu Qiong Yu	0.5848%
6.	Liu Jin Jun	0.5848%

	Name of the ultimate beneficial owners	Ownership (%)
7.	Li Jie	0.5848%
8.	Chen Jie Shan	0.5848%
9.	Li Shu Fang	0.4386%
10.	Chen Qiu Lan	0.4386%
11.	Xia Ying	0.4386%
12.	Yin Yan Fen	0.4386%
13.	Hu Cui Fei	0.4386%
14.	Huang Jing Ling	0.4386%
15.	Huang Yang Hua	0.2924%
16.	Li Ying Ying	0.2924%
17.	Hong You Sheng	0.2339%
18.	Lin Jian Yu	0.2339%
19.	Gu Guo Qi	0.1462%
	Total	100.0000%

First Subscriptions

The Company and the First Subscription Subscribers are required to make arrangements in relation to the First Subscriptions in accordance with the relevant laws and regulations for the Subscriber A and Subscriber B to subscribe for the First Subscription Shares. Upon the Subscriber A and Subscriber B having properly received their respective entitlements of the Earn-out Payment (based on their respective shareholdings in the Target Company as at the date of the Equity Transfer Agreement), (i) the Subscriber A shall use the cash consideration equals to approximately 63.05% of her entitlements to the Earn-out Payment, after deducting the income tax and related expenses, for the purpose of subscription of the Subscription Shares A in the maximum amount of RMB134,580,240; and (ii) the Subscriber B shall use the cash consideration equals to approximately 75.00% of its entitlements of the Earn-out Payment, after deducting the income tax and related expenses, for the purpose of subscription of the Subscription Shares B in the maximum amount of RMB25,517,160. The Subscriber A and Subscriber B shall arrange the First Subscriptions according to the Company's subscription arrangement process. Whilst the Company would like Subscriber A and Subscriber B to apply all the Earn-out Payment to subscribe the Shares, the determination basis of 63.05% and 75.00% as the proportion of entitlements to the Earn-out Payment of Subscriber A and Subscriber B respectively is the maximum proportion that Subscriber A and Subscriber B agreed to subscribe the Shares after arms' length negotiations with Subscriber A and Subscriber B.

For the avoidance of doubt, should the Subscriber A and the Subscriber B not be entitled to any payment under the Fourth Installment and/or the Fifth Installment, or if the Subscriber A and Subscriber B receive such amount of their respective entitlement to the Fourth Installment or the

Fifth Installment which is only enough to subscribe for less than one First Subscription Share, then the Subscriber A and Subscriber B do not have to fulfil their respective subscription commitments under the First Subscription Agreement and the Company will not issue the First Subscription Shares to the Subscriber A and Subscriber B.

The First Subscription Price is HK$0.70 per each First Subscription Share, and the Earn-out Payment to be received is denominated in RMB, the amount to be received will be converted to Hong Kong Dollar at the exchange rate of HK$1.00 to RMB0.866.

In the event there are any gains or losses arising from the difference of the above mentioned exchange rate and the actual exchange rate on the First Subscription Completion Date, the Company shall be liable for the expenses in relation to the arrangement in connection thereto.

First Subscription Shares

An aggregate of not more than 264,099,966 First Subscription Shares, of which each of the Subscriber A and the Subscriber B will subscribe not more than 222,006,334 Subscription Shares A and 42,093,632 Subscription Shares B, respectively.

The 264,099,966 First Subscription Shares represent approximately (i) 8.81% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) 8.10% of the issued share capital of the Company as enlarged by the allotment and issue of the maximum number of the First Subscription Shares, subject to completion of the First Subscriptions (assuming that there will not be any changes in the issued share capital of the Company from the Latest Practicable Date up to and including the First Subscription Completion Date, save for the allotment and issue of the First Subscription Shares).

The aggregate nominal value of the maximum number of the First Subscription Shares is HK$2,640,999.66.

First Subscription Price

The First Subscription Price is HK$0.70 per each First Subscription Share.

The First Subscription Price of HK$0.70 per each First Subscription Share represents:

(i) a premium of approximately 14.75% over the closing price of HK$0.61 per Share as quoted on the Stock Exchange as at the Last Trading Day;

(ii) a premium of approximately 17.06% over the average closing price of HK$0.598 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately up to and including the Last Trading Day;

(iii) a premium of approximately 11.11% over the average closing price of HK$0.63 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately up to and including the Last Trading Day; and

(iv) a premium of approximately 20.69% over the closing price of HK$0.58 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The First Subscription Price was determined after arm's length negotiation between the Company and each of the Subscriber A and Subscriber B with reference to the prevailing market prices of the Shares immediately before the date of the First Subscription Agreement. The Directors consider that the First Subscription Price is fair and reasonable.

Conditions Precedent to the Completion of the First Subscriptions

Completion of the First Subscriptions pursuant to the First Subscription Agreement is conditional upon, amongst other things, the fulfillment or waiver of the following conditions:

(a) the Shareholders duly passing the resolutions approving, *inter alia*, the First Subscription Agreement and the transactions contemplated thereunder, including the grant of the First Subscription Specific Mandate for the allotment and issue of the First Subscription Shares by the Directors, at the SGM;

(b) the Listing Committee granting approval for the listing of and permission to deal in the First Subscription Shares to be issued (and such approval not being subsequently revoked prior to the First Subscription Completion Date);

(c) the Subscriber A and the Subscriber B having received their respective entitlement of the Fourth Installment and the Fifth Installment (as the case may be);

(d) there are no proposed or passed laws, rules or regulations to prohibit or materially restrict the execution of the First Subscription Agreement;

(e) up to the First Subscription Completion Date (inclusive of the First Subscription Completion Date), the warranties given by the Subscriber A and Subscriber B under the First Subscription Agreement remain true, accurate, complete and correct in all respects and are not misleading in any respect;

(f) the Company and the Subscriber A and Subscriber B having made appropriate subscription channels or arrangement in relation to the First Subscriptions in accordance with the relevant laws, rules and regulations; and

(g) each of the Subscriber A and Subscriber B having completed the necessary registration/filing procedures as required by the relevant laws, rules and regulations in respect of the First Subscriptions, including but not limited to the foreign exchange, commerce and National Development and Reform Commission (NDRC) related registration/filing procedures (if required).

The Company and the Subscriber A and Subscriber B undertake that they will use reasonable endeavours to procure the fulfilment of the above conditions precedents on or before the First Subscription Long Stop Date.

If the above conditions are not fulfilled on or prior to the First Subscription Long Stop Date, the Company and the Subscriber A and Subscriber B will waive all obligations of the other party under the First Subscription Agreement, and neither party may claim against the other party for any costs or losses arising from any previous breach of the First Subscription Agreement.

As at the Latest Practicable Date, none of the conditions have been fulfilled.

First Subscription Completion

The First Subscription Completion Date shall fall on no later than the 20th Subscription Business Day after the conditions precedent under the First Subscription Agreement having been fulfilled and the Subscriber A and Subscriber B having received their respective entitlement of all the Earn-out Payment (or such other date as the Company and the Subscriber A and Subscriber B may agree in writing).

On the First Subscription Completion Date, the Company will issue, and the Subscriber A and Subscriber B (or any entity wholly-owned by each of them, or any person or entity designated by the Subscriber A and Subscriber B and agreed by the Company) will subscribe, in aggregate of not more than 264,099,966 First Subscription Shares of which each of the Subscriber A and the Subscriber B will subscribe not more than 222,006,334 Subscription Shares A and 42,093,632 Subscription Shares B, respectively.

RANKING OF THE FIRST SUBSCRIPTION SHARES

The First Subscription Shares will rank, upon issue, *pari passu* in all respect with the Shares in issue on the date of the allotment and issue of the First Subscription Shares.

FIRST SUBSCRIPTION SPECIFIC MANDATE

The issue of the First Subscription Shares is subject to the Shareholders' approval. The First Subscription Shares will be issued and allotted pursuant to the First Subscription Specific Mandate to be sought from the Shareholders at the SGM.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the First Subscription Shares.

INFORMATION OF THE FIRST SUBSCRIPTION SUBSCRIBERS

The information of the Subscriber A and Subscriber B, both of them who are also the Management Vendors, has been disclosed in the sections headed "Information of the Vendors" and "Biography of Ms. Zhu" above in this circular.

REASONS FOR THE FIRST SUBSCRIPTIONS

Immediately upon subscription of the First Subscription Shares (assuming the Subscriber A and Subscriber B will subscribe the maximum number of the First Subscription Shares in full), the Subscriber A and Subscriber B will in aggregate own approximately 8.10% of the issued share capital of the Company as enlarged by the issue and allotment of the First Subscription Shares. As the Subscriber A, or Ms. Zhu, owns a controlling stake of the Subscriber B and is executive partner of the Subscriber B as at the Latest Practicable Date, Ms. Zhu will be deemed to be interested in the Shares to be subscribed by the Subscriber B.

Upon completion of the transfer of the Aidigong Interest, the Target Company will become a non-wholly owned subsidiary of the Company while Ms. Zhu will no longer have a direct equity interest in Aidigong. By subscribing for the First Subscription Shares using the Earn-out Payment and becoming a Shareholder, (i) the Group can use the net proceeds from the First Subscriptions for the business development of the Target Group; and (ii) Ms. Zhu, who is the founder and the single largest shareholder of Aidigong since its establishment in 2007, will continue to benefit from the financial performance of the Target Company in the capacity as a Shareholder. The First Subscriptions also show Ms. Zhu's confidence in the future performance of the Target Company, and thus the financial performance of the Group.

The Directors consider that the First Subscriptions represent a good opportunity to raise capital for the Company and broaden the Shareholder base and capital base of the Company.

USE OF PROCEEDS

Assuming the maximum of 264,099,966 First Subscription Shares will be subscribed by the Subscriber A and Subscriber B, the gross proceeds from the First Subscriptions will be approximately HK$184.87 million. This is equivalent amount of the sum of approximately 63.05% and approximately 75.00% of the respective entitlement to the Earn-out Payment (both denominated in RMB) to be received by the Subscriber A and Subscriber B respectively after deduction of the income tax and other related expenses resulting in RMB160,097,400, and being converted to Hong Kong dollar at the exchange rate of HK$1.00 to RMB0.866. The estimated maximum net proceeds from the First Subscriptions, after deduction of the related expenses, will amount to approximately HK$182.87 million, representing a net First Subscription Price of approximately HK$0.69. A detailed breakdown and description of the intended use of the net proceeds of the First Subscriptions and the expected timeline are as follows (assuming the maximum of 264,099,966 First Subscription Shares will be fully subscribed):

(i) approximately HK$88,443,000 from the net proceeds of the First Subscription will be used for the partial repayment of principal and interest of the bank loan drawn down for the financing of the Consideration (details of which set out in "The Equity Transfer Agreement — Source of Funding" above) which expects to fall due during second half year 2021 and first half year 2022;

(ii) approximately HK$14,600,000 will be used for repayment of the debenture that will mature in or around mid 2021 to early 2022; and

(iii) approximately HK$79,826,000 from the net proceeds of the First Subscription will be used for business development of the Target Group in relation to the opening of two (2) new postpartum care centres in or around the second half year of 2021.

The Directors are of the view that the terms of the First Subscription Agreement are normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

For the avoidance of doubt, should the Subscriber A and the Subscriber B not be entitled to any payment under the Fourth Installment and the Fifth Installment, neither of the Subscriber A and Subscriber B are required to subscribe for any of the First Subscription Shares. The number of First Subscription Shares to be subscribed by the Subscriber A and Subscriber B depends mainly on the Fourth Installment and the Fifth Installment received by the Subscriber A and Subscriber B and the related income tax and any other payment that they are liable to pay under the laws, rules and regulations of the relevant jurisdiction(s) for the receipt of the Fourth Installment and the Fifth Installment or the execution of the First Subscription Agreement.

THE SECOND SUBSCRIPTION AGREEMENT

The principal terms of the Second Subscription Agreement are as follows:

Date:

28 May 2019 (after trading hours)

Parties:

(1) The Company as issuer

(2) Suntek Global Growth Fund SPC as the Subscriber C

The Subscriber C is an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of the Cayman Islands participating in Suntek Global Growth Fund Number One SP, a segregated portfolio of such company. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Subscriber C and its ultimate beneficial owner is an Independent Third Party. To the best knowledge of the Directors having made reasonable enquiry, the Subscriber C is a third party independent to and not connected with the Subscriber A, the Subscriber B, the Vendors and their respective associates, and the ultimate beneficial owners of the Subscriber C are Wang Aier（王愛兒）as to 80% and Gao Leilei（高蕾蕾）as to 20%.

Subject matter

Pursuant to the terms of the Second Subscription Agreement, the Subscriber C will subscribe for 500,000,000 Subscription Shares C at the Second Subscription Price.

The Subscription Shares C

The Subscriber C will subscribe an aggregate of 500,000,000 Subscription Shares C, representing approximately 16.69% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 14.30% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares C (assuming there is no other change to the issued share capital of the Company between the date of the Second Subscription Agreement and the Second Subscription Completion Date).

The aggregate nominal value of the Subscription Shares C is HK$5,000,000, and the market value of the Subscription Shares C is HK$290,000,000, based on the closing price of HK$0.58 per Share on the Latest Practicable Date.

Refundable Deposit

Pursuant to the Second Subscription Agreement, the Subscriber C shall pay to the Company a refundable deposit in the amount equivalent to 20% of the full Second Subscription Price (the "**Refundable Deposit**") within ten Business Days from the date of the Second Subscription Agreement or other date to be agreed by both parties. The Refundable Deposit shall be used to satisfy the part payment of the full Second Subscription Price at the Second Subscription Completion Date. In the event that the Second Subscription Agreement is terminated pursuant to the terms and conditions therein, the Refundable Deposit shall be refunded by the Company to the Subscriber in full within two Business Days from such termination.

Second Subscription Price

The Second Subscription Price is HK$0.40 per Subscription Share C. The Second Subscription Price represents:

(i) a discount of approximately 20.00% to the closing price of HK$0.50 per Share as quoted on the Stock Exchange on the date of the Second Subscription Agreement;

(ii) a discount of approximately 20.32% to the average closing price of HK$0.502 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately before the date of the Second Subscription Agreement; and

(iii) a discount of approximately 31.03% to the closing price of HK$0.58 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Second Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber C with reference to the recent trading price and trading volume of the Shares. The Directors consider that the terms and conditions of the Second Subscription Agreement (including the Second Subscription Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, after considering, *inter alia*:

(i) the additional finance costs associated with bank financing;

(ii) the Company has an imminent need for fund as set out in the section headed "Reasons for the Second Subscription and Placing and use of proceeds" in this circular; and

(iii) the Second Subscription Price and the Placing Price only represent a moderate discount to the closing price of 28 May 2019 (being the date of the Second Subscription Agreement and the Placing Agreement) and the average closing price of the five consecutive trading days immediately prior to 28 May 2019.

The aggregate Second Subscription Price in the sum of HK$200,000,000, after deducting the Refundable Deposit already paid to the Company, which is HK$160,000,000, will be payable by the Subscriber C on the Second Subscription Completion Date.

Ranking of Subscription Shares C

The Subscription Shares C, when fully paid and allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares C.

Conditions Precedent for the Second Subscription

Completion of the Second Subscription is conditional upon:

(a) all the effective conditions of the Acquisition having been satisfied pursuant to the terms and conditions of the Equity Transfer Agreement;

(b) the Listing Committee granting the listing of, and permission to deal in, the Subscription Shares C (and such listing and permission not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares C);

(c) the Shareholders having passed special resolution(s) to approve the Second Subscription Agreement and the transactions contemplated thereunder at the SGM;

(d) the parties to the Second Subscription Agreement having obtained all necessary consents and approvals as may be required to be obtained in respect of the Second Subscription and the transactions contemplated under the Second Subscription Agreement; and

(e) the warranties given by the parties to the Second Subscription Agreement under the Second Subscription Agreement remaining true, accurate, complete and correct in all respects and not misleading in any respect up to and including the Second Subscription Completion Date.

Subject to the terms of the Second Subscription Agreement, in the event that any of the Second Subscription Conditions shall not have been fulfilled (or waived, if applicable) prior to 30 August 2019 (or such later date which may be agreed by the parties to the Second Subscription Agreement), the Second Subscription Agreement shall cease to be of any effect save for antecedent breach.

Completion of the Second Subscription

Completion of the Second Subscription of the Subscription Shares C will take place on the Second Subscription Completion Date.

Lock-up undertaking

The Subscriber C irrevocably undertakes that, during the period of twenty-four (24) months from the date of Second Subscription Completion Date, it shall not transfer or seek to dispose of any of the Subscription Shares C unless otherwise agreed by the Company.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares C.

Second Subscription Specific Mandate

The issue of the Subscription Shares C is subject to the Shareholders' approval. The Subscription Shares C will be issued and allotted pursuant to the Second Subscription Specific Mandate to be sought from the Shareholders at the SGM.

THE PLACING AGREEMENT

Date:

28 May 2019 (after trading hours) (as amended and supplemented by a side letter dated 17 June 2019)

Parties:

(1) The Company as issuer

(2) Kingston Securities Limited as the Placing Agent

As at the Latest Practicable Date, the Placing Agent is interested in 170 Shares. Save as disclosed above, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Placing Agent and its ultimate beneficial owner is an Independent Third Party.

Pursuant to the terms of the Placing Agreement, the Placing Agent will receive a placing commission of 1% of the amount which is equal to the Placing Price multiplied by the number of Placing Shares actually placed by the Placing Agent. The placing commission in respect of the Placing was negotiated on arm's length basis between the Company and the Placing Agent under normal commercial terms and was determined with reference to, among other things, the prevailing commission rate charged by other placing agents and the price performance of the Shares.

The Directors consider that the placing commission in respect of the Placing are fair and reasonable.

Placees

The Placing Shares will be placed to currently expected to be not less than six Placees who shall be independent of the Company and its connected persons.

Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Placing Completion Date, the maximum of 750,000,000 Placing Shares represent (i) approximately 25.03% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 20.02% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares.

Ranking of the Placing Shares

The Placing Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK$0.40 per Placing Share represents:

(i) a discount of approximately 20.00% to the closing price of HK$0.50 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and

(ii) a discount of approximately 20.32% to the average closing price of HK$0.502 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

(iii) a discount of approximately 31.03% to the closing price of HK$0.58 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to, amongst others, the prevailing market price and the recent trading performance of the Shares. The Directors consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Placees' Lock-up Undertakings

The Placing Agent shall procure each of the Placees to deliver a duly executed deed of undertaking to the Company prior to Placing Completion to undertake, *inter alia*, not to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Placing Shares for a period of 24 months from the date of the allotment and issuance of the Placing Shares without the Company's prior written consent.

Conditions of the Placing

The Placing is conditional upon the fulfilment of the following conditions:

(a) the passing of resolution(s) by the Shareholders to approve the Placing Agreement and the transactions contemplated hereunder, including the grant of the Placing Specific Mandate for the allotment and issue of the Placing Shares, at the SGM;

(b) the Listing Committee having granted listing of, and permission to deal in, the Shares to be issued under the Placing, and such listing and permission not having been subsequently revoked;

(c) the Bermuda Monetary Authority having granted all, and not revoking any necessary approvals and permissions for the creation, allotment and issue of the new Shares to be issued under the Placing, if applicable;

(d) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms hereof, including provisions regarding force majeure event; and

(e) the Placees' Lock Up Undertakings having been duly executed.

In the event that the above conditions are not satisfied and/or waived (other than (a) and (b) above, which cannot be waived) (i) on or before 5:00 p.m. on the 30th (thirtieth) calendar day from the date of the SGM (or any adjournment thereof) of the Company to be convened for approving, among others, the Placing and the Acquisition; or (ii) by 30 August 2019 (whichever is earlier) or such later date to be agreed between the parties to the Placing Agreement in writing, the Placing will be terminated and the Placing will not proceed and all obligations and liabilities of the parties hereunder will forthwith cease and determine and no party will have any claim against the others (save for any antecedent breaches hereof).

Completion of the Placing

Completion of the Placing shall take place on a date falling within four (4) business days after the fulfilment of the conditions set out in the Placing Agreement or such other date to be agreed between the parties to the Placing Agreement in writing (the "**Placing Completion Date**").

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Placing Shares.

Placing Specific Mandate

The issue and allotment of the Placing Shares is subject to the Shareholders' approval. The Placing Shares will be issued and allotted pursuant to the Placing Specific Mandate to be sought from the Shareholders at the SGM.

Termination of the Placing Agreement

Pursuant to the Placing Agreement, the Placing Agent is entitled to terminate the arrangements set out in the Placing Agreement by notice in writing prior to 9:00 a.m. on the Placing Completion Date, if in its absolute opinion, the success of the Placing would be materially and adversely affected by any of the following force majeure events:

(i) the introduction of any new laws or regulations or any changes in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any natures whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole;

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

(iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

Pursuant to the Placing Agreement, if, at or prior to 9:00 a.m. on the Placing Completion Date,

(i) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement in all material respects; or

(ii) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the any announcement(s) relating to the Placing Agreement relating to the Placing, if applicable in all material respects; or

(iii) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate, in material respects, if repeated and the Placing Agent in its absolute opinion shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing,

the Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving notice pursuant to the paragraph above, all obligations of the Company or the Placing Agent under the Placing Agreement shall cease and determine and no party shall have any claim against any other party of the Placing Agreement in respect of any matter arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

Upon termination of the Placing Agreement, all liabilities of the parties shall cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement save in respect of any antecedent breaches.

REASONS FOR THE SECOND SUBSCRIPTION AND PLACING AND USE OF PROCEEDS

The Group is mainly engaged in health industry business, including medical anti-aging and health preservation base, medical and healthcare industry investment management, natural health food business, as well as investing and financing activities.

The aggregate gross proceeds of the Second Subscription will be HK$200,000,000. The aggregate net proceeds of the Second Subscription, after the deduction of related expenses, will be approximately HK$199,000,000. The net price of each Subscription Share C will be approximately HK$0.398. The net proceeds of the Second Subscription are currently intended to be used for financing of part of the Consideration in or around August 2019.

The aggregate gross proceeds of the Placing will be HK$300,000,000. The aggregate net proceeds of the Placing, after the deduction of related expenses, will be approximately HK$296,760,000. The net price of each Placing Share will be approximately HK$0.39568. The Company intends to apply (i) approximately 60% of the net proceeds of the Placing for the purpose of financing the Consideration; and (ii) approximately 40% of the net proceeds of the Placing for repayment of indebtedness with detailed breakdown and description of the intended use of the net proceeds of the Placing and the expected timeline as follows:

(i) approximately HK$178,056,000 from the net proceeds of the Placing will be used for financing of part of the Consideration in or around August 2019; and

(ii) approximately HK$118,704,000 from the net proceeds of the Placing will be used for repayment the outstanding principal amount interest bearing, secured, guaranteed note to Wan Tai Investments Limited, being an indirect wholly-owned subsidiary of CCB International (Holdings) Limited and convertible notes to China Great Wall AMC (International) Holdings Co., Ltd. (中國長城資產(國際)控股有限公司), formerly known as Great Wall Pan Asia International Investment Co., Limited (長城環亞國際投資有限公司) in or around August 2019.

As at the Latest Practicable Date, (i) the outstanding principal amount under the note to Wan Tai Investments Limited ("**Wan Tai Note**") with interest rate at 11% per annum is HK$55 million and the agreed repayment date is 14 August 2019, (ii) the outstanding principal amount under the convertible notes to China Great Wall AMC (International) Holdings Co., Ltd. ("**China Great Wall CB**") with interest rate at 14% per annum is US$7 million (equivalent to approximately HK$54.46 million) and the agreed repayment date is 14 August 2019. The Company intends to apply approximately HK$118,704,000 of the net proceeds from the Placing to repay the outstanding principal amount of China Great Wall CB in full and the remaining balance for the repayment of majority of the outstanding of the principal amount of the Wan Tai Note. In view that the above indebtedness will mature soon, the Board believes that the Company has an imminent need to raise fund for repayment of these outstanding notes and convertible notes.

The Company has considered other fund raising alternatives, including but not limited to the issue and placing of bonds and convertible securities and discussed with a number of potential investors. However, the Company considered that the terms offered by such potential investors (e.g. the interest rate) were not very favorable to the Company and the Company has yet to identify other suitable potential investors.

The Directors are of the view that both the Second Subscription and Placing can strengthen the financial position of the Group and provide immediate funding to the Group for the financing of the Consideration. The Second Subscription and the Placing also represent good opportunities to broaden the Shareholders' base and the capital base of the Company.

Given the above, the Directors are of the view that the terms and conditions of the Second Subscription Agreement and Placing Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE SUBSCRIPTIONS AND PLACING ON THE SHAREHOLDING STRUCTURE

The changes in the shareholding structure of the Company as a result of the Subscriptions and Placing are as follows assuming (i) each of the Subscriber A and Subscriber B will subscribe for the maximum number of the First Subscription Shares; (ii) the Subscriber C and Placees will subscribe for the maximum number of the Subscription Shares C and Placing Shares respectively; and (iii) there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the date when the Subscription Shares and Placing Shares have been issued and allotted:

	As at the Latest Practicable Date		Immediately after the issue and allotment of the maximum number of the Subscription Shares C		Immediately after the issue and allotment of the maximum number of the Placing Shares		Immediately after the issue of and allotment of the maximum number of the First Subscription Shares		Immediately after the issue and allotment of the maximum number of both the Subscription Shares and Placing Shares	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
Substantial Shareholder:										
Champion Dynasty Limited *(Note 1)*	930,379,671	31.05%	930,379,671	26.61%	930,379,671	24.83%	930,379,671	28.54%	930,379,671	20.63%
Director:										
Mr. Cheng Hau Yan *(Note 2)*	4,300,000	0.14%	4,300,000	0.12%	4,300,000	0.12%	4,300,000	0.13%	4,300,000	0.09%
Sub-total:	934,679,671	31.19%	934,679,671	26.73%	934,679,671	24.95%	934,679,671	28.67%	934,679,671	20.72%
Subscriber A *(Note 3)*	—	—	—	—	—	—	222,006,334	6.81%	222,006,334	4.92%
Subscriber B *(Note 3)*	—	—	—	—	—	—	42,093,632	1.29%	42,093,632	0.93%
Subscriber C	—	—	500,000,000	14.30%	—	—	—	—	500,000,000	11.09%
Placees	—	—	—	—	750,000,000	20.02%	—	—	750,000,000	16.63%
Sub-total:	—	—	500,000,000	14.30%	750,000,000	20.02%	264,099,966	8.10%	1,514,099,966	33.57%
Other public Shareholders:	2,061,575,337	68.81%	2,061,575,337	58.97%	2,061,575,337	55.03%	2,061,575,337	63.23%	2,061,575,337	45.71%
Total:	2,996,255,008	100.00%	3,496,255,008	100.00%	3,746,255,008	100.00%	3,260,354,974	100.00%	4,510,354,974	100.00%

Notes:

1. Champion Dynasty Limited is a company wholly owned by Mr. Cheung Wai Kuen, an executive Director, chairman and the controlling shareholder (such term has the meaning as ascribed to it under the Listing Rules) of the Company.

2. Mr. Cheng owned 4,000,000 Shares and his spouse, being a staff of a subsidiary of the Company, owned 300,000 Shares. Pursuant to the SFO, Mr. Cheng was deemed to be interested in same parcel of Shares which his spouse was interested.

3. The Subscriber A and her sibling in aggregate own approximately 76.46% of the equity interest of the Subscriber B and is the executive partner of the Subscriber B as at the Latest Practicable Date. Ms. Zhu will be deemed to be interested in the Shares to be subscribed by the Subscriber B.

The theoretical dilution effect of the Placing and Second Subscription under Rule 7.27B are 4.07% and 2.91% respectively. And as a whole, the total theoretical dilution effect of both the Placing and the Second Subscription will be 5.98%. The Company, after the Placing and the Second Subscription, does not result in a theoretical dilution effect of 25% or more (on its own or when aggregated of both fundraising activities). Thus, the Company complied with the Listing Rules 7.27B requirements.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save as disclosed in the section headed "The First Subscription Agreement", "The Second Subscription Agreement" and "The Placing Agreement" in this circular, and all three of which has not yet been completed as at the Latest Practicable Date, the Company had not conducted any equity fund raising activity in the past twelve (12) months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios of the Acquisition calculated in accordance with Rule 14.07 of the Listing Rules exceeds 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The SGM will be convened and held for the Shareholders to consider, and if thought fit, to approve, (i) the Equity Transfer Agreement and the transactions contemplated thereunder; and (ii) the First Subscription Agreement and the transactions contemplated thereunder, including the grant of the First Subscription Specific Mandate for the allotment and issue of the First Subscription Shares to the Directors; (iii) the Second Subscription Agreement and the transactions contemplated thereunder, including the grant of the Second Subscription Specific Mandate for the allotment and issue of the Subscription Shares C to the Directors; (iv) the Placing Agreement and the transactions contemplated thereunder, including the grant of the Placing Specific Mandate to the Directors for the allotment and issue of the Placing Shares.

As at Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save and except for the Placing Agent who is interested in 170 Shares, no Shareholders have any material interest in the Acquisition, the Subscriptions and/or the Placing and as such, none of the Shareholders is required to abstain from voting at the SGM in respect of the approval of the Equity Transfer Agreement, the First Subscription Agreement, the Second Subscription Agreement, the Placing Agreement and their respective transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors believe that the terms of the Acquisition and the Subscriptions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders to vote in favour of the resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Common Splendor International
Health Industry Group Limited
Cheung Wai Kuen
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31 December 2018 are set out from pages 106 to 258 in the annual report of the Company for the year ended 31 December 2018 (the "**Annual Report 2018**") published on 26 April 2019. The Annual Report 2018 is also posted on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at www.cs-ih.com. Please also see below hyperlink to the Annual Report 2018:

http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0426/LTN20190426425.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2017 are set out from pages 102 to 230 in the annual report of the Company for the year ended 31 December 2017 (the "**Annual Report 2017**") published on 30 April 2018. The Annual Report 2017 is also posted on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at www.cs-ih.com. Please also see below hyperlink to the Annual Report 2017:

http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0430/LTN20180430301.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2016 are set out from pages 81 to 234 in the annual report of the Company for the year ended 31 December 2016 (the "**Annual Report 2016**") published on 28 April 2017. The Annual Report 2016 is also posted on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at www.cs-ih.com. Please also see below hyperlink to the Annual Report 2016:

http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0428/LTN20170428125.pdf

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 May 2019, being latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained in this statement of indebtedness, the Enlarged Group has issued a principal amount of US$7,000,000 secured bonds payable, HK$109,500,000 unsecured bonds, HK$55,000,000 secured guaranteed notes, RMB50,500,000 secured bank borrowings and approximately HK$16,138,000 unsecured bank and other borrowings.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities as at the close of business on 31 May 2019.

3. WORKING CAPITAL STATEMENT

Based on the resources currently available to the Group as at the Latest Practicable Date, the Enlarged Group may not have sufficient working capital to satisfy its requirements taking into effect of the Acquisition. In this regard the Group plans to obtain the source of funding for the Acquisition through (i) the Second Subscription; (ii) the Placing; and (iii) the banking facilities to be granted from a PRC commercial banks. The Directors are of the opinion that, after due and careful enquiry and taking into account the Enlarged Group's cashflow generated from operation activities, including internally generated funds, and based on the assumption that the Enlarged Group will successfully generate funding from (i) the Second Subscription; (ii) the Placing; and (iii) the banking facilities to be granted from a PRC commercial bank, and in the absence of unforeseeable circumstances, the Enlarged Group will have sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is committed to building itself into an international leading healthcare conglomerate. It is expected to focus on life healthcare and industrialization development in respect of human health solutions. By employing the development strategy of "global integration, global layout", the Group will continue to draw in top talent and technology, deploy services, products and various resources, and through acquisition and reorganization, in order to achieve rapid expansion in the life healthcare industry, as well as seeking various investment development opportunities from time to time in the healthcare field.

Following the Group's adjustments to its development strategy in the recent years, the Group has already formed a complete business structure in the medical anti-aging sector, including "Life Anti-aging" which mainly aims at inner and "Medical Beauty Anti-aging" which mainly aims at outer, and "Health Preservation Base", an inherited Chinese cultural legacy, "Health Preservation Anti-aging". As long as China continues its economic growth, the wealthy population and the number of elites will continue to expand and their spending power will be strengthened. In addition to the basic clinical services, demand for life healthcare services is ever increasing. Despite the fearful competition in the market, the Company believes that the Group has established a respectable position in this arena and will gradually expand its businesses on such basis.

The Board continues to be optimistic on the outlook of the healthcare industry and will, from time to time, adjust the Group's development strategy according to the industry changes as and when needed. The Group's overall strategy is to gradually optimise its main business, and develop its core businesses while holding the largest possible stake in such core businesses. Non-core businesses and segments of the Group is expected to be held by way of investments and be adjusted as and when appropriate based on the principle of profit maximisation, including disposals or held as investment funds.

The following is the text of a report, prepared for inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

26 July 2019

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHENZHEN AIDIGONG MATERNITY HEALTH MANAGEMENT CO., LTD. AND ITS SUBSIDIARIES TO THE DIRECTORS OF COMMON SPLENDOR INTERNATIONAL HEALTH INDUSTRY GROUP LIMITED

INTRODUCTION

We report on the historical financial information of 深圳愛帝宮母嬰健康管理股份有限公司 (Shenzhen Aidigong Maternity Health Management Co,. Ltd.*) (the "**Target Company**") and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") set out on pages 63 to 110, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2016, 2017, 2018 and 30 April 2019, and the consolidated statements of profit or loss, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the three years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information of the Target Group set out on pages 63 to 110 forms an integral part of this report, which has been prepared for inclusion in the circular of Common Splendor International Health Industry Group Limited (the "**Company**") dated 26 July 2019 (the "**Circular**") in connection with the proposed acquisition of 88.5184% of the equity interest in the Target Company (the "**Acquisition**").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The consolidated financial statements of the Target Group for the Relevant Periods ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued consolidated financial statements of the Target Group for the Relevant Periods. The directors of the Target Company are responsible for the preparation of the previously issued consolidated financial

* *English translation for identification only.*

statements of the Target Group that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Group's consolidated financial position as at 31 December 2016, 2017, 2018 and 30 April 2019, and of its consolidated financial performance and its consolidated cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 3(b) to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company and the directors of the Target Group are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 3(b) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review

Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 3(b) to the Historical Financial Information.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3(a) in the consolidated financial statements, which indicates that, as of 31 December 2017, 2018 and 30 April 2019, the Target Group's current liabilities exceeded its current assets by approximately RMB23,157,000, RMB32,979,000 and RMB65,311,000 respectively. As stated in note 3(a), these events or conditions, along with other matters as set forth in note 3(a), indicate that a material uncertainty exists that may cast significant doubt on the Target Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE

Adjustments

In preparing the Historical Financial Information, no adjustments to the financial statements of the Target Group for the Relevant Periods have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Target Company in respect of the Relevant Periods.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Ng Ka Wah
Practising Certificate Number: P06417

Hong Kong, 26 July 2019

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information of the Target Group which forms an integral part of this accountants' report.

The Underlying Financial Statements for the Relevant Periods, on which the Historical Financial Information is based, were audited by HLB Hodgson Impey Cheng Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

A. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			**Four months ended 30 April**	
		2016	**2017**	**2018**	**2018**	**2019**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*7*	137,218	220,799	385,204	106,998	154,401
Cost of sales		(83,456)	(162,962)	(235,031)	(62,816)	(93,326)
Gross profit		53,762	57,837	150,173	44,182	61,075
Other income	*8*	3,400	15,469	21,456	4,267	6,109
Gain on disposal of a subsidiary	*26*	—	—	1,125	—	—
Administrative expenses		(15,999)	(21,523)	(26,453)	(6,061)	(9,900)
Selling and distribution expenses		(26,757)	(47,075)	(71,177)	(22,562)	(28,742)
Share of results of an associate	*16*	(58)	(25)	188	71	(5)
Profit from operations		14,348	4,683	75,312	19,897	28,537
Finance cost		—	—	—	—	(4,846)
Profit before income tax	*9*	14,348	4,683	75,312	19,897	23,691
Income tax expense	*11*	(1,305)	(22)	(16,303)	(4,792)	(5,469)
Profit for the year/period		13,043	4,661	59,009	15,105	18,222
Attributable to:						
Equity holders of the Target Company		12,865	3,478	59,554	14,898	18,222
Non-controlling interests		178	1,183	(545)	207	—
		13,043	4,661	59,009	15,105	18,222

The accompanying notes form an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 April
		2016	2017	2018	2019
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*15*	77,911	137,443	178,332	174,401
Right-of-use assets	*23*	—	—	—	307,010
Deposits paid for acquisition of plant and equipment		216	894	239	—
Interests in an associate		662	637	825	820
Deferred tax assets	*14*	5,635	8,110	4,423	5,461
		84,424	147,084	183,819	487,692
Current assets					
Inventories, at cost		3,210	3,309	3,000	2,992
Deposits, prepayments and other receivables	*17*	24,011	27,560	40,181	49,163
Structured bank deposits	*18*	18,623	35,130	—	—
Financial assets at fair value through profit or loss ("FVTPL")	*19*	—	—	112,517	90,376
Bank and cash balances	*18*	43,431	31,790	27,092	70,243
		89,275	97,789	182,790	212,774
Current liabilities					
Trade payables	*20*	3,902	7,525	12,037	15,675
Accruals, deposits received and other payables	*21*	49,760	112,942	52,439	49,984
Contract liabilities	*22*	—	—	143,641	154,033
Lease liabilities	*23*	—	—	—	47,348
Tax payables		761	479	7,652	11,045
		54,423	120,946	215,769	278,085
Net current assets/(liabilities)		34,852	(23,157)	(32,979)	(65,311)
Total assets less current liabilities		119,276	123,927	150,840	422,381
Non-current liability					
Lease liabilities	*23*	—	—	—	263,319
Net assets		119,276	123,927	150,840	159,062
Capital and reserves					
Share capital	*24*	46,875	46,875	46,875	46,875
Reserves		71,746	75,802	103,965	112,187
Equity attributable to owners of the Target Company		118,621	122,677	150,840	159,062
Non-controlling interests		655	1,250	—	—
Total equity		119,276	123,927	150,840	159,062

The accompanying notes form an integral part of the Historical Financial Information of the Target Group.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Other reserve	Statutory reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	45,000	9,380	—	2,612	20,451	77,443	—	77.443
Profit for the year	—	—	—	—	12,865	12,865	178	13,043
Issuance of new shares	1,875	25,205	—	—	—	27,080	—	27,080
Disposal of partial interest in a subsidiary without loss of control *(note 27(a))*	—	—	1,233	—	—	1,233	477	1,710
Transfer to statutory reserve	—	—	—	2,567	(2,567)	—	—	—
Transfer to capital reserve	—	32,620	—	(2,612)	(30,008)	—	—	—
At 31 December 2016 and 1 January 2017	46,875	67,205	1,233	2,567	741	118,621	655	119,276
Profit for the year	—	—	—	—	3,478	3,478	1,183	4,661
Acquisition of additional interests in a subsidiary *(note 27(b))*	—	—	578	—	—	578	(588)	(10)
Transfer to statutory reserve	—	—	—	886	(886)	—	—	—
At 31 December 2017 and 1 January 2018	46,875	67,205	1,811	3,453	3,333	122,677	1,250	123,927
Acquisition of additional interests in a subsidiary *(note 27(c))*	—	—	(6,391)	—	—	(6,391)	(705)	(7,096)
Profit for the year	—	—	—	—	59,554	59,554	(545)	59,009
Dividend	—	—	—	—	(25,000)	(25,000)	—	(25,000)
Transfer to statutory reserve	—	—	—	1,937	(1,937)	—	—	—
At 31 December 2018 and 1 January 2019	46,875	67,205	(4,580)	5,390	35,950	150,840	—	150,840
Profit for the period	—	—	—	—	18,222	18,222	—	18,222
Dividend	—	—	—	—	(10,000)	(10,000)	—	(10,000)
At 30 April 2019	46,875	67,205	(4,580)	5,390	44,172	159,062	—	159,062
For the four months ended 30 April 2018 (unaudited)								
At 1 January 2018	46,875	67,205	1,811	3,453	3,333	122,677	1,250	123,927
Profit for the period	—	—	—	—	14,898	14,898	207	15,105
At 30 April 2018	46,875	67,205	1,811	3,453	18,231	137,575	1,457	139,032

CONSOLIDATED STATEMENTS OF CASH FLOWS

		As at 31 December			For the four months ended 30 April	
		2016	2017	2018	2018	2019
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flows from operating activities						
Profit before income tax		14,348	4,683	75,312	19,897	23,691
Adjustments for:						
Bank interest income	*8*	(154)	(62)	(96)	(3)	(13)
Net gain on structured bank deposits	*8*	(1,480)	(152)	(2,911)	(436)	(1,372)
Depreciation of property, plant and equipment	*15*	10,187	22,668	28,198	9,399	5,592
Depreciation of right-of-use assets		—	—	—	—	18,826
Gain on disposal of a subsidiary	*26*	—	—	(1,125)	—	—
Written-off plant and equipment	*15*	524	717	388	—	—
Share of results of an associate	*16*	58	25	(188)	(71)	5
Impairment losses recognised in respect of other receivables	*17*	691	230	891	—	—
Operating cash flows before movements in working capital		24,174	28,109	100,469	28,786	46,729
(Increase)/decrease in inventories		(1,577)	(99)	309	197	8
Increase in deposits, prepayments and other receivables		(21,906)	(4,457)	(12,960)	(2,967)	(8,743)
Increase in trade payables		448	3,623	4,512	6,218	3,638
Increase in contract liabilities		—	—	56,601	22,310	10,392
Increase/(decrease) in accruals, deposits received and other payables		20,425	63,182	27,324	(3,503)	(2,455)
Cash generated from operating activities		21,564	90,358	176,255	51,041	49,569
Bank interest received		154	62	96	3	13
Income tax paid		(8,055)	(2,779)	(5,538)	(1,661)	(3,114)
Net cash generated from operating activities		13,663	87,641	170,813	49,383	46,468

		As at 31 December			For the four months ended 30 April	
		2016	2017	2018	2018	2019
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from investing activities						
Purchase of property, plant and equipment	*15*	(65,579)	(82,917)	(69,548)	(17,947)	(1,661)
Placement of structured bank deposits		(145,000)	(40,000)	(292,760)	(80,000)	(100,040)
Withdrawal of structured bank deposits		160,857	23,645	218,284	55,566	123,553
Net cash outflow on acquisition of an associate		(720)	—	—	—	—
Net cash outflow on acquisition of partial interest in a subsidiary	*27(b) and 27(c)*	—	(10)	(7,096)	—	—
Net cash inflow from disposal of a subsidiary	*26*	—	—	609	—	—
Net cash inflow from disposal of partial interest in a subsidiary	*27(a)*	1,710	—	—	—	—
Net cash (used in)/generated from investing activities		(48,732)	(99,282)	(150,511)	(42,381)	21,852
Cash flows from financing activities						
Payment for lease liabilities (including interest)		—	—	—	—	(15,169)
Proceeds from issuance of share capital		27,080	—	—	—	—
Dividends paid		—	—	(25,000)	—	(10,000)
Net cash generated from/(used in) financing activities		27,080	—	(25,000)	—	(25,169)
Net (decrease)/increase in cash and cash equivalents		(7,989)	(11,641)	(4,698)	7,002	43,151
Cash and cash equivalents at beginning of year/period		51,420	43,431	31,790	31,790	27,092
Cash and cash equivalents at end of year/period		43,431	31,790	27,092	38,792	70,243

B. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

深圳愛帝宮母嬰健康管理股份有限公司 (Shenzhen Aidigong Maternity Health Management Co,. Ltd.*, referred to herein as the "**Target Company**") is a limited liability company incorporated in the People's Republic of China (the "**PRC**") on 6 November 2007. Its registered office is situated at Block 4, Xiangmihu Hotel, Xiangmihu Resort, Shennan Road West, Futian District, Shenzhen, the PRC.

The Target Company and its subsidiaries (together, the "**Target Group**") are principally engaged in provision of healthcare services, which included Chinese medicine recuperation, dietary and nutrition, infant intelligence development and postpartum recovery consultation services.

The Historical Financial Information is presented in Renminbi ("**RMB**"), rounded to the nearest thousand, which is the functional currency of the Target Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("THE HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied the accounting policies which conform with HKFRSs, which are effective for the accounting period beginning on 1 January 2018 throughout the Relevant Periods, except that the Target Group has adopted HKFRS 9 "Financial Instruments" ("**HKFRS 9**"), HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**") starting from 1 January 2018 and HKFRS 16 "Lease" ("**HKFRS 16**") starting from 1 January 2019. The adoption of HKFRS 9, HKFRS 15 and HKFRS 16 are summarised below:

2.1 Impacts and changes in accounting policies of application on HKFRS 15

The Target Group has applied HKFRS 15 for the first time in the year ended 31 December 2018 and the four months ended 30 April 2019. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Target Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Target Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and the related interpretations.

Information about the Target Group's performance obligations and the accounting policies resulting from the application of HKFRS 15 are disclosed in notes 3 to 7 respectively.

The Target Group has performed an assessment on the impact of the application of HKFRS 15 and concluded that there is no material financial impact on the timing and amounts of revenue recognised in prior and current year/periods.

Rental and rental related income from offices and commercial leasing will continue to be accounted for in accordance with HKAS 17 "lease".

Summary of effects arising from initial application of HKFRS 15

The Target Group recognises revenue mainly from provision of postpartum and newborn healthcare services.

Prior to the application of HKFRS 15, the Target Group recognised receipt in advance at the end of the reporting period based on consideration already received by the Target Group while the provision of postpartum and newborn healthcare services had not yet been rendered to contract customers.

The following adjustment was made to the amounts recognised in the consolidated statement of financial position at the date of initial application (1 January 2018). Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Current Liabilities			
Accruals, deposits received and other payables	112,942	(87,040)	25,902
Contract liabilities	—	87,040	87,040

At the date of initial application, included in the accruals, deposits received and other payables amounting to RMB87,040,000 is related to deposits received from customers. The balance was reclassified to contract liabilities upon application of HKFRS 15.

Significant financing component

For contract where the period between the payment by the customer and transfer if the promised services exceeds one year, the transaction price should be adjusted for the effects of a financing component, if significant. The Target Group had assessed that the financing component effect was insignificant.

The amount by each financial statements line items affected in the current year/period by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2018		
Consolidated statement of financial position (extract)	**Amounts without the adoption of HKFRS 15**	**Effect of the adoption of HKFRS 15**	**Amounts as reported**
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Accruals, deposits received and other payables	196,080	(143,641)	52,439
Contract liabilities	—	143,641	143,641

	For the year ended 31 December 2018		
Consolidated statement of cash flow (extract)	**Amount without the adoption of HKFRS 15**	**Effects of the adoption of HKFRS 15**	**Amounts as reported**
	RMB'000	*RMB'000*	*RMB'000*
Increase in contract liabilities	—	56,601	56,601
Increase in accruals, deposits received and other payables	83,925	(56,601)	27,324

	As at 30 April 2019		
Consolidated statement of financial position (extract)	**Amounts without the adoption of HKFRS 15**	**Effects of the adoption of HKFRS 15**	**Amounts as reported**
	RMB'000	*RMB'000*	*RMB'000*
Current Liabilities			
Accruals, deposits received and other payables	204,017	(154,033)	49,984
Contract liabilities	—	154,033	154,033

	For the four months ended 30 April 2019		
	Amounts without the adoption of HKFRS 15	**Effects of the adoption of HKFRS 15**	**Amounts as reported**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of cash flow (extract)			
Increase in contract liabilities	—	10,392	10,392
Decrease in accruals, deposits received and other payables	12,847	(10,392)	(2,455)

2.2 Impact and changes in accounting policies of application on HKFRS 9

For the year ended 31 December 2018 and the four months ended 30 April 2019, the Target Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and other items (for example, contract assets and lease receivables) and 3) general hedge accounting.

The Target Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Details of accounting policies resulting from application of HKFRS 9 are set out in note 3(g).

Summary of effects arising from initial application of HFKRS 9

(i) *Classification and measurement*

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Structured bank deposits	**Financial assets at FVTPL**
	RMB'000	*RMB'000*
Closing balance at 31 December 2017, under HKAS 39	35,130	—
Initial application of HKFRS 9:		
Reclassification from structured bank deposits to financial assets at FVTPL	(35,130)	35,130
	—	35,130

Reclassification from structured bank deposits to financial assets at FVTPL

At the date of initial application of HKFRS 9, the Target Group's structured bank deposits did not meet the HKFRS 9 criteria for classification at amortised cost and financial assets at fair value through other comprehensive income, as their cash flow did not represent solely payments of principal and interest. As a result, the carrying amount of structured bank deposits of RMB35,130,000 were reclassified to financial assets at FVTPL.

(ii) *Impairment under ECL model*

The Target Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of deposits, other receivables and bank balances which are measured on 12 month's ("12m") ECL basis and there had been no significant increase in credit risk since initial recognition.

The application of the HKFRS 9 has no significant impact on the provision of impairment of financial assets for the year ended 31 December 2018, the four months ended 30 April 2019 and retained profits at 1 January 2018.

2.3 Impact and changes in accounting policies of application on HKFRS 16

The Target Group has adopted HKFRS 16 "Leases" from 1 January 2019 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

Before the application of HKFRS 16, commitments under operating leases for future periods were not recognised by the Target Group as liabilities. Operating lease rental expenses were recognised in profit or loss over the lease period on a straight-line basis.

Upon application of HKFRS 16, the Target Group recognised the full lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or the incremental borrowing rate of respective entities if the interest rate implicit to the lease cannot be determined.

At the inception of a contract that contain a lease component, as a lessee, the Target Group should allocate the consideration in the contract to each lease component on the basis of their relative stand-alone price. The Target Group, as a lessee, assessed its leases for non-lease components and separated non-lease component from lease components for certain classes of assets if the non-lease components are material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. Depreciation is charged on a straight-line basis over the shorter of the lease term or the asset's useful life.

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	385,734
Weighted average incremental borrowing rate as at 1 January 2019	4.59%
Discounted operating lease commitments at 1 January 2019	325,836
Lease liabilities as at 1 January 2019	325,836

In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application (1 January 2019):

	Carrying amounts under HKFRS 16 at 1 January 2019 *RMB'000*
Increase in right-of-use assets	325,836
Increase in lease liabilities — current	46,530
Increase in lease liabilities — non-current	279,306

Amounts recognised in the consolidated statement of financial position and profit or loss

The carrying amounts of the Target Group's right-of-use assets and lease liabilities and the movements during the Relevant Periods are as follow:

	Right-of-use assets	**Lease liabilities**
	RMB'000	*RMB'000*
As at 1 January 2019	325,836	325,836
Depreciation expense	(18,826)	—
Interest expense	—	4,846
Payments	—	(20,015)
As at 30 April 2019	307,010	310,667

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the Target Group has not early applied the following new and amendments to HKFRSs and the new interpretation that have been issued but are not yet effective:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[2]
HKFRS 3 (Amendments)	Definition of a Business[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 17	Insurance Contracts[3]

1 Effective for business combination and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Going concern

As at 30 April 2019, the Target Group recorded net current liabilities of RMB65,311,000 (31 December 2018 and 2017: net current liabilities: RMB32,979,000 and RMB23,157,000 respectively). Notwithstanding the net current liabilities of the Target Group at 30 April 2019, and 31 December 2018 and 2017, the Target Group's consolidated financial statements have been prepared on a going concern basis because the directors are of the opinion that the Target Group would have adequate funds to meet its obligation, as and when they fall due, having regard to the following:

(i) the Target Group expects to generate positive operating cash flows in the future; and

(ii) the contract liabilities of RMB154,033,000 and RMB143,641,000 as at 30 April 2019 and 31 December 2018 respectively and the deferred revenue included in the other payables of RMB87,040,000 as at 31 December 2017, represents prepayment of postpartum care package received from customers and will be recognised as income rather than refunded.

Consequently, the consolidated financial statements have been prepared on a going concern basis.

(b) Basis of preparation

The Historical Financial Information has been prepared in accordance with "HKFRSs" (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the relevant accounting periods, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information for the purposes of presenting financial information.

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA, and accounting principles generally accepted in Hong Kong, which are consistent with the accounting policies adopted by the Company and its subsidiaries. In addition, the Historical Financial Information of the Target Group includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on a historical cost basis, except for certain financial assets which are measured at fair values at the end of each relevant period, as explained in the accounting policies set out below.

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 Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Target Company and entities (including structured entities) controlled by the Target Company and its subsidiaries. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group 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.

When the Target Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Target Company considers all relevant facts and circumstances in assessing whether or not the Target Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Target Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Target Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Target Company has, or does not have, the current liability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each component item of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Interests in an associate

An associate is an entity over which the Target 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 an associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, interests in associates is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise Target Group's share of the profit or loss and other comprehensive income of the associate. When the Target Group's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Target Group's net investment in the associate), the Target Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Target Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Target Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS are applied to determine whether it is necessary to recognise any impairment loss with respect to the Target Group's interest in associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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 recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Target Group, profits and losses resulting from the transactions with associate are recognised in the Target Group's consolidated financial statements only to the extent of interests in associate that are not related to the Target Group.

(e) Revenue and other income recognition

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transition in note 2)

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

— The customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;

— The Target Group's performance creates and enhances an asset that the customer controls as the Target Group performs; or

— The Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance complete to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Target Group's right to consideration in exchange for goods or services that the Target Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Target Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Group's obligation to transfer goods or services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

For contracts that contain more than one performance obligation, the Target Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Revenue is recognised when related postpartum and newborn healthcare services are delivered to customers. Payments that are related to services not yet rendered are deferred and shown as contract liabilities in the consolidated statement of financial position.

Revenue recognition (prior to 1 January 2018)

In prior reporting periods, the revenue for rendering of postpartum and newborn healthcare services was recognised when the relevant services are rendered to customers in accordance with the terms of the relevant agreements.

Rental income from operating leases is recognised in the consolidated statement of profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

Government grants are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Target Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(f) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the reporting period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is recognised so as to write off the cost of property, plant and equipment less their residual values over their useful lives, using the straight-line method at the following rates per annum:

Medical equipment	5 year
Motor vehicles	5 year
Office equipment	5 year
Computer software	5 year
Leasehold improvements	5 year

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of 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 recognised in profit or loss.

(g) Financial instruments

Financial assets and financial liabilities are recognised when an 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 (other than financial assets and financial liabilities at "fair value through profit or loss" ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the recoverable amount of an asset (or a CGU) is estimated by the effective interest method, which calculated the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions)

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

Other than trade receivables, all financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as financial asset at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Target Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Except for financial assets at FVTPL, all other financial assets including trade receivables, deposits and other receivables, restricted bank deposits and bank balances and cash are subsequently measured at amortised costs.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the assets is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") are measured at FVTPL with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Financial assets at FVTOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

Foreign exchange gains and losses are presented in other gains/(losses) and impairment loss are presented as separate line item in the consolidated statement of profit or loss.

Equity instruments

The Target Group subsequently measures all equity investments at fair value. Where the Target Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Target Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions)

The Target Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within twelve months after the reporting date. Assessment are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of reporting period as well as the forecast of future conditions.

The Target Group recognises lifetime ECL for trade receivables arising from revenue from contracts with customers. The ECL on trade receivables from customers are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Target Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Target Group assumes that the credit risk on the structured bank deposits and most of the bank balances has not increased significantly since initial recognition as the structured bank deposits and most of the bank balances are determined to have low credit risk at the reporting date. The structured bank deposits and most of the bank balance are considered to have low credit risk as they are deposited with the financial institutions which have an internal or external credit rating of "investment grade" as per globally understood definition.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

Irrespective of the above, the Target Group considers that default has occurred when a financial asset is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, or in the case of trade receivables, when the student drops out from the tuition programme, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Target Group's trade receivables are assessed as a separate group. Other financial assets including deposits and other receivables, restricted bank deposits and bank balances are assessed for expected credit losses on an individual basis);

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management of Target Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, "held-to-maturity" investments, "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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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 deposits and other receivables and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short- term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 investment have been affected.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— breach of contract, such as a default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, 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 Target 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 amortised cost, the amount of the impairment loss recognised is as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets 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 asset. Such impairment loss will not be reversed 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 receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss.

For financial assets measured at amortised cost, 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by Target Group is classified as either financial liabilities or as equity in according 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 entity after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Target Group equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Target Group own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss are classified at fair value through profit or loss when the financial liability is either held for trading or it is designated at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a Target Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Group's documented risk management or investment strategy, and information about the Target Group is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated at fair value through profit or loss.

- Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities (including trade payables and other payables) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. 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 recognised on an effective interest basis other than financial liabilities classified as at fair value through profit or loss.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to receive cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Target Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(h) 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/period. Taxable profit differs from "profit before tax" as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rate that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised 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 recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year/period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised 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.

(i) Retirement benefits scheme

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

(j) Impairment of assets

At the end of each reporting period, the Target Group reviews the carrying amounts of its tangible 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).

Recoverable amount is higher of fair value less costs to sell 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the tangible assets 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(k) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(l) Inventories

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

(m) Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constitutive) as a result of a past event, and it is probable that the Target Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised 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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Contingent liabilities and contingent assets

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 Target Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(o) Operating leases

Operating leases (upon application of HKFRS 16 on 1 January 2019)

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Target Group. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments,
- variable lease payment that are based on a rate, and
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Target Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability, and
- prepayment and initial direct costs

Right-of-use assets are depreciated on straight-line method over the shorter of the lease term and the expected useful life of the asset.

Operating leases (prior to 1 January 2019)

All leases are classified as operating leases.

The Target Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits form the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Target Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

(p) Related parties

A related party is a person or entity that is related to the Target Group that is preparing its financial statements as follows:

(a) A person, or a close member of that person's family, is related to the Target Company if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or a parent of the Target Group.

(b) An entity is related to the Target Group if any of the following conditions applies:

(i) the entity and the Target Group are members of the same company (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of the Target Company of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Group. If the Target Company is itself such a plan, the sponsoring employers are also related to the Target Company.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Company.

Close family members of the family or of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in Note 3, management of the Target Group (the "**Management**") required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and 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 the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less cost of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Target Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the profit or loss.

Useful lives and depreciation of property, plant and equipment

The Target Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisable lives and therefore affect the depreciation and amortisation charges in future periods.

Impairment of other receivables

The Target Group makes allowances on other receivables based on assumptions about risk of default and expected loss rates. The Target Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Target Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 5 below.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Target Group recognised liabilities for anticipated tax based on estimates of whether additional tax will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determination is made.

Fair value measurements and valuation processes

Certain assets and liabilities of the Target Group are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Target Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Target Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the Target Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Target Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Target Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the Management.

Information about the valuation techniques and inputs used in the determination of the fair value of various assets and liabilities are disclosed in note 5(c).

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. The Management reassess the estimations at the end of reporting period.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December			At 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL	—	—	112,517	90,376
Financial assets at amortised cost	—	—	41,890	86,290
Loan and receivables (including cash and cash equivalents)	75,413	86,374	—	—
Financial liabilities				
Amortised cost	12,874	33,427	64,476	65,659

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include deposits and other receivables, financial assets at FVTPL, structured bank deposits, bank and cash balances and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these are set out below. The Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Target Group's risk exposure in respect of financial instruments or the manner in which it manages and measures the risks.

The Target Group is principally exposed to interest rate risks, credit risks, liquidity risks and foreign currency risks. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risks

At the end of the Relevant Periods, the Target Group did not hold any assets or liabilities which are exposed to significant interest rate risk.

Credit risk

The Target Group's credit risk is mainly attributable to deposits and other receivables, structured bank deposits and bank and cash balances. The Management has a credit policy in place and the exposures to these credit risk are monitored on an ongoing basis.

The Target Group performs impairment assessment under ECL model upon application of HKFRS 9 (2016 and 2017: incurred loss model) on other receivables, structured bank deposits and bank and cash balances based on 12m-ECL.

In respect of structured bank deposits and cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rates are assessed to be zero and no provision was made.

In order to minimise the credit risk, the 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.

Other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Target Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

Collateral held as security and other credit enhancements

The Target Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Liquidity risk

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 April 2019, the Target Group manages liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and intended credit lines of funding from major financial institutions to meet the Target Group's liquidity requirements in the short and long term. The liquidity risk is under continuous monitoring by the management of the Target Group. The Management will raise or refinance bank borrowings whenever necessary.

At the end of the reporting period, the Target Group did not have significant exposure to liquidity risk.

The following tables detail the remaining contractual maturity at the end of the reporting period of the Target Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates) and the earliest date the Target Group can be required to pay:

	Weighted average effective interest rate	On demand less than 1 year	Between 1 and 5 years	Over 5 years	Total contractual undiscounted cash flows	Total carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016						
Non-derivative instruments						
Trade payables	—	3,902	—	—	3,902	3,902
Accruals, deposits received and other payables	—	8,972	—	—	8,972	8,972
		12,874	—	—	12,874	12,874
At 31 December 2017						
Non-derivative instruments						
Trade payables	—	7,525	—	—	7,525	7,525
Accruals, deposits received and other payables	—	25,902	—	—	25,902	25,902
		33,427	—	—	33,427	33,427
At 31 December 2018						
Non-derivative instruments						
Trade payables	—	12,037	—	—	12,037	12,037
Accruals, deposits received and other payables	—	52,439	—	—	52,439	52,439
		64,476	—	—	64,476	64,476
At 30 April 2019						
Non-derivative instruments						
Trade payables	—	15,675	—	—	15,675	15,675
Accruals, deposits received and other payables	—	49,984	—	—	49,984	49,984
		65,659	—	—	65,659	65,659

(c) Fair value measurement

The Target Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

Structured bank deposits with carrying amount of approximately RMB18,623,000, RMB35,130,000, RMB112,517,000 and RMB90,376,000 were level 3 measurement at 31 December 2016, 2017, 2018 and 30 April 2019. The details are as follows:

Financial assets	**Fair value at 31 December**			**Fair value at 30 April**	**Fair value hierarchy**	**Basis of fair value measurement**	**Relationship of significant unobservable input**	**Unobservable inputs to fair value**
	2016	**2017**	**2018**	**2019**				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*				
Structured bank deposits at FVTPL	18,623	35,130	112,517	90,376	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership	An increase in the discount rate would result in a decrease in fair value measurement of the financial assets at FVTPL, and vice versa	Discount rate ranging from 2016: 2.70% to 4.35% 2017: 3.50% to 4.10% 2018: 3.35% to 4.10% 2019: 2.90% to 3.95%

6. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Directors actively and regularly review and manage the Target Group's capital structure to maximise the returns to shareholders through the optimisation of the debt afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions. The Target Group's overall strategy remains unchanged since its incorporation.

The capital structure of the Target Group consists of debt (other borrowings), cash and bank balances and equity attributable to owners of the Target Group, comprising issued share capital and reserves.

7. REVENUE AND SEGMENT INFORMATION

(a) Revenue

An analysis of the Target Group's revenue for years ended 31 December 2016, 2017, 2018 and for the four months ended 30 April 2018 and 2019 is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Services provided over time — Provision of healthcare services	137,218	220,799	385,204	106,998	154,401

All of the Target Group's revenue is generated in the PRC based on where services are rendered. All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(b) Segment information

For the purpose of resources allocation and performance assessment, the Management focuses on the operating results of the Target Group as a whole as the Target Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, the Target Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Target Group's revenue are all derived from the PRC based on the location of services and all of its non-current assets are also located in the PRC.

8. OTHER INCOME

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	154	62	96	3	13
Fair value change of structured bank deposits	623	(493)	477	—	(270)
Bank interest income from structured bank deposits	857	645	2,434	436	1,642
Government grant	1,119	756	123	—	—
Rental income	452	12,867	16,674	3,323	4,299
Management fee income	184	1,003	1,255	450	361
Sundry income	11	629	397	55	64
	3,400	15,469	21,456	4,267	6,109

The Target Group received certain financial subsidies from local government authorises to support local business. There were no unfulfilled conditions and other contingencies attached to these government grants. These government grants were recognised in the consolidated statement of profit or loss upon receipt.

9. PROFIT BEFORE INCOME TAX

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period has been arrived at after charging/ (crediting):					
Auditors' remuneration	230	194	189	—	—
Total staff costs including					
— Directors' emoluments	383	476	497	182	249
— Salaries and other benefits	37,170	65,827	106,709	32,834	43,879
— Retirement benefits scheme contributions	4,567	10,926	17,212	5,296	6,742
Total staff costs	42,120	77,229	124,418	38,312	50,870
Depreciation of property, plant and equipment	10,187	22,668	28,198	9,399	5,592
Depreciation of right-to-use assets	—	—	—	—	18,826
Cost of inventories recognised as expenses	16,466	23,104	26,031	7,508	8,677
Written-off of property, plant and equipment	524	717	388	—	—
Operating lease rentals in respect of rented premises	15,763	42,931	50,133	16,711	—
Interest expense on lease liabilities	—	—	—	—	4,846
Fair value change of structured bank deposits	(623)	493	(477)	—	270
Provision of bad debts of other receivables	691	230	891	—	—

10. DIRECTORS', SENIOR MANAGEMENTS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the Relevant Periods, the aggregate amounts of emoluments of the directors of the Target Company are as follows:

For the year ended 31 December 2016:

	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhu Yu Fei	—	303	20	323
Yu Lin	—	30	—	30
Chen Chen	—	—	—	—
Xu Wu Cai	—	—	—	—
Zhou Hui Qiang	—	30	—	30
Total	—	363	20	383

For the year ended 31 December 2017:

	Fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Zhu Yu Fei	—	336	20	356
Yu Lin	—	60	—	60
Chen Chen	—	—	—	—
Xu Wu Cai	—	—	—	—
Zhou Hui Qiang	—	60	—	60
Total	—	456	20	476

For the year ended 31 December 2018:

Zhu Yu Fei	—	365	5	370
Yu Lin	—	60	—	60
Chen Chen	—	—	—	—
Xu Wu Cai	—	—	—	—
Zhou Hui Qiang	—	60	—	60
Total	—	485	5	490

For the four months ended 30 April 2018 (unaudited):

Zhu Yu Fei	—	140	2	142
Yu Lin	—	20	—	20
Chen Chen	—	—	—	—
Xu Wu Cai	—	—	—	—
Zhou Hui Qiang	—	20	—	20
Total	—	180	2	182

For the four months ended 30 April 2019:

Zhu Yu Fei	—	112	17	129
Yu Lin	—	60	—	60
Chen Chen	—	—	—	—
Xu Wu Cai	—	—	—	—
Zhou Hui Qiang	—	60	—	60
Total	—	232	17	249

During the Relevant Periods, no emoluments were paid by the Target Group to the directors or chief executive officer as an inducement to join or upon joining the Target Group or as compensation for loss of office. None of the directors or chief executive officer has waived or has agreed to waive any emoluments for the Relevant Periods.

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Target Group, none (2016 and 2017: none) were directors of the Target Company. The emoluments of the five highest paid employees were as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries and other allowances	2,565	3,871	4,139	1,423	2,337
Retirement benefits scheme contributions	36	36	40	13	17
	2,601	3,907	4,179	1,436	2,354

The emoluments paid or payable to members of senior management (excluding the Directors) were within the following bands:

	Number of individuals				
	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
RMBNil to RMB1,000,000	5	4	4	5	5
RMB1,000,000 to RMB2,000,000	—	1	1	—	—

None of the senior management or the five highest paid individuals has waived or has agreed to waive any emoluments for the Relevant Periods.

11. INCOME TAX EXPENSE

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
The charge comprises:					
Current tax:					
PRC corporate income tax	5,810	2,497	12,711	1,522	6,507
Deferred tax *(note 14)*	(4,505)	(2,475)	3,592	3,270	(1,038)
	1,305	22	16,303	4,792	5,469

The PRC enterprise income tax

PRC Enterprise Income Tax ("EIT")

The Target Company is qualified as "New High-Tech Enterprise" under the EIT law for 3 years starting from 21 November 2016 (the "Qualification Day"). Accordingly, The Target Company is entitled to a preferential EIT rate of 15% for a three-year period since the Qualification Day.

The tax rate applicable for all other subsidiaries established in the PRC was 25% (2017: 25%).

Reconciliation between tax expenses and accounting profit at applicable tax rates

A reconciliation of the tax expenses applicable to loss before tax at the applicable rates for the countries in which the Target Group are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	Year ended 31 December			**Four months ended 30 April**	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	14,348	4,683	75,312	19,897	23,691
Tax at applicable rate	3,587	1,171	18,828	4,974	5,923
Tax effect of income not taxable for tax purpose	(409)	(177)	(392)	(66)	(241)
Tax effect of expense not deductible for tax purpose	690	361	520	240	1,148
Utilisation of tax losses previously not recognised	—	(296)	(3,873)	(3,346)	(16)
Tax effect of share of results of an associate	15	6	(47)	(18)	1
Estimated tax effect of temporary differences	(4,505)	(2,475)	3,592	3,270	(1,038)
Tax effect of tax losses not recognised	4,517	2,995	—	—	—
Effect of tax exemptions granted to the Target Group	(2,590)	(1,563)	(2,325)	(262)	(308)
Tax charge for the year/period	1,305	22	16,303	4,792	5,469

12. DIVIDEND

The directors of the Target Company declared a final dividend and special dividend of RMB0.53 and RMB0.21 per share (31 December 2016, 2017 and four months ended 30 April 2018: Nil) for the year ended 31 December 2018 and four months ended 30 April 2019 respectively.

13. EARNINGS PER SHARE

No earnings per share information is presented as it is not considered as meaningful for the purpose of this report.

14. DEFERRED TAX ASSETS

The movements in deferred tax assets and liabilities during the year are as follows:

	Accrued expenses *RMB'000*	Losses available for offsetting future taxable profit *RMB'000*	Provision of bad debt *RMB'000*	Total *RMB'000*
Deferred tax assets as at 1 January 2016	—	846	284	1,130
Deferred tax credited/(debited) to the consolidated statement of profit or loss during the year *(note 11)*	696	3,815	(6)	4,505
Deferred tax assets as at 31 December 2016 and 1 January 2017	696	4,661	278	5,635
Deferred tax credited/(debited) to the consolidated statement of profit or loss during the year *(note 11)*	(141)	2,549	67	2,475
Deferred tax assets as at 31 December 2017 and 1 January 2018	555	7,210	345	8,110
Disposal of a subsidiary *(note 26)*	—	(95)	—	(95)
Deferred tax credited/(debited) to the consolidated statement of profit or loss during the year *(note 11)*	317	(4,110)	201	(3,592)
Deferred tax assets as at 31 December 2018 and 1 January 2019	872	3,005	546	4,423
Deferred tax credited to the consolidated statement of profit or loss during the period *(note 11)*	218	820	—	1,038
Deferred tax assets as at 30 April 2019	1,090	3,825	546	5,461

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits is probable. The Target Group also has tax losses arising in the PRC of RMB3,825,000 (2018, 2017 and 2016: RMB3,005,000, RMB7,210,000 and RMB4,661,000) that will expire in one to five years for offsetting against future taxable profits.

15. PROPERTY, PLANT AND EQUIPMENT

	Computer software *RMB'000*	Medical equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Construction in progress *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Costs:							
At 1 January 2016	758	6,714	890	7,116	—	35,541	51,019
Additions	126	1,964	638	1,611	48,258	12,982	65,579
Written off	—	(1,485)	—	(127)	—	—	(1,612)
At 31 December 2016 and 1 January 2017	884	7,193	1,528	8,600	48,258	48,523	114,986
Additions	103	3,195	3,510	10,110	44,999	21,000	82,917
Transfer	—	—	—	—	(93,257)	93,257	—
Written off	—	(1,095)	(890)	(1,348)	—	—	(3,333)
At 31 December 2017 and 1 January 2018	987	9,293	4,148	17,362	—	162,780	194,570
Additions	—	1,466	668	2,423	19,953	45,038	69,548
Disposal of a subsidiary *(note 26)*	—	—	—	(83)	—	—	(83)
Transfer	—	—	—	—	(12,146)	12,146	—
Written off	—	—	(638)	(31)	—	—	(669)
At 31 December 2018 and 1 January 2019	987	10,759	4,178	19,671	7,807	219,964	263,366
Additions	—	1,064	356	241	—	—	1,661
Transfer	—	—	—	—	(7,807)	7,807	—
At 30 April 2019	987	11,823	4,534	19,912	—	227,771	265,027
Accumulated depreciation:							
At 1 January 2016	198	2,854	382	4,186	—	20,356	27,976
Charge for the year	121	1,371	250	1,220	—	7,225	10,187
Written off	—	(1,002)	—	(86)	—	—	(1,088)
At 31 December 2016 and 1 January 2017	319	3,223	632	5,320	—	27,581	37,075
Charge for the year	80	1,462	404	2,106	—	18,616	22,668
Written off	—	(872)	(638)	(1,106)	—	—	(2,616)
At 31 December 2017 and 1 January 2018	399	3,813	398	6,320	—	46,197	57,127
Charge for the year	94	1,918	778	2,607	—	22,801	28,198
Disposal of a subsidiary *(note 26)*	—	—	—	(10)	—	—	(10)
Written off	—	—	(273)	(8)	—	—	(281)
At 31 December 2018 and 1 January 2019	493	5,731	903	8,909	—	68,998	85,034
Charge for the period	31	809	286	613	—	3,853	5,592
At 30 April 2019	524	6,540	1,189	9,522	—	72,851	90,626
Carrying amounts							
At 31 December 2016	565	3,970	896	3,280	48,258	20,942	77,911
At 31 December 2017	588	5,480	3,750	11,042	—	116,583	137,443
At 31 December 2018	494	5,028	3,275	10,762	7,807	150,966	178,332
At 30 April 2019	463	5,283	3,345	10,390	—	154,920	174,401

16. INTERESTS IN AN ASSOCIATE

	At 31 December			At 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investment in an associate	720	720	720	720
Share of post-acquisition result, net of dividends received	(58)	(83)	105	100
Interests in an associate	662	637	825	820

Particulars of the Target Group's associate as at 31 December 2016, 2017, 2018 and 30 April 2019, are as follows:

Name of associate	Form of Business and structure	Place of incorporation	Class of registered capital held	Percentage of owner interest	Principal activities
深圳市溪江浪科技文化有限公司 ("Shenzhen Xijianglang")	Incorporated	The PRC	Registered capital	36%	eCommerce platform for healthcare services

The Target Group's associate is accounted for using the equity method in these consolidated financial statements.

Set out below is the summarised financial information of the Target Group's associate.

	At 31 December			At 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	1,830	1,641	2,403	2,373
Non-current assets	115	199	194	233
Current liabilities	(104)	(70)	(304)	(328)
Net assets	1,841	1,770	2,293	2,278

	Year ended 31 December			At 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	53	478	2,928	1,276
Expenses	(213)	(549)	(2,406)	(1,281)
(Loss)/profit for the year/period	(160)	(71)	522	(5)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	At 31 December			At 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets of Shenzhen Xijianglang	1,841	1,770	2,293	2,278
Proportion of the Target Group's interest in Shenzhen Xijianglang	36%	36%	36%	36%
The carrying amount of the Target Group's interest in Shenzhen Xijianglang	662	637	825	820

There is no commitment and contingent liability under the associate.

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December			At 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits	8,651	9,593	11,396	11,521
Prepayments	10,868	9,000	15,622	24,012
Other receivables	6,319	11,024	16,111	16,578
	25,838	29,617	43,129	52,111
Less: Allowance for credit losses	(1,827)	(2,057)	(2,948)	(2,948)
	24,011	27,560	40,181	49,163

Movement in the loss allowance account in respect of deposits and other receivables during the year/period is as follows:

Balance at 1 January	1,136	1,827	2,057	2,948
Impairment losses recognised during the year/period	691	230	891	—
Balance at 31 December	1,827	2,057	2,948	2,948

Details of allowance for expected credit losses assessment are set out in note 5.

18. STRUCTURED BANK DEPOSITS/BANK AND CASH BALANCES

(a) Structured bank deposits

	At 31 December			At 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Structured deposits in licensed banks in the PRC	18,623	35,130	—	—

Structured bank deposits represent foreign currency or interest rate linked structured bank deposits ("SBDs") placed by the Target Group to a number of banks. Pursuant to the relevant underlying agreements, the SBDs carry interest at a variable rate per annum with reference to the performance of foreign currency or interest rate during the investment period and the principal sums are denominated in RMB. These structured bank deposits are capital guaranteed. The maturity date of structured bank deposits ranged from three to six months. Early withdrawal or termination of SBDs will not charge penalties.

Upon the adoption of HKFRS 9, the structured bank deposits were reclassified to financial assets at FVTPL at 1 January 2018 (see note 2.2(i)). Details of the fair value measurement over the structured deposits as at 31 December 2016, 2017 and 2018, and 30 April 2019 are disclosed in note 5.

(b) Bank and cash balances

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2016, 2017, 2018 and 30 April 2019, the cash and bank balances of the Target Group denominated in RMB amounted to approximately RMB43,431,000, RMB31,790,000, RMB27,092,000 and RMB70,243,000. The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The Target Group does not hold any collateral over these balances.

19. FINANCIAL ASSETS AT FVTPL

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Structured bank deposits	—	—	112,517	90,376

Upon the adoption of HKFRS 9, the structured bank deposits of approximately RMB35,130,000 were reclassified to financial assets at FVTPL on 1 January 2018 (note 2.2 (i) and 18).

20. TRADE PAYABLES

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	3,902	7,525	12,037	15,675

As at 31 December 2016, 2017, 2018 and 30 April 2019, the ageing analysis of the trade payables based on invoice date were as follows:

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	1,269	2,658	6,180	8,299
31 to 60 days	981	1,425	2,735	920
61 to 90 days	843	1,320	1,339	4,984
91 to 180 days	48	1,830	1,305	691
181 to 365 days	757	102	475	750
Over 365 days	4	190	3	31
	3,902	7,525	12,037	15,675

21. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	4,943	9,951	13,343	10,690
Receipts in advance	40,788	87,040	—	—
Other payables	4,029	15,951	39,096	39,294
	49,760	112,942	52,439	49,984

The receipts in advance is related to deposits received from customers, which are non-refundable in nature.

22. CONTRACT LIABILITIES

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	—	—	143,641	154,033

Contract liabilities of the Target Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Included in the contract liabilities as at 1 January 2018 of approximately RMB63,984,000 were recognised as revenue during the year ended 31 December 2018.

23. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

(a) Right-of-use assets

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	—	—	—	307,010

The Target Group obtains right to control the use of various buildings for a period of time through lease arrangements. Rental contracts are typically made for fixed periods of two to ten years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

During the period ended 30 April 2019, total cash outflow for leases of approximately RMB15,169,000 was included in net cash used in financing activities.

(b) Lease liabilities

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due for settlement within 12 months (shown under current liabilities)	—	—	—	47,348
Amounts due for settlement after 12 months	—	—	—	263,319
	—	—	—	310,667
Maturity analysis				
Not later than 1 year	—	—	—	47,348
Later than 1 year and not later than 5 years	—	—	—	177,538
Later than 5 years	—	—	—	85,781
	—	—	—	310,667

The Target Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Target Group's treasury function.

24. SHARE CAPITAL

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid:				
At the beginning of the year/period	45,000	46,875	46,875	46,875
Issuance of new shares	1,875	—	—	—
At the end of the year/period	46,875	46,875	46,875	46,875

25. COMMITMENTS

(a) Operating lease commitments

The Target Group as lessor

At the end of each reporting period, the Target Group had contracted with merchants for floor areas around the Nanshan postpartum care centre for the following minimum lease payments under non-cancellable operating leases for each of the following period.

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	14,488	14,790	15,108	15,417
In the second to fifth year inclusive	48,351	49,135	50,255	44,910
Over five years	16,985	8,819	—	—
	79,824	72,744	65,363	60,327

The leases are negotiated for terms ranging from approximately five to seven years.

The Target Group as lessee

At the end of each reporting period, the Target Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 31 December			At 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	45,480	51,257	60,456	—
In the second to fifth year inclusive	139,313	165,350	260,649	—
Over five years	140,013	105,010	64,629	—
	324,806	321,617	385,734	—

Rental are fixed and no arrangement has been entered into for contingent rental payment.

Upon initial application of HKFRS 16 on 1 January 2019, the Target Group recognised lease liabilities of the future lease payments discounted at the interest rate implicit to the leases. Under the modified retrospective approach, comparative information is not restated.

26. DISPOSAL OF A SUBSIDIARY

In June 2018, the Target Group entered into a disposal agreement with an independent third party, the Target Group agreed to dispose 100% equity interest of Shenzhen Muzhi Internet Health Culture Company Limited at a consideration of RMB1,000,000 in cash. Summary of the effect of the disposal of the subsidiary is as follows:

	RMB
Cash consideration	1,000
Bank and cash balances	391
Prepayments and other receivables	103
Property, plant and equipment	73
Deferred tax assets	95
Accruals and other payables	(787)
Net liabilities disposed of	(125)
Gain on disposal	
Cash consideration	1,000
Net liabilities disposed of	125
Gain on disposal of a subsidiary	1,125
Net cash inflow arising on disposal:	
Cash consideration received	1,000
Less: bank balances and cash disposed of	(391)
	609

27. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) In December 2016, the Target Group disposed 20% equity interest in Shenzhen Meimafan at a consideration of RMB1,710,000, with carrying amount of the non-controlling interests in Shenzhen Meimafan was approximately RMB477,000. All relevant approvals from the competent regulatory authorities in the PRC under the applicable PRC laws and regulations for the transfer have been obtained, and the transfer was completed on 28 December 2016. Upon completion of the transaction, the Target Company's interests in Shenzhen Meimafan was decreased from 85% to 65%, and result an increase in equity attributable to owners of the Target Company of approximately RMB1,233,000.

(b) In December 2017, the Target Group acquired an additional of 15% equity interest of Shenzhen Meimafan at a consideration of RMB10,000. The carrying amount of the non-controlling interests in Shenzhen Meimafan was approximately RMB588,000. Upon completion of the acquisition, the Target Company's interests in Shenzhen Meimafan was increased from 65% to 80%, and result an increase in equity attributable to owners of the Target Company of approximately RMB578,000.

(c) In May 2018, the Target Group acquired an additional of 20% equity interest of Shenzhen Meimafan at a consideration of RMB7,096,000. The carrying amount of the non-controlling interests in Shenzhen Meimafan was approximately RMB705,000. Upon completion of the acquisition, Shenzhen Meimafan became a wholly-owned subsidiary of the Target Company and result a decrease in equity attributable to owners of the Target Company of approximately RMB6,391,000.

28. RETIREMENT BENEFITS SCHEMES

The employees of the Target Group which operate in the PRC are required to participate in a retirement benefits schemes operated by either the relevant authorities or the local municipal governments of the provinces in the PRC in which the Target Group is located. The Target Group is required to contribute to the retirement benefits schemes in respect of its employees in the PRC and these costs are charged to the consolidated statement of profit or loss as incurred.

29. MATERIAL RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Target Group has entered into the following material transactions with related parties, which in the opinion of the directors of the Target Company, were conducted under commercial terms and in the normal course of the Target Group's business.

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Rental expense to a related company	—	—	2,874	—	1,324

The above related company is controlled by a shareholder of the Target Company.

Key management personnel

Remuneration for key personnel management, including amounts paid to the Directors and certain of the highest paid employees were disclosed in Note 10 to the Historical Financial Information.

30. COMPARATIVE FIGURES

The Target Group has initially applied HKFRS 15 and HKFRS 9 on 1 January 2018, and HKFRS 16 on 1 January 2019. Under the transition method, comparative informations is not restated. Further details of the change in accounting policies are disclosed in note 2.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 April 2019 and up to the date of this report.

Set out below is the management discussion and analysis of the Target Group for each of the three years ended 31 December 2018 and the four months ended 30 April 2019, which is based on the financial information of the Target Company as set out in Appendix II of this circular.

FINANCIAL AND BUSINESS PERFORMANCE

The main business of the Target Group is to provide one-stop postpartum and newborn healthcare services to postpartum mothers and newborn babies while the postpartum mothers and the newborn babies are accommodating in the postpartum care centres suites owned and operated by the Target Group in the PRC during their postpartum period. The Target Group agrees a fixed rate for services with the customers upfront, where the customers are required to pay a deposit, which is approximately 30% of the total service fee, giving rise to contract liabilities at the start of the contract.

Revenue

For the year ended 31 December 2018, the reporting requirements for postpartum care services provided by the Target Group is considered to be under the effect of HKFRS 15 — Revenue from Contracts with Customers. The performance obligation between the customers and the Target Group gives rise to the contract liability which is defined in the accountant's report of the Target Group. For detailed summary of the effect of such accounting policy, please refer to sub-heading named "Impacts and changes in accounting policies of application of HKFRS 15" as set out in Appendix II note 2.1. The revenue is recognised when postpartum and newborn healthcare services are delivered to customers. Payments that are related to services not yet rendered are deferred and shown as contract liabilities in the consolidated statement of financial position. For contract liability, please refer to the sub-section headed "Liquidity, Financial Resources and Capital Structure" below in this section. Before the application of HKFRS 15, i.e. prior to 1 January 2018, the revenue for rendering of postpartum and newborn healthcare services was recognised when the relevant services are rendered to customers in accordance with the terms of the relevant agreements.

All of the Target Group's revenue is generated in the PRC based on where services are rendered. All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The Target Group recorded total revenue of approximately RMB137.22 million, RMB220.80 million and RMB385.20 million for each of the three years ended 31 December 2018 and RMB154.40 million for the four months ended 30 April 2019.

The Target Group's revenue increased by RMB83.58 million or 60.91%, from approximately RMB137.22 million for the year ended 31 December 2016 to approximately RMB220.80 million for the year ended 31 December 2017. The increase in the revenue was mainly due to the increase in the revenue from the provision of postpartum healthcare service by Nanshan and Beijing postpartum care centres by approximately RMB59.41 million and RMB17.82 million, respectively, mainly due to (i) the number of pairs of postpartum mother and newborns staying in the suites rose by 984 pairs in Nanshan postpartum care centre and 329 pairs in Beijing postpartum care centre; and (ii) the increase in the average amount spent on the postpartum care service per customer staying in Beijing care centre from 2016 to 2017.

The Target Group's revenue increased by RMB164.40 million or 74.46%, from approximately RMB220.80 million for the year ended 31 December 2017 to approximately RMB385.20 million for the year ended 31 December 2018. The increase was mainly due to the increase in the revenue from the provision of postpartum healthcare service provided by Nanshan, Futian and Beijing postpartum care centres by approximately RMB87.75 million, RMB15.25 million and RMB12.18 million, respectively. Nanshan centre commenced business in May 2017 with the largest capacity (in terms of number of suites) amongst all the care centres of the Target Group, recording the highest increase in the number of customers of 450 from year 2017 to 2018 among all postpartum care centers of the Target Group, and recorded the highest increase in the average amount paid by each customers. The increase in the revenue from Futian and Beijing centres is mainly due to the increase in average amount spent on the postpartum care service per customer staying in these two centres, while the number of their customers remains stable.

The Target Group's revenue increased by RMB47.40 million or 44.30%, from approximately RMB107.00 million for the four months ended 30 April 2018 to approximately RMB154.40 million for the four months ended 30 April 2019. The increase in the revenue was mainly due to the number of pairs of postpartum mother and newborns accommodated in the suites increased by 366 pairs in five postpartum care centres, contributing to an increases in the revenue by approximately RMB28.64 million.

Cost of Sales

The Target Group recorded cost of sales of approximately RMB83.46 million, RMB162.96 million and RMB235.03 million for each of the three years ended 31 December 2018 and RMB93.33 million for the four months ended 30 April 2019.

The Target Group's cost of sales increased by RMB79.50 million or 95.26% from approximately RMB83.46 million for the year ended 31 December 2016 to approximately RMB162.96 million for the year ended 31 December 2017. The significant increase was mainly due to (i) the increase in rental paid in respect of the suites in the postpartum care centres for the postpartum mothers and newborns and the shops sublet by the Target Group to Independent Third Parties leased by the Target Group; (ii) the increase in decoration cost for the postpartum care centres; and (iii) the increase in salaries and benefits expenses for the caregivers and staff for provision of ancillary services to the customers like postpartum beauty and postpartum recovery service. The above increment was mainly due to the opening of Nanshan postpartum care centre in May 2017, which has the largest capacity (in terms of number of suites) and gross floor area among all centres. Nanshan postpartum care centre has sublet part of the premises to merchants engaging in business relating to or complementary to the postpartum healthcare, including photography shop and pediatric medical centre.

The Target Group's cost of sales increased by RMB72.07 million or 44.23% from approximately RMB162.96 million for the year ended 31 December 2017 to approximately RMB235.03 million for the year ended 31 December 2018. The increase was mainly due to (i) the increase in rental paid in respect of the suites in the postpartum care centres for the postpartum mothers and newborns; and (ii) the increase in salaries and benefits expenses for the caregivers and staff for provision of ancillary services to the customers. The above increment was primarily due to the significant increase in number of customers staying in Nanshan care centre by 450 from year 2017 to year 2018, in which, during the year 2018 is the first full year of business operation of Nanshan postpartum care centre opened, and the Target Group had to recruit additional caregivers and other related staff to service the increasing customers.

The Target Group's cost of sales increased by RMB30.51 million or 48.57%, from approximately RMB62.82 million for the four months ended 30 April 2018 to approximately RMB93.33 million for the four months ended 30 April 2019. Such increment in the cost of sales is due to (i) the increase in salaries and benefits expenses for the caregivers and staff during the provision of ancillary services to the customers; and (ii) the increase in direct cost such as foods/ ingredients for postpartum mothers and newborn babies as a result of an increase in number of customers staying in postpartum care centers by 366 from 877 for the four months ended 30 April 2018 to 1,243 for the four months ended 30 April 2019.

Gross Profit and Gross Profit Margin

As a result of the cumulative effect of the factors described above, the gross profit increased by approximately RMB4.08 million from year 2016 to year 2017, RMB92.34 million from year 2017 to year 2018 and RMB16.89 million from the four months ended 30 April 2018 to the four months ended 30 April 2019. Gross profit margin decreased from approximately 39.18% for the year ended 31 December 2016 to approximately 26.19% for the year ended 31 December 2017, and then picked up to approximately 38.99% for year ended 31 December 2018 and approximately 39.56% for the four months ended 30 April 2019, levels similar to that in year 2016. The decrease in the gross profit margin in year 2017 was as a result of a 60.91% increase in revenue from RMB137.22 million in 2016 to RMB220.80 million in 2017 which was outweighted by a 95.26% increase in cost of sales from RMB83.46 million in 2016 to RMB162.96 million in 2017. Such decrease in the gross profit margin was primarily due to the significant increase in the rental paid for the suites, the decoration cost incurred and the increase in the salaries for the caretakers and other related staff due to the opening of Nanshan care centre in May 2017.

Other Income

The Target Group recorded an other income amounted to approximately RMB3.40 million, RMB15.47 million, RMB21.46 million for each of the three years ended 31 December 2018 and RMB6.11 million for the four months ended 30 April 2019. From year 2016 to year 2017, the other income increased by approximately RMB12.07 million, which was mainly contributed by the rental income from sublet certain parts of the newly commenced postpartum care centre in Nanshan, Shenzhen in May 2017 to merchants engaging in business relating to or complementary to the postpartum healthcare, including photography shop and pediatric medical centre.

From year 2017 to year 2018, the other income increased by approximately of RMB5.99 million. This was mainly due to (i) the increase in rental income from subletting to independent merchants as the rental charged to them increased by approximately of RMB3.81 million; and (ii) the increase in investment income from structured bank deposits by approximately of RMB1.79 million in the year 2018 mainly due to the increase in the amount of structured bank deposit with the licensed banks in the PRC by approximately RMB252.76 million from year ended 31 December 2017 to year ended 31 December 2018 (for details of the terms of the structured bank deposits, please refer to the sub-section headed "Structured bank deposit and cash and cash equivalents — (b) structured bank deposits" below in this section). However, the increment in other income was partly offset by the decrease of in the government grants received by the Target Group of approximately RMB0.63 million.

The other income increased by approximately of RMB1.84 million when comparing the figures for the four months ended 30 April 2019 with that for the four months ended 30 April 2018. The increase was mainly due to (i) the increase in rental income from subletting to independent merchants as the rental charged to them increased by approximately of RMB0.98 million; and (ii) the increase in investment income from structured bank deposits by approximately of RMB1.21 million because the Target Group increased its investment in the structured bank deposits with the licensed banks in the PRC. However, the increment in other income was partly offset by the decrease in fair value change of structured bank deposits to the Target Group of approximately RMB0.27 million.

Selling and Distribution Expenses

The selling and distribution expenses of the Target Group mainly consist of advertising expenses and employee benefit expenses for sales and marketing staff.

The selling and distribution expenses had increased from approximately RMB26.76 million for the year ended 31 December 2016 to approximately RMB47.08 million for the year ended 31 December 2017, representing an increase of RMB20.32 million or 75.93%. The rise was mainly contributed by (i) the increase in advertising expenses by approximately RMB10.89 million; and (ii) the increase in employee benefit expenses for sales and marketing staff by approximately RMB6.80 million. The above increment was mainly for hosting of marketing campaigns for promotion of and the recruitment of sales and marketing staff for the newly opened centre in Nanshan in May 2017.

The selling and distribution expenses had increased from approximately RMB47.08 million for the year ended 31 December 2017 to approximately RMB71.18 million for the year ended 31 December 2018, representing an increase of RMB24.10 million or 51.19%. The rise was mainly contributed by (i) the increase in advertising expenses by approximately RMB15.42 million; and (ii) the increase in employee benefit expenses for sales and marketing staff by approximately RMB8.17

million. The above increment was mainly for hosting of marketing campaigns for promotion of and the recruitment of sales and marketing staff for the Nanshan and Chengdu centres opened in May 2017 and October 2018, respectively.

The selling and distribution expenses increased from approximately RMB22.56 million for the four months ended 30 April 2018 to approximately RMB28.74 million for the four months ended 30 April 2019, representing an increase of RMB6.18 million or 27.39%. The rise was mainly contributed by (i) the increase in advertising expense of RMB5.63 million; and (ii) the increase in employee benefit expenses for sales and marketing staff by approximately RMB0.63 million.

Administrative Expenses

The administrative expenses of the Target Group mainly consist of salaries and benefits for management and administrative personnel, research and development expense and other general corporate expenses. The Target Group recorded an administrative expenses of approximately RMB16.00 million, RMB21.52 million and RMB26.45 million for each of the three years ended 31 December 2018, RMB6.06 million for the four months ended 30 April 2018 and RMB9.90 million for the four months ended 30 April 2019, representing an increase of approximately RMB5.52 million, RMB4.93 million and RMB3.84 million, respectively. The increase was mainly due to (i) the increase in research and development cost for the system development of dietary and nutrition services and postpartum care services, products namely included "Aidigong pregnancy health information platform", "Aidigong nursing training system" and "Aidigong international five star postpartum catering management system" etc., as the Target Company is qualified as "New High-Tech Enterprise", these systems can help improve operation and management efficiency; and (ii) the increase in salaries and benefits for management and administrative personnel.

Finance cost

The Target Group recorded a finance cost of approximately RMB4.85 million for the four months ended 30 April 2019. The Target Group had leased all their postpartum care centre premises as lessee during each of the three years ended 31 December 2018 and the four months ended 30 April 2019. Upon adoption of HKFRS 16 "Leases" starting from 1 January 2019, each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. For further details, please refer to note 2.3 sub-heading named "Impact and changes in accounting policies of application on HKFRS 16" as set out in Appendix II.

Profit after taxation

As a result of the cumulative effect of the factors described above, the recorded profit after taxation of the Target Group decreased by approximately RMB8.38 million from year 2016 to year 2017, increased by approximately RMB54.35 million from year 2017 to year 2018 and increased by approximately RMB3.12 million from the four months ended 30 April 2018 to the four months ended 30 April 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The majority of the financial resources of the Target Group for the year 2016 were financed by the internal resources and net proceeds from issue of new shares of the Target Company completed in year 2016. The majority of the financial resources of the Target Group for the two years ended 31 December 2017, 2018 and the four months ended 30 April 2019 were financed by internal resources and the cash inflows from operations.

The non-current assets of the Target Company mainly consisted of property, plant and equipment. As at 31 December 2016, 2017, 2018 and 30 April 2019, the non-current assets were approximately RMB84.42 million, RMB147.08 million, RMB183.82 million and RMB487.69 million, respectively. The non-current assets increased by approximately 74.22%, 24.98% for the year 2017 and 2018, which was mainly due to the increase of property, plant and equipment arising from the cost for the construction of the new postpartum care centre in Nanshan and Chengdu, which commenced business in May 2017 and October 2018, respectively, and the leasehold improvements to the then existing postpartum care centres in Beijing and Futian, Shenzhen. Whereas, the non-current assets significantly increased by approximately 165.31% from approximately RMB183.82 million as at 31 December 2018 to approximately RMB487.69 million as at 30 April 2019. It was because of the right-of-use assets of approximately RMB307.01 million. Upon the adoption of HKFRS 16, the Target Group recognised the full lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or the incremental borrowing rate of respective entities if the interest rate implicit to the lease cannot be determined. For further details, please refer to note 2.3 sub-heading named "Impact and changes in accounting policies of application on HKFRS 16" as set out in Appendix II.

The Target Group changed from net current assets as at 31 December 2016 to net current liabilities as at 31 December 2017, 2018 and 30 April 2019, as a result of the rise in the amount of deposit from customers, due to the increase in the number of pairs of postpartum mother and newborns staying in the newly constructed new postpartum care centres in Beijing and Nanshan, Shenzhen which has commenced business in May 2016 and May 2017, respectively. And as at 30 April 2019, the rise in the net current liabilities is a result of recording a current lease liability of approximately RMB47.35 million after the adoption of the new accounting standard of HKFRS 16. For details of the impact of HKFRS 16, please refer to note 2.3 sub-heading named "Impact and changes in accounting policies of application on HKFRS 16" as set out in Appendix II.

As at 31 December 2016 and 2017, contract balances relating to advance payment made by customers while the underlying services be yet to be provided were presented in the consolidated statement of financial position under "Accruals, deposits received and other payables". To reflect these changes in presentation, the Target Group has made the reclassification adjustment as at 1 January 2018. Upon adoption of HKFRS 15, the amount of RMB143.64 million and RMB154.03 million as at 31 December 2018 and 30 April 2019 mainly arise from the advance payments made by customers was classified as contract liability. A contract liability represents the Target Group's obligation to transfer goods or services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer. For contracts that contain more than one performance obligation, the Target Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

As stated in the HKFRS 16, the associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities. The difference in the right-of-use assets and both the current and non-current lease liabilities as at 30 April 2019 of approximately RMB 3.66 million is due to the finance cost of the remaining lease payments. It is reflected, together with the lease payment for the period between 30 April 2018 to 30 April 2019, in the finance cost in the Target Group's consolidated statement of profit or loss. For details of the new accounting standard impacts, please refer to sub-heading named "Impact and changes in accounting policies of application on HKFRS 16" as set out in Appendix II note 2.3.

Together with the effect of the contract liability as mentioned above, the net current liabilities of the Target Group has increased by 98.03% from approximately RMB 32.98 million as at 31 December 2018 to approximately RMB65.31million as at 30 April 2019.

Despite the Target Group has a net liability position as at 31 December 2017, 2018 and 30 April 2019, the Target Group shall be able to meet its short term obligations because (i) the advance payments from customers recorded as deposits received under the current liabilities do not require actual cash payment from the Target Company but will be recognised as revenue over the service period in accordance with the contractual terms and (ii) with the robust expansion of the Target Group since 2016, the Target Group set up a number of new postpartum care centres, mainly one off construction expenses, moving a significant amount of current assets, mostly cash, to non-current assets, resulting in a net current liability.

LOANS

The Target Group did not have any outstanding loans and/or borrowings as at 31 December 2016, 2017, 2018 and 30 April 2019.

GEARING RATIO

As at 31 December 2016, 2017, 2018 and 30 April 2019, the gearing ratio (which is defined as total interest-bearing borrowings over the total equity) of the Target Group were all 0%.

STRUCTURED BANK DEPOSIT AND CASH AND CASH EQUIVALENTS

(a) Structured bank deposits

Structured bank deposits represent foreign currency or interest rate linked structured bank deposits ("**SBDs**") placed by the Target Group to some licensed banks in the PRC. The principal amount of all the SBDs are denominated in RMB and all SBDs are capital guaranteed. The SBDs carry interest at a variable rate per annum with reference to the performance of foreign currency or interest rate during the investment period. The term of SBDs ranged from three months to six months. Early withdrawal or termination of SBDs will not charge penalties.

As at 31 December 2016 and 2017, the Target Group had SBDs of approximately RMB18.62 million, RMB35.13 million, respectively, while nil balance as at 31 December 2018 and 30 April 2019. After the adoption of HKFRS 9 on 1 January 2018, the SBDs were reclassified to financial assets at FVTPL from 1 January 2018 onwards, Please refer to the sub-section headed "Structured bank deposit and cash and cash equivalents — (c) Financial assets at fair value through profit or loss ("FVTPL")" below.

(b) Financial assets at fair value through profit or loss ("FVTPL")

As at 31 December 2018 and 30 April 2019, the Target Group had approximately RMB112.52 million and RMB90.38 million financial assets at FVTPL, respectively. The amount represented the SBDs placed with certain licensed banks in the PRC. Upon adoption of HKFRS 9 on 1 January 2018, all the SBDs were reclassified to financial assets at FVTPL.

(c) Cash and bank balance

The Target Group recorded cash and bank balance as at 31 December 2016, 2017, 2018 and 30 April 2019 of approximately RMB43.43 million, RMB31.79 million, RMB27.09 million and RMB70.24 million, respectively.

FOREIGN EXCHANGE RISK

The Target Group operates its business in the PRC only, and the majority of transactions are denominated in RMB. The Target Group therefore had minimal exposure to foreign exchange risk as RMB is the main currency used by the Target Group for the year ended 31 December 2016, 2017, 2018 and for the four months ended 30 April 2019. The Target Group had not used any financial instrument to hedge against the exposure in foreign exchange. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the relevant entity. The Target Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currencies exposures.

CONTINGENT LIABILITIES

The Target Group had no material contingent liabilities as at 31 December 2016, 2017, 2018 and 30 April 2019.

SIGNIFICANT INVESTMENTS

There were no material financial investments held by the Target Group for each of the year ended 31 December 2016, 2017, 2018 and for the four months ended 30 April 2019.

ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

Shenzhen Meimafan was established in the PRC in September 2016 and the Target Group owned as to 85% of its equity interest by making the required capital contribution. In December 2016, the Target Group disposed 20% equity interest in Shenzhen Meimafan, which the equity interest dropped from 85% to 65%. The Target Group further acquired its 15% equity interest in year 2017 and acquired its remaining 20% equity interest in 2018. Upon completion of the aforesaid acquisitions, Shenzhen Meimafan became an indirect wholly-owned subsidiary of the Target Company. As at the Latest Practicable Date, the Target Group still held the entire equity interest in Shenzhen Meimafan. Shenzhen Meimafan is principally engaged in provision of postpartum recovery consultation service.

Shenzhen Muzhi Internet Health Culture Company Limited* (深圳市母知網絡健康文化有限公司) ("**Muzhi Internet Health Culture**") was established in the PRC in September 2016 by the Target Company, and the Target Group remained its sole owner holding its entire equity interest since its establishment till the disposal. During the year ended 31 December 2018, the Target Group disposed of 100% equity interest of Muzhi Internet Health Culture to an Independent Third Party. The Target Group recorded a gain of approximately RMB1.13 million upon completion of the said disposal. Muzhi Internet Health Culture was established by the Target Group for promoting the services of the Target Group online. Considering that their promotion did not bring in much additional business to the Target Group and Muzhi Internet Health Culture had been loss making since its establishment, the Target Group decided to disposed of its entire equity interest.

Save as disclosed above, the Target Group did not have any material acquisitions and disposals of subsidiaries and associated companies for the year ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019.

MATERIAL RELATED PARTY TRANSACTION

The Target Group conducted a material related party transactions with a related company in 2018, an entity which is controlled by a shareholder of the Target Company. For the year ended 31 December 2018 and the four months ended 30 April 2019, the total rental expenses paid by the Target Group to the related company was approximately RMB2.87 million and RMB1.32 million, respectively.

DIVIDEND

For the years ended 31 December 2016, 2017 and four months ended 30 April 2018, the Target Group did not declare the payment of dividends. The Target Group paid a final dividend of approximately RMB25.00 million (i.e. RMB0.53 per share) for the year ended 31 December 2018 and a special dividend of approximately RMB10 million (i.e. RMB0.21 per share) for the four months ended 30 April 2019.

COMMITMENTS

Operating lease commitments

The Target Group as lessor

The Target Group leases out seven parts of the Nanshan postpartum care centres to independent merchants under non-cancellable operating leases.

The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	At 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	14,488	14,790	15,108	15,417
In the second to fifth year inclusive	48,351	49,135	50,255	44,910
Over five years	16,985	8,819	—	—
	79,824	72,744	65,363	60,327

The leases are negotiated for terms ranging from approximately five to seven years.

The Target Group as lessee

The Target Group leases properties for operation of its five postpartum care centres under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	45,480	51,257	60,456	—
In the second to fifth year inclusive	139,313	165,350	260,649	—
Over five years	140,013	105,010	64,629	—
	324,806	321,617	385,734	—

Rental are fixed and no arrangement has been entered into for contingent rental payment.

CHARGES ON ASSETS

The Target Group did not have any charges on its assets as at 31 December 2016, 2017, 2018 and 30 April 2019.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2016, 2017, 2018 and 30 April 2019, the Target Group had 482, 1,056, 1,304 and 1,372 employees, respectively.

The total staff cost for the year ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019 was approximately RMB42.12 million, RMB77.23 million, RMB124.42 million and RMB50.87 million respectively.

The Target Group recruits, employs, promotes and remunerates its employees based on their qualifications, experience, skills, performances and contributions. Remuneration is also determined with reference to, among others, the market trend. Other benefits include social insurance and allowance. Bonuses given to the employees of the Target Group have been determined after taking into account the financial results of the Target Group and the performance of employees.

FUTURE PLANS AND SUBSEQUENT EVENTS

As disclosed in the sub-section headed "Background of the Target Group" under the section headed "Information of the Target Group" in the letter from the Board, in addition to the existing five (5) postpartum care centres, the Target Group will continue to expand and develop its principal business, including:

a. continuing to find suitable cities to establish new postpartum care centres, and to increase the number of suites and the market share in the PRC;

b. developing artificial intelligence maternal and child management system to manage the health of maternal and child online, to serve off-site customers and to greatly increase the service population; and

c. developing all kinds of products with inelastic demand for maternal and child health for sales in and out of the store.

As at the Latest Practicable Date, the Target Group has no specific concrete plan for rolling out the above future plans nor any other future plans for material investment and acquisition of capital assets.

The following is an illustrative unaudited pro forma statement of assets and liabilities (the "Unaudited Pro Forma Financial Information") of Common Splendor International Health Industry Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2018 in connection with the proposed acquisition of 88.5184% of equity interest in Shenzhen Aidigong Maternity Health Management Co., Ltd. (the "Proposed Acquisition"). The Unaudited Pro Forma Financial Information presented below is prepared to illustrate effects of the Proposed Acquisition on the financial position of the Group as if the Proposed Acquisition had been completed on 31 December 2018.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2018 extracted from the Group's consolidated financial statements for the year ended 31 December 2018 included in the published annual report for the year ended 31 December 2018, after making pro forma adjustments relating to the Proposed Acquisition that are directly attributable to the Proposed Acquisition and not relating to future events or decisions; and factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29(7) of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Group that would have been attained had the Proposed Acquisition been completed on 31 December 2018 nor purport to predict the Group's future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the consolidated financial statements of the Group as set out in the published annual report of the Group for the year ended 31 December 2018, and other financial information included elsewhere in the circular.

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2018	Consolidated statement of assets and liabilities of the Target Group as at 30 April 2019	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets						
Property, plant and equipment	30,106	198,538				228,644
Right-of-use assets	—	349,500				349,500
Intangible assets	214,288	—	372,737			587,025
Goodwill	229,010	—	536,681			765,691
Interest in associates	223,789	933				224,722
Equity investments at fair value through other comprehensive income	77,684	—	(77,684)			—
Deposits, prepayments and other receivables	111,350	—				111,350
Deferred tax assets	—	6,217				6,217
	886,227	555,188				2,273,149
Current assets						
Deposits, prepayments and other receivables	135,266	55,967				191,233
Trade receivables	31,351	—				31,351
Inventories	29,062	3,406				32,468
Loan to a shareholder	28,574	—				28,574
Properties under development	209,174	—				209,174
Short-term loans receivable	40,048	—				40,048
Financial assets at FVTPL	—	102,884				102,884
Bank and cash balances	8,016	79,965	(658,726)	(5,000)	764,112	188,367
	481,491	242,222				824,099
Total assets	1,367,718	797,410				3,097,248
Current liabilities						
Trade payables	442	17,844				18,286
Accruals, deposits received and other payables	35,574	56,902				92,476
Contract liabilities	87,227	175,351				262,578
Obligation under finance leases	367	—				367
Bank and other borrowings	16,138	—			5,692	21,830
Guaranteed notes and bonds payables	213,209	—				213,209
Lease liabilities	—	53,901				53,901
Tax payable	2,811	12,574				15,385
	355,768	316,572				678,032
Non-current liabilities						
Deferred tax liabilities	15,157	—	55,911			71,068
Contingent consideration payables	—	—	298,173			298,173
Bank borrowings	—	—			381,364	381,364
Obligation under finance leases	983	—				983
Lease liabilities	—	299,762				299,762
Guaranteed notes and bonds payables	33,583	—				33,583
	49,723	299,762				1,084,933
Total liabilities	405,491	616,334				1,762,965

Notes to the Unaudited Pro Forma Financial Position of the Enlarged Group

Notes:

1. The balances are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2018, as set out in the published annual report of the Company for the year ended 31 December 2018.

2. Figures are extracted from the audited consolidated statement of financial position of the Target Group as set out in the accountants' report thereon in Appendix II to this circular which have been prepared under Hong Kong Financial Reporting Standards ("HKFRSs") and using accounting policies materially consistent with those of the Group and is translated from Renminbi ("RMB") to Hong Kong dollars at the rate of RMB1 to HK1.1384, which is the prevailing exchange rate as at 31 December 2018.

3. Upon completion of the Proposed Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair value under the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations" ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

   The adjustments represent the recognition of goodwill of approximately HK$536,681,000 arising from the Proposed Acquisition, and is calculated as follows:

	Note	*HK$'000*
Cash consideration		658,726
Contingent consideration payables		298,173
Total cash consideration	*i*	956,899
Add: Fair value of 11.4816% equity interest of the Target Company held by the Group	*ii*	77,684
Less: Carrying amount of identifiable assets and liabilities of the Target Group as at 30 April 2019		(181,076)
Fair value adjustments on:		
— Intangible assets identified	*iii*	(372,737)
— Deferred tax liabilities recognised	*iv*	55,911
Goodwill		536,681

   Notes:

   (i) Pursuant to the Equity Transfer Agreement entered by the Vendors and the Group on 24 January 2019, the aggregate sum of first installment, second installment and third installment of the Proposed Acquisition is RMB578,642,000 (equivalent to approximately HK$658,726,000), and a contingent consideration of RMB261,923,000 (equivalent to approximately HK$298,173,000), representing the fourth and the fifth installment of the Proposed Acquisition. The contingent consideration will be settled based on future expected profits after tax in the financial years ending 31 December 2019 and 2020. In the fiscal year of 2019, a contingent consideration of RMB200,000,000 (equivalent to approximately HK$227,680,000) will be paid if the audited consolidated net profit of the Target Group of approximately RMB60,801,000 can be achieved. The last payment of contingent consideration of RMB109,358,000 (equivalent to approximately HK$124,493,000) will be settled within ten business days after the issue of the audited account of the Target Company for the financial year ending 31 December 2020.

As stipulated in the Equity Transfer Agreement, the fourth and the fifth installment shall be payable in accordance with the formula as disclosed in the "Letter from the Board" in this circular. The fair value of the contingent consideration is estimated in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 13 "Fair value measurement" and is consistent with the accounting policies adopted by the Group. Contingent consideration payables of approximately HK$298,173,000 is determined based on the aggregated probability-weighted average value of each scenarios including (i) where the net profit for the two years ending 31 December 2019 and 2020 are approximately RMB76,566,000 and RMB81,684,000 respectively ("Scenario 1"); (ii) where the net profit for the two years ending 31 December 2019 and 2020 are approximately RMB63,805,000 and RMB68,070,000 respectively ("Scenario 2") and (iii) where the net profit for the two years ending 31 December 2019 and 2020 are approximately RMB51,044,000 and RMB54,456,000 respectively ("Scenario 3") and was calculated at discount rate of 5.29% and 7.36% in 2019 and 2020 respectively. The directors of the Company applied probabilities to each scenario based on their judgement and their understanding on the recent development of the healthcare industry.

This method takes into account the optimistic outcome (the best scenario) and the pessimistic outcome (the worst scenario), therefore, gives a more reliable result. The profit figures of the scenarios were based on the target profit figures approved by the senior management of the Company. The discount rates were determined with reference to the yield rate of the Central Government Bond of the PRC and market yield spread of similar credit rating and duration to that of the expected fourth and fifth installments.

The probability-weighting for the three scenarios (i.e. best, base and worst scenarios) are 20%, 60%, 20% respectively, which were approved by senior management of the Company. Highest weighting was given to the mostly likely outcome (the base scenario) and relative lower weightings were assigned to other two less likely outcomes (the best and worst scenarios).

For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the directors has assumed that the required financial results of the contingent consideration for the year ending 31 December 2019 and 2020 can be fulfilled.

(ii) In a business combination achieved in stages, the Group shall remeasure its previously held equity interest in the Target Company at its acquisition date fair value and recognise the resulting gain or loss in the profit or loss in accordance with HKFRS 3 (Revised) "Business Combinations". The fair value of this previously held equity interest is then added to the sum of the consideration transferred in a business combination to calculate the amount of goodwill. The fair value of the previously held equity interest in the Target Company as at 31 December 2018 has been determined with reference to the valuation report prepared by an independent valuer, Royson Valuation Advisory Limited.

Since the fair value of the previously held equity interest in the Target Company as at the completion date of the Acquisition may be different from the fair values used in the preparation of the unaudited pro forma financial information, the actual amount of Goodwill, if any, may be different from the estimated amount.

(iii) The directors have determined the fair values of identifiable assets and liabilities of the Target Group as at 30 April 2019 with reference to the valuation report (the "Valuation") prepared by an independent valuer, BMI Appraisals Limited.

The recognised intangible assets represent the fair value of brand name of the Target Group of approximately RMB327,422,000 (equivalent to approximately HK$372,737,000), using income approach based on financial budgets covering a five-year approved by senior management.

The followings describe each key assumption on which management has based its projections:

— Average revenue growth rate from 3% to 15% with reference to average performance in the past and expected returns related to the specific customers; and

— Discount rate of 19.16% is used with reference to the current market date for comparable companies in the relevant industry.

(iv) Deferred tax liabilities arose from the difference between the tax base and fair value of the intangible assets. Tax rate of 15% was used to calculate deferred income tax liabilities as it is the tax rate expected to applied to the Target Group in the period when the liabilities are settled.

(v) For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, fair values of the net assets of Target Group as at 31 December 2018 were used to determine the goodwill of the Acquisition. Upon completion of the Acquisition, the fair values of the net assets of Target Group as at the date of Completion will be used to determine the actual amount of goodwill of the Acquisition. Such actual amount may be different from the amount presented herein and such difference may be significant.

The Directors confirm that consistent policies and assumptions have been applied for the purpose of assessing impairment of goodwill and other intangible assets under HKAS 36 "Impairment of Assets", and the Directors are not aware of any indications that an impairment of the Enlarged Group's goodwill and other intangible assets is required after considering the nature, prospects, financial condition and business risks of the Enlarged Group.

4. The adjustment represents the estimated professional fees and expenses directly attributable to the Acquisition amounting to approximately HK$5,000,000.

5. The adjustment represents sources of funding for the acquisition, which comprised of:

(i) HK$178,056,000, representing 60% of the net proceeds (after deducting of related expenses) arising from the proposed placing of a maximum of up to 750,000,000 new shares at HK$0.4 per placing share;

(ii) HK$199,000,000, representing the net proceeds (after deducting of related expenses) arising from the proposed subscription of new shares of 500,000,000 shares at a subscription price of HK$0.4 per share; and

(iii) HK$387,056,000, representing the bank facilities of RMB340,000,000 granted from a commercial bank in the PRC.

6. The above pro forma adjustments are not expected to have a continuing effect on the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities.

7. No adjustments have been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2018.

The following is the text of a report, prepared for inclusion in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

Dear Sirs,

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

To the Directors of Common Splendor International Health Industry Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Common Splendor International Health Industry Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated financial position as at 31 December 2018 and related notes (the "Unaudited Pro Forma Financial Information") as set out in Appendix IV of the circular issued by the Company dated 26 July 2019 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 88.5184% of the equity interest in Shenzhen Aidigong Maternity Health Management Co., Ltd. (the "Proposed Acquisition") as at 31 December 2018 as if the Proposed Acquisition had taken place at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2018, on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of the Unaudited Pro Forma Financial Information included in the 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 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Ng Ka Wah
Practising Certificate Number: P06417
Hong Kong, 26 July 2019

The following is the text of a report prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an Independent Valuer, in connection with its valuation as at 31 October 2018 of the market value of the 88.5184% equity interest in Shenzhen Aidigong Maternity Health Management Co., Ltd..

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

26 July 2019

The Directors
Common Splendor International Health Industry Group Limited
Rooms 2709–10, 27th Floor
North Tower, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui, Kowloon, Hong Kong

Dear Sirs,

Re: Valuation of 88.5184% equity interest in Shenzhen Aidigong Maternity Health Management Co., Ltd.

1. INSTRUCTIONS

We refer to the instructions from Common Splendor International Health Industry Group Limited (referred to as the "Company") for us to provide our independent opinion on the market value of 88.5184% equity interest in Shenzhen Aidigong Maternity Health Management Co., Ltd. (referred to as "Aidigong").

2. PURPOSE OF VALUATION

The purpose of our valuation is to provide an independent opinion on the market value of 88.5184% equity interest in Aidigong as at the date of valuation in relation to the acquisition of Aidigong by the Company.

3. DATE OF VALUATION

The date of valuation is 31 October 2018.

4. BASIS OF VALUATION

This report has been prepared in accordance with the International Valuation Standards issued by the International Valuation Standards Council.

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

5. BACKGROUND OF THE COMPANY AND AIDIGONG

Background of the Company

The Company is a publicly listed company with limited liability. It was incorporated in Bermuda and has been listed on the Main Board of the Hong Kong Stock Exchange (stock code: 286) since 1990. It is a Hong Kong-based investment holding company principally engaged in health industry businesses and operates through two segments. Health Industry segment is engaged in medical and healthcare investment management businesses, natural health food businesses, and medical anti-aging and health preservation base. Investment and Finance segment is engaged in investment and financing activities.

Background of Aidigong

Aidigong was a company established in the People's Republic of China (referred to as the "PRC") with limited liability in 2007. It is mainly engaged in the operation of postpartum care centres and the provision of postpartum health services to postpartum mothers and newborn babies in the PRC. The postpartum health services consist of four main areas, namely health care, dietary and nutrition, postpartum recovery and postpartum beauty. As at the valuation date, Aidigong has established 5 postpartum care centres in Shenzhen, Beijing and Chengdu with a total of 381 suites.

On 24 January 2019, Guangdong Common Splendor Health Industry Company Limited (referred to as the "Purchaser", an indirect wholly-owned subsidiary of the Company), the Company and the vendors entered into the equity transfer agreement, pursuant to which, among other matters, the vendors conditionally agreed to sell and the Purchaser conditionally agreed to acquire 88.5184% of the issued share capital of Aidigong (referred to as the "Equity Transfer"), at the aggregate maximum consideration of RMB888,000,000 (equivalent to approximately HK$1,010,899,200) (subject to downward adjustments), which will be satisfied by way of cash.

Before the Equity Transfer, Aidigong was owned by the Company through Dongguan Common Splendor Investment Management Partnership (Limited Partnership) (referred to as "Common Splendor Investment", a non-wholly owned subsidiary owned as to 56% by the Company) as to 11.4816%.

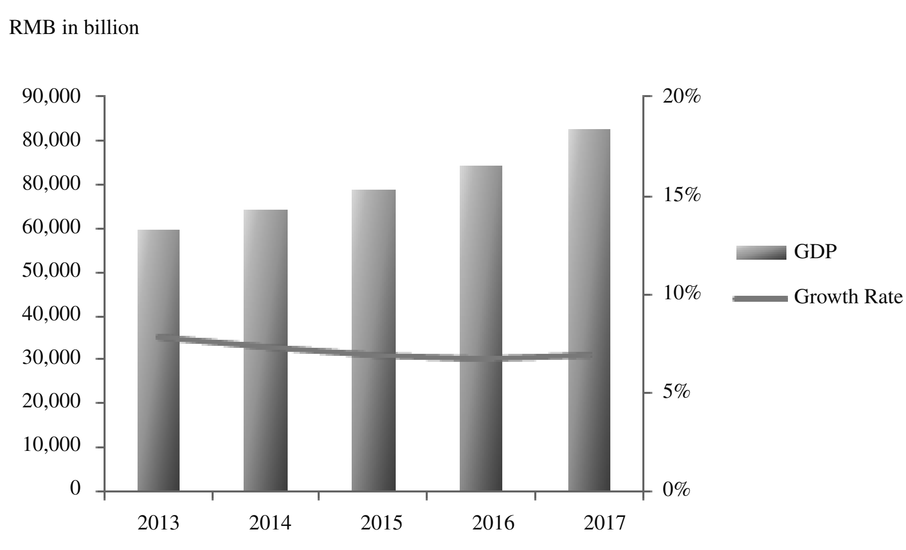
Upon the completion of the Equity Transfer, (i) Aidigong will be owned by the Company through the Purchaser as to 88.5184% and through Common Splendor Investment as to 11.4816% respectively; and (ii) Aidigong will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated to the consolidated financial statements of the Company and its subsidiaries.

6. INDUSTRY OVERVIEW

The PRC Economy

The national economy of the PRC maintained stable growth in 2017. The gross domestic product (GDP) of the year was RMB82,712.2 billion, up by 6.9% over the previous year. Of this total, the value added of the primary industry was RMB6,546.8 billion, up by 3.9%, that of the secondary industry was RMB33,462.3 billion, up by 6.1% and that of the tertiary industry was RMB42,703.2 billion, up by 8.0%. The value added of the primary industry accounted for 7.9% of the GDP, that of the secondary industry accounted for 40.5%, and that of the tertiary industry accounted for 51.6%.

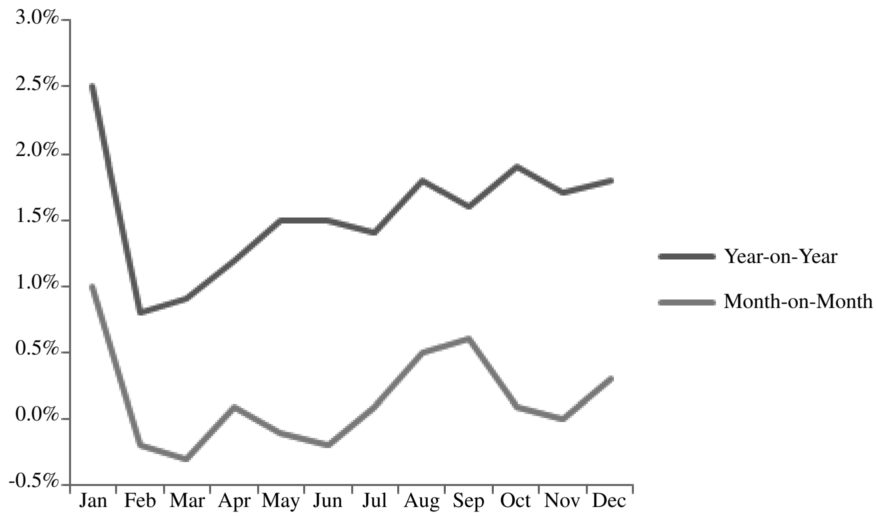
Figure 1: Gross Domestic Product, 2013–2017



Source: National Bureau Statistics of China

The consumer prices increased slightly. The consumer prices in 2017 went up by 1.6% over the previous year. Of this total, the prices for food tobacco and liquor dropped by 0.4%. The prices for investment in fixed assets increased by 5.8%. The producer prices and the purchasing prices for manufactured goods went up by 6.3% and 8.1% respectively. The producer prices for farm products decreased by 3.5%.

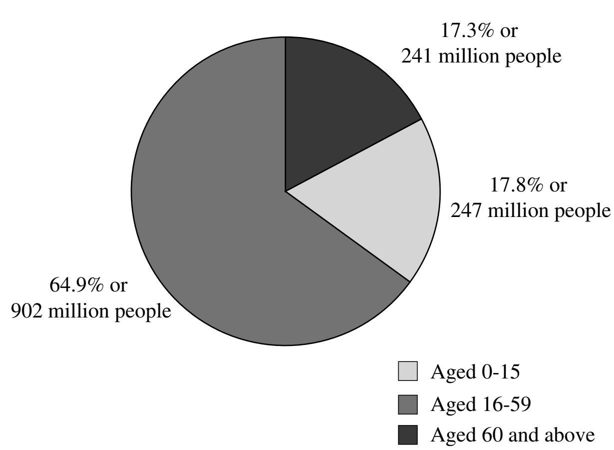
Figure 2: Monthly Changes in Consumer Prices, 2017



Source: National Bureau Statistics of China

By the end of 2017, the total number of the PRC's population of the mainland reached 1,390.1 million, an increase of 7.4 million from the end of 2016. The number of urban permanent residents has increased by 1.17% to 813.5 million, accounting for 58.5% of the total population. In 2017, 17.2 million of births have recorded with a crude birth rate of 12.4 per thousand, and 9.9 million of deaths with a crude death rate of 7.1 per thousand. The natural growth rate was 5.3 per thousand. The number of population who lived in places other than their household registration area reached 291 million, of which 244 million were floating population.

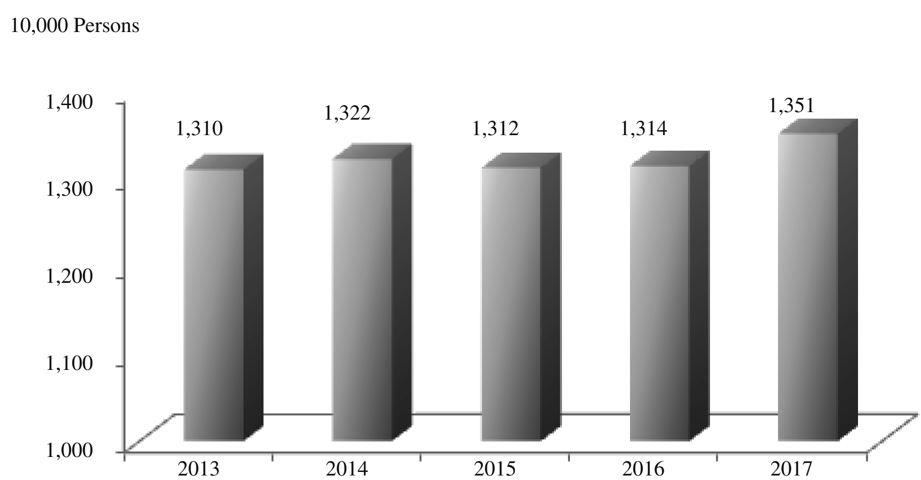
Figure 3: Population Age Composition, 2017



Source: National Bureau Statistics of China

At the end of 2017, the number of employed people in the PRC was 776.4 million, and that in urban areas was 424.6 million. The number of newly increased employed persons in urban areas was 13.5 million. The registered urban unemployment rate was 3.9% at the end of the year. The total number of migrant workers in 2017 was 286.5 million, an increase of 1.7% from 2016. Of which, the migrant workers who left hometown and worked in other places were 171.9 million, increased by 1.5%, and those who worked in their own localities reached 114.7 million or raised by 2.0%.

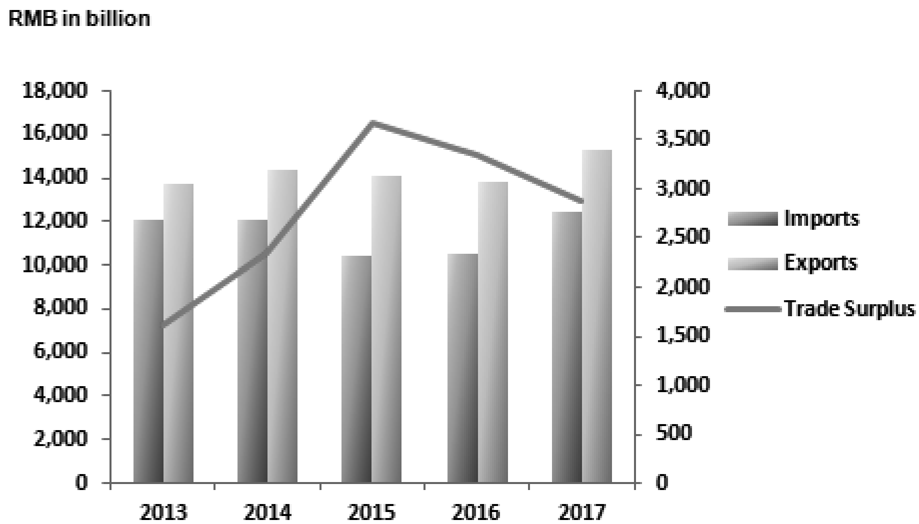
Figure 4: Newly Increased Employed Persons in Urban Areas, 2013–2017



Source: National Bureau Statistics of China

The total value of imports and exports of goods in 2017 reached RMB27,792.3 billion, increased by 14.2% of the previous year. The value of goods exported was RMB15,332.1 billion or went up by 10.8% and the value of goods imported was RMB12,460.2 billion or up by 18.7%. The net exports (exports minus imports) was RMB2,871.8 billion, a drop of RMB473.4 billion over the previous year.

Figure 5: Imports and Exports of Goods, 2013–2017

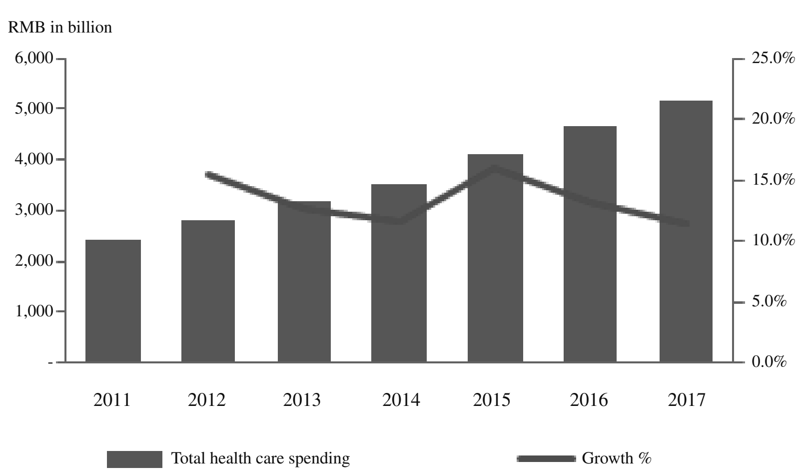


Source: National Bureau Statistics of China

Healthcare Service Industry in the PRC

The PRC is one of the largest healthcare service market in the world. The healthcare spending of the PRC has grown steadily in recent years due to ageing population and increase prevalence of various diseases. According to the data released by National Health and Family Planning Commission, total healthcare spending in the PRC grew from RMB2,435 billion in 2011 to RMB5,160 billion in 2017, representing a CAGR of 13.3%.

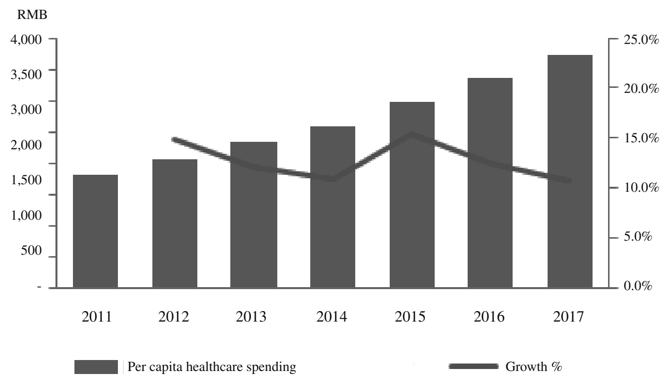
Figure 6: Total healthcare spending



Source: National Health and Family Planning Commission

Per capita healthcare spending of the PRC increased from RMB1,807 in 2011 to RMB3,712 in 2017, indicating a CAGR of 12.7%.

Figure 7: Per capita healthcare spending

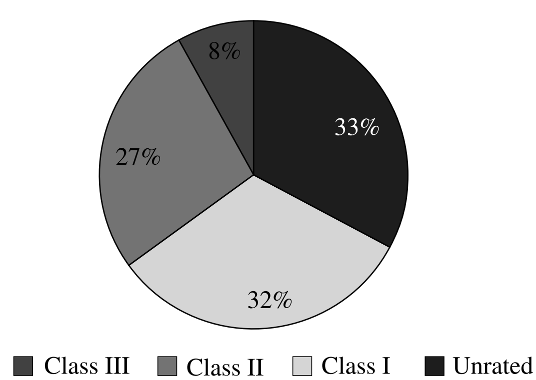


Source: National Health and Family Planning Commission

The healthcare spending of the PRC as a percentage of GDP grew to 6.2% in 2017. Such percentage is still low as compared to that of approximately 9% of major countries in the world including the United States, Australia, Canada, United Kingdom, etc. It is expected that healthcare spending of the PRC will account for approximately 7% of its total GDP by 2020.

Hospital in the PRC can be generally classified into (i) public and private hospitals in terms of ownership; and (ii) general, specialty and traditional Chinese medicine hospitals in terms of specialization. Hospitals are rated into three classes — Classes I, II and III, with Class III being the highest grade. In 2017, there were in total 31,056 hospitals in the PRC, of which 12,297 were public hospitals and 18,759 were private. There were 2,340 Class III, 8,422 Class II, 10,050 Class I and 10,244 unrated hospitals respectively.

Figure 8: Hospital classification in the PRC, 2017



Source: National Health and Family Planning Commission

Postpartum healthcare

In 2017, the PRC recorded a prenatal diagnosis rate of 96.5% and a postnatal check-up rate of 94%, both representing a slight decrease compared to those in 2016. 99.9% of infants were born in hospitals in 2017. Mortality rate of pregnant women was 0.02%. Mortality rate of newborn decreased from 4.9% in 2016 to 4.5% in 2017. The PRC has provided free prenatal healthcare scheme to couples living in rural areas such as pre-pregnancy education, consultation, health check-up and genetic disorders diagnosis. The scheme served to enhance their knowledge and preparation of prenatal healthcare. In 2017, the scheme served over 11.73 millions pregnant women and those targets with potential health risks were referred for further diagnosis and treatment. Such scheme was expected to reduce the mortality rate of both pregnant women and newborn.

7. SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with the historical financial and operational information in respect of Aidigong provided by the senior management of the Company.

We have no reason to doubt the truth and accuracy of the information provided to us, and we have been confirmed by the senior management of the Company that no material facts have been omitted from the information provided to us.

Apart from the information provided by the senior management of the Company, we have also obtained market data, industrial information and statistical figures from publicly available sources.

8. SCOPE OF WORKS

The following processes have been conducted by us during the course of our valuation:

- Obtained relevant financial and operational information in respect of Aidigong from the senior management of the Company;
- Examined the basis and assumptions of the financial and operational information in respect of Aidigong provided by the senior management of the Company;
- Conducted research to obtain sufficient market data, industry information and statistical figures from Aidigong and other publicly available sources; and
- Prepared the valuation and this report in accordance with generally accepted valuation procedures and practices of international valuation standards.

9. VALUATION ASSUMPTIONS

Due to the changing economic and market conditions, a number of assumptions have to be adopted in our valuation. The major assumptions adopted in our valuation are as follows:

General Market Assumptions

- There will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where Aidigong are currently or will be situated;
- There will be no material change in the taxation laws and regulations in the jurisdiction where Aidigong are currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;
- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- The supply and demand, both domestically and internationally, of the products and/or services of Aidigong or similar products and/or services will not differ materially from those of present or expected;
- The market prices and the relevant costs, both domestically and internationally, of the products and/or services of Aidigong or similar products and/or services will not differ materially from those of present or expected;
- The products and/or services of Aidigong or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of Aidigong or similar products and/or services; and
- The market data, industrial information and statistical figures obtained from publicly available sources are true and accurate.

Company-specific Assumptions

- All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of Aidigong have been obtained or can be obtained upon request with an immaterial cost;
- The core operations of Aidigong will not differ materially from those of present or expected;
- The financial and operational information in respect of Aidigong have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;

- Aidigong currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of Aidigong, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of Aidigong;

- Aidigong has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;

- The senior management of Aidigong will implement only those prospective financial and operational strategies that will maximize the efficiency of the operations of Aidigong;

- The senior management of Aidigong has sufficient knowledge and experience in respect of the operations of Aidigong, and the turnover of any director, management or key person will not affect the operations of Aidigong;

- The senior management of Aidigong has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operations of Aidigong; and

- The senior management of Aidigong has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operations of Aidigong.

- Aidigong is able to continue operating as a going concern in the future.

10. INFORMATION REVIEWED

The information reviewed during the course of our valuation included, but was not limited to, the following:

- Audited financial report of Aidigong for 2017

- Unaudited management accounts and financial statement of Aidigong for the period from 1 November 2017 to 31 October 2018

- Contract and agreement related to the Equity Transfer of Aidigong

- Website of Aidigong: www.aidigong.com

- Intangible assets list and register of Aidigong

11. VALUATION APPROACH

General Valuation Approaches

The following generally accepted valuation approaches have been considered in the course of our valuation: (1) the income approach; (2) the market approach; and (3) the cost approach.

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The discounted cash flow (DCF) method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows of the subject asset in future years were determined from the net income after tax plus non-cash expenses, such as depreciation and amortization expenses, and after-tax interest expense; the result was then less non-cash incomes, investment in capital expenditure and investment in net working capital.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The sales comparison method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing the same or a substitute asset with equal utility as the subject asset.

Under the cost approach, the historical cost method measures the cost incurred throughout the development of the subject asset at the time it was developed. The replication cost method measures the amount of investment that would be required to develop an asset similar to the subject asset. The replacement cost method measures the amount of investment that would be required to develop the subject asset as it currently exists.

Selected Valuation Approach

The selection of a valuation approach is based on, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise.

The market approach was the most appropriate approach among the other approaches for the valuation of Aidigong. The cost approach does not directly incorporate information about the economic benefits generated from the operation of Aidigong. The income approach heavily relies on subjective assumptions, such as growth rates, to which the valuation is highly sensitive. Furthermore, detailed operational information and long-term financial projections are also needed to arrive at an indication of value. In addition, similar to the market approach, the income approach also relies heavily on the selection of comparable companies, especially in the determination of the discount rate, an important parameter in applying the income approach.

Therefore, the market approach was considered to be the most appropriate valuation approach in the valuation, as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

The sales comparison method was not appropriate as no recent comparable transactions could be identified. The guideline company method is more appropriate for the valuation of Aidigong as Comparable Companies in the market could be identified and analyzed with more readily available information.

12. VALUATION METHODOLOGY

Under the market approach, guideline company method was adopted in the valuation. The guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset, with adjustments of control premium and discount for lack of marketability if applicable. In applying the guideline company method, price multiples for publicly listed companies that are considered to be comparable to Aidigong were calculated. The price multiples are ratios that relate business value to some measure of the company's financial performance.

13. VALUATION PARAMETERS

Comparable Companies

For the purpose of our valuation, we referred to the information in respect of publicly listed companies that are considered to be comparable to Aidigong (referred to as the "Comparable Companies").

Selection Criteria of the Comparable Companies

The selection of the Comparable Companies was based on the comparability of the overall industry sector and geographical location. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

Regarding the industry sector and geographical location of Aidigong, the availability of the financial information in calculating the price multiples adopted in the valuation and the revenue scales of Aidigong, the following criteria were considered as reasonable to select the Comparable Companies.

The selection criteria of the Comparable Companies are as follows:

- The principal activities of the Comparable Companies are located in the Greater China Region according to the latest available financial statements;
- As at the valuation date, the Comparable Companies are principally engaged in the provision of healthcare services including the maternal and/or postpartum health services and the related operation;
- The Comparable Companies have positive normalized earnings for the trailing 12 months as stated in the latest available financial statements. The normalized earnings are the earnings with exclusion of non-recurring and extraordinary items, such as gain or loss on disposal of operating assets;
- The Comparable Companies are listed on the Stock Exchange of Hong Kong;
- Shares of the Comparable Companies are trading on the Stock Exchange of Hong Kong as at the date of valuation; and
- Detailed financial information in respect of the Comparable Companies is available at publicly available sources.

Aidigong is principally engaged in the operation of postpartum care centres and the provision of postpartum health services. Certain companies engaged in the operation of postpartum care centres are listed on the National Equities Exchange and Quotations ("NEEQ") of the PRC but such companies were with low market capitalizations and their shares were trading with extremely low volume, not even traded once a month. The NEEQ is an OTC (over-the-counter) stock trading platform where trading is completed directly between two parties. The potential comparable companies listed on the NEEQ were all loss making in the latest financial year as at the valuation date. Further, the market is open to qualified investors only and trading information such as price quote and volume of individual NEEQ companies were not publicly and readily available through reliable sources. Therefore, these NEEQ companies may not be representative as comparable companies.

Since there are no other publicly listed companies solely engaged in the operation of postpartum care centres and provision of postpartum health services, the above mentioned criteria were adopted to identify the companies with similar business or service or within the same industry.

Information obtained from financial data software, annual reports, company websites, as well as other public sources regarding the potential Comparable Companies were reviewed and analyzed to determine if their scope of healthcare services included the maternal and/or postpartum health services or the related operation.

The Comparable Companies were then identified as those providing maternal and/or postpartum health services as discussed above, and also satisfying other selection criteria listed earlier.

Selected Comparable Companies

Given the abovementioned selection criteria and screening process, the Comparable Companies were considered to be exhaustive, fair and representative samples. Details of the Comparable Companies are as follows:

Comparable Company 1

Name of Company	:	China Resources Medical Holdings Company Limited
Stock Code	:	1515 HK
Stock Exchange	:	Hong Kong
Company Description	:	China Resources Medical Holdings Company Limited operates hospitals and clinics. It offers clinical treatment, healthcare management, public sanitary and other medical health services. It is also involved in the finance, real estate, consumption and other businesses.

Comparable Company 2

Name of Company	:	New Century Healthcare Holding Co. Limited
Stock Code	:	1518 HK
Stock Exchange	:	Hong Kong
Company Description	:	New Century Healthcare Holding Co. Limited operates as a holding company. Through its subsidiaries, it manages pediatrics, obstetrics and gynecology hospitals throughout the PRC.

Comparable Company 3

Name of Company	:	Guangdong Kanghua Healthcare Co., Ltd.
Stock Code	:	3689 HK
Stock Exchange	:	Hong Kong
Company Description	:	Guangdong Kanghua Healthcare Co., Ltd. owns and operates hospitals. It offers healthcare, cardiovascular related and medical services and serves patients in the PRC.

Comparable Company 4

Name of Company	:	Harmonicare Medical Holdings Limited
Stock Code	:	1509 HK
Stock Exchange	:	Hong Kong
Company Description	:	Harmonicare Medical Holdings Limited is a private obstetrics and gynecology specialty hospital group in the PRC. Its departments include ultrasound, radiology, laboratory and pharmacy. It also offers dental care and medical aesthetic services.

Comparable Company 5

Name of Company	:	UMP Healthcare Holdings Ltd.
Stock Code	:	722 HK
Stock Exchange	:	Hong Kong
Company Description	:	UMP Healthcare Holdings Ltd. offers healthcare solutions. It provides services for medical and dental needs and serves both contract and plan customers.

The percentage revenue attributable to the provision of the maternal and/or postpartum health services for each of the Comparable Companies was as follows:

Comparable Company	% Revenue	Note
1515 HK	Please refer to the note	According to its 2018 annual report, the company operates Mentougou Hospital for Women and Children (門頭溝婦幼保健院) which is one of the IOT (invest-operate-transfer) hospitals. The IOT hospitals segment accounted for approximately 43% of its total revenue.
1518 HK	92.4%	According to its 2018 annual report, pediatric (兒科) services and obstetric & gynecologic (婦產科) services accounted for 75.8% and 16.6% of its total revenue respectively.
3689 HK	Please refer to the note	According to its 2018 annual report, obstetrics and gynaecology was the discipline with top revenue. obstetrics & gynaecology, Internal medicine, cardiovascular, general surgery and orthopaedics disciplines accounted for approximately 58.5% of its total revenue in hospital services.

Comparable Company	% Revenue	Note
1509 HK	82.5% (2017) 81.4% (2018 interim)	According to its 2017 annual report, pediatric services and obstetric & gynecologic services accounted for 4.8% and 77.7% of its total revenue respectively. According to its 2018 interim report, pediatric services and obstetric & gynecologic services accounted for 4.1% and 77.3% of its total revenue respectively.
722 HK	Please refer to the note	According to its 2018 annual report, the company provides obstetric & gynecologic, paediatrics and paediatrics surgery (小兒外科) specialist services. The revenue from specialist services (including the abovementioned) and other medical services accounted for 87.5% of its total revenue.

There is no perfect match of comparable companies with exactly the same financial performance, business operations and risk profile as Aidigong. The Comparable Companies were considered to be fair and representative because (1) they generate income primarily through providing health care services including pediatric and/or obstetric & gynecologic services which were substantially related to maternal and postpartum care services; (2) They all provide services in self-operated facilities instead of providing on-site services. Companies that provide on-site services to customers' home, for example, Bamboos Health Care Holdings Ltd. (Stock Code: 2293 HK) was excluded; (3) Their business operations greatly rely on the services of medical and healthcare staff with professional skills.

Apart from the Comparable Companies selected, we were not aware of any other listed company that fulfills the selection criteria, and we considered that the selected Comparable Companies are exhaustive.

Price Multiples

In the course of our valuation, we have considered various price multiples. The most commonly used include the enterprise value (EV)-to-earnings before interest, taxes, depreciation and amortization (EBITDA) (EV/EBITDA) multiple, enterprise value (EV)-to-earnings before interest and taxes (EBIT) (EV/EBIT) multiple, price-to-earnings (P/E) multiple, price-to-sales (P/S) multiple and the price-to-book (P/B) multiple.

For price multiples using equity value as numerator, the P/S multiple does not capture differences in cost structure across companies and the P/B multiple does not reflect the value of intangible economic assets such as human capital, and inflation and technological change can cause the book values and market values of assets to differ significantly, therefore the P/E multiple is considered more appropriate because it considers the profitability of different companies and earning power is the primary determinant of value of Aidigong.

For price multiples using EV as numerator, EV/EBITDA excludes the depreciation and amortization, thus it does not consider the capital expenditure required for the business to sustain. EV/EBIT is considered more appropriate because it considers the capital expenditure by taking depreciation and amortization as a proxy.

For our valuation, we have adopted the P/E multiple and EV/EBIT multiple in assessing the value of Aidigong. Both price multiples were adopted because they were considered appropriate for the valuation of Aidigong.

P/E Multiples

The P/E multiple is a commonly used equity multiple as it has taken into consideration the differences in cost structure across companies. The P/E multiple is calculated as the share price divided by earnings per share (EPS) or calculated as the market capitalization divided by earnings. The financial information for the calculation of the P/E multiples of the Comparable Companies was extracted from the corresponding latest published annual reports of the Comparable Companies available as at the date of valuation.

The P/E multiples of the Comparable Companies are as follows:

Stock Code	**Company Name**	**P/E Multiple**
1515 HK	China Resources Medical Holdings Company Limited	14.47
1518 HK	New Century Healthcare Holding Co. Limited	22.35
3689 HK	Guangdong Kanghua Healthcare Co., Ltd.	13.09
1509 HK	Harmonicare Medical Holdings Limited	51.57
722 HK	UMP Healthcare Holdings Ltd.	33.58
	Median:	22.35

Source: Bloomberg

In applying the P/E multiple, the median of the P/E multiples of the Comparable Companies of 22.35 was multiplied by the 12-month trailing earnings of RMB49,436,000 of Aidigong as at 31 October 2018 to determine the equity value of Aidigong. The median of the P/E multiples of the Comparable Companies was adopted because it is less susceptible to extreme values. The basis of determining the earnings was consistently applied to the Comparable Companies and Aidigong with exclusion of non-recurring and extraordinary items.

The resulting equity value of marketable and non-controlling interest was then further adjusted by the discount for lack of marketability and the control premium to derive our conclusion of valuation.

EV/EBIT Multiples

EV is calculated using the following formula:

EV = Market Cap + PE + MI + ST Debt + LT Debt – Cash

Where:

EV	=	enterprise value
Market Cap	=	market capitalization
PE	=	preferred equity
MI	=	minority interest
ST Debt	=	short-term debt
LT Debt	=	long-term debt
Cash	=	cash and cash equivalents

The EV/EBIT multiples of the Comparable Companies are as follows:

Stock Code	Company Name	EV/EBIT Multiple
1515 HK	China Resources Medical Holdings Company Limited	9.92
1518 HK	New Century Healthcare Holding Co. Limited	11.56
3689 HK	Guangdong Kanghua Healthcare Co., Ltd.	8.02
1509 HK	Harmonicare Medical Holdings Limited	36.35
722 HK	UMP Healthcare Holdings Ltd.	21.22
	Median:	11.56

Source: Bloomberg

In applying the EV/EBIT multiple, the median of the EV/EBIT multiples of the Comparable Companies of 11.56 was multiplied by the EBIT of RMB65,114,000 of Aidigong to determine the enterprise value of Aidigong. The median of the EV/EBIT multiples of the Comparable Companies was adopted because it is less susceptible to extreme values. The basis of determining the EBIT was consistently applied to the Comparable Companies, Aidigong with exclusion of non-recurring and extraordinary items.

The calculated EV of Aidigong was then adjusted by subtracting the total debt, preferred equity and minority interest and adding back the cash and the cash equivalents to derive the equity value of Aidigong. The resulting equity value of marketable and non-controlling interest of Aidigong was then further adjusted by the discount for lack of marketability and the control premium to derive our conclusion of valuation.

Price multiples were not adjusted for size risk premium and company specific risk premium.

No adjustment for size was made. According to "Valuation Handbook — Guide to Cost of Capital" by Duff & Phelps, companies with market capitalization below US$567 million fall into the Micro-Cap category. Four of the Comparable Companies are sized below US$567 million and within the same size category as Aidigong; the median of the price multiples would not be affected if such size adjustments were made. Therefore, no size adjustment was made.

Company specific risk adjustment was not made because there was no significant company specific risk noted for Aidigong. Furthermore, such adjustments may involve judgmental factors, which rely on subjective opinions and difficult to justify.

Discount for Lack of Marketability (DLOM)

The discount for lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell.

DLOM reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As Aidigong are unlikely to undergo public offering and shares of Aidigong are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in the near future, the ownership interests in Aidigong are not readily marketable. However, the P/E multiples and EV/EBIT multiples of the Comparable Companies adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; value calculated using such P/E multiples, therefore, represents the marketable interest. Thus, DLOM was adopted to adjust such marketable interest value to non-marketable interest value.

According to the Stout Restricted Stock Study published by Stout Risius Ross, LLC (a global leading valuation advisory, investment banking, dispute consulting and management consulting firm founded in 1991) in 2018, DLOM is estimated as the percentage difference between the private placement price per share and the market trading price per share. 747

relevant private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 to October 2017 have been examined in the Stout Restricted Stock Study. Premium in the market for restricted stock, which is considered as the result of an investment opportunity not available to other investors or an unidentifiable relationship with the seller has been excluded.

The Stout Restricted Stock Study analyzes the transaction database and provides mean and median discount rates. We adopted the median discount rate of 15.8% calculated from the 747 transactions in the Stout Restricted Stock Study as DLOM for the valuation. The median discount rate was adopted since it is not affected by abnormal extreme high and low values.

Control Premium

Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The P/E multiples and EV/EBIT multiples adopted in the valuation was calculated from public listed companies, which represent minority ownership interest. Thus, control premium was adopted to adjust such minority interest value to controlling interest value.

According to the Mergerstat Control Premium Study published by FactSet Mergerstat, LLC., control premium is expressed as a percentage of the unaffected marketable minority price per share. Completed transactions whereby 50.01% or more of a company was acquired and where target companies were publicly traded have been examined in the Mergerstat Control Premium Study.

The Mergerstat Control Premium Study is a comprehensive and updated research on control premium with empirical support done by FactSet Mergerstat, LLC., which is an independent information provider of merger and acquisition information. FactSet Mergerstat, LLC. was founded in 1963 and is based in Santa Monica, California. It operates as a subsidiary of FactSet Research Systems Inc. which is listed on the New York Stock Exchange. We are not aware of any other widely accepted control premium study with equivalent quality in terms of size of database and timeliness. Therefore, we adopted the Mergerstat Control Premium Study as the reference for control premium.

According to the Mergerstat Control Premium Study, the mean and median premiums were gathered from recent merger and acquisition transactions during the year of 2018, which includes the most updated market data. Since the median rate is not affected by abnormal extreme high and low values, the control premium in the valuation was determined with reference to the median premium of 24.0%.

With consideration of the discount for lack of marketability and the control premium, the value of Aidigong was calculated as follows:

Value of Non-marketable and Controlling Interest

= *Value of Marketable and Non-controlling Interest × (1 – DLOM) × (1 + Control Premium)*

Adopted Parameters of Valuation

The values of 100% equity interest in Aidigong calculated using P/E multiple and EV/EBIT multiple are as follows:

Multiple	**Value before adjusting the DLOM and the control premium** *(RMB)*	**Value after adjusting the DLOM and the control premium** *(RMB)*
P/E multiple	1,104,904,000 *(Note 1)*	1,153,608,000
EV/EBIT multiple	882,606,000 *(Note 2)*	921,511,000
	Average:	**1,037,560,000**

Note 1:

In applying the P/E multiple, the median of the P/E multiples of the Comparable Companies of 22.35 was multiplied by the trailing 12-month earnings of RMB49,436,432 of Aidigong as at 31 October 2018 to determine the equity value of Aidigong. The resulting equity value of marketable and non-controlling interest was then further adjusted by the discount for lack of marketability and the control premium to derive our conclusion of valuation.

	(RMB)
Earnings	**49,436,432**
P/E multiple	22.35
Value before adjusting the DLOM and the control premium	**1,104,904,255**

Note 2:

In applying the EV/EBIT multiple, the median of the EV/EBIT multiples of the Comparable Companies of 11.56 was multiplied by the EBIT of RMB65,113,981 of Aidigong to determine the enterprise value of Aidigong. The calculated EV of Aidigong was then adjusted by subtracting the total debt of Nil, preferred equity of Nil and minority interest of Nil and adding back the cash and the cash equivalents (including bank and cash balance and structured bank deposit) of RMB129,888,031 as at 31 October 2018 to derive the equity value of Aidigong. The resulting equity value of marketable and non-controlling interest of Aidigong was then further adjusted by the discount for lack of marketability and the control premium to derive our conclusion of valuation.

	(RMB)
EBIT	**65,113,981**
EV/EBIT multiple	11.56
EV	**752,717,620**
Less: Total debt, preferred equity and minority interest	Nil
Add: Cash & cash equivalent	129,888,031
Value before adjusting the DLOM and the control premium	**882,605,651**

The average of the two price multiples was adopted because both of the price multiples are appropriate and equally important in determining the value of Aidigong and therefore equal weight was allocated to them.

The value of 88.5184% equity interest in Aidigong is calculated as follows:

	Value after adjusting the DLOM and the control premium *(RMB)*
Value of 100% equity interest	1,037,560,000
Interest under valuation	88.5184%
Value of 88.5184% equity interest	**918,432,000**

14. LIMITING CONDITIONS

- The result of our valuation does not constitute and should not be interpreted as an investment advice or legal evidence. It also serves as neither a substitute nor any part of due diligence work in respect of the truth and accuracy of the financial and operational information in respect of the subject asset.

- The actual consideration in any past or possible transaction in relation to the subject asset or similar assets may be different from the result of our valuation. The differences may be due to factors such as the motivation of the parties, expected synergistic benefits and economies of scale arising from the transaction.

- The date of valuation is a specific point of time as at which an opinion of value applies. As economic and market conditions may change over time, the result of our valuation only reflects the existing economic and market conditions as at the date of valuation, not as at either a past or future date.

- To the best of our knowledge, all data set forth in our valuation and this report are true and accurate. Although gathered from reliable sources, no guarantee is made or liability is assumed for the truth and accuracy of any data provided to us or obtained from publicly available sources.

- Our valuation relied on research of market data, industry information and statistical figures. The scope of research is at our own discretion. Moreover, there may be parameters adopted in our valuation that are derived by our professional judgment and technical expertise or opinion of any other party of which written supporting document may not be available.

- The result of our valuation assumes continuation of appropriate management policies to maintain the character and integrity of the subject asset over a reasonable period of time, including adoption of reasonable and appropriate contingency measures against any human disruption and natural disaster.

- The result of our valuation is based on generally accepted valuation procedures and practices that rely on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified, and no responsibility is assumed for the differences between the actual outcome and our adopted assumptions.

- Whilst the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to uncertainties and contingencies that are beyond the control of us. We assume no responsibility for unexpected changes in economic and market conditions that may require adjustments in the valuation.

- We will not give testimony or attendance in court or to any governmental authority by reason of our valuation, unless prior arrangements have been made. Moreover, no opinion is intended to be expressed for matters, which require legal or other specialized expertise or knowledge, beyond that customarily employed by appraisers.

- Any information provided to us for the valuation will be treated as confidential information, but we may disclose the information to our directors or employees who need to know the information for the purpose of carrying out the valuation or any authority as required by the laws of any jurisdiction.

- All research findings, working papers and valuation model developed by us during the course of our valuation are deemed to be our property. We will retain the research findings, working papers and valuation model, either in physical form or in electronic form, for at least seven years after completion of our valuation.

- We reserve the right to include the addressee's name, scope of valuation, date of valuation and nature of subject asset in our client list and track record that may be presented to our existing or prospective clients, but we will maintain the confidentially of the information provided to us, our valuation model and the contents of this report.

- We may not disclose any arrangement in relation to referral, cooperation, sub-contract or subscription of research report conducted by third party as well as compensation of our directors or employees that are deemed to have no impact on our independence and objectivity and have no conflict of interest with the addressee.

15. REMARKS

For the purpose of our valuation, we have been furnished with information provided by the senior management of the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made or liability assumed for the accuracy of any data, opinions or valuations identified as being furnished by others, which have been used in formulating our analysis.

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB).

16. STATEMENT OF INDEPENDENCE

We hereby certify that we have neither present nor prospective interest in the Company, Aidigong, their respective subsidiaries and associated companies or the result reported. In addition, our directors are neither directors, supervisors nor officers of the Company or Aidigong.

In the course of our valuation, we are acting independently of all parties related to this valuation. Our fees are agreed on a lump-sum basis and are not correlated with the results of our valuation.

17. CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to uncertainties and contingencies that are beyond the control of the Company, Aidigong or us.

Based on our analysis outlined in this report, it is our independent opinion that the market value of 88.5184% equity interest in Shenzhen Aidigong Maternity Health Management Co., Ltd. (i.e. Aidigong) as at 31 October 2018 was **RMB918,000,000 (RENMINBI NINE HUNDRED AND EIGHTEEN MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interest in the Company, Aidigong, their respective subsidiaries and associated companies or the result reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED
Marco T. C. Sze
B.Eng(Hon), PGD(Eng), MBA(Acct),
CFA, AICPA/ABV, RBV, CIM
Director

Note: Mr. Marco T. C. Sze is a Chartered Financial Analyst, a member of the American Institute of Certified Public Accountants (AICPA) and is accredited in Business Valuation by the AICPA. In addition, he is a Registered Business Valuer under the Hong Kong Business Valuation Forum and a member of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM).

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date and upon issuance of the Subscription Shares are as follows:

Authorised		*HK$*
80,000,000,000	Shares	800,000,000
Issued and to be issued, fully paid and/or credited as fully paid upon completion of the Subscriptions		
2,996,255,008	Shares in issue as at the Latest Practicable Date	29,962,550.08
264,099,966	First Subscription Shares to be allotted and issued upon completion of the First Subscriptions	2,640,999.66
500,000,000	Subscription Shares C to be allotted and issued upon completion of the Second Subscription	5,000,000
750,000,000	Placing Shares to be allotted and issued upon completion of the Placing	7,500,000
4,510,354,974		45,103,549.74

3. INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "**Model Code**"), were as follows:

Name of Directors	Number of Shares Ordinary Shares	Underlying Shares	Total	Capacity	Percentage of issued share capital
Mr. Cheung Wai Kuen *(Note 1)*	930,379,671	—	930,379,671(L)	Interest of controller corporation	31.05%
Mr. Cheng Hau Yan *(Note 2)*	4,300,000	—	4,300,000(L)	Beneficial owner/Interest of spouse	0.14%

Remark:

The letter "L" denotes the long position in the shares of the Company.

Notes:

1. Mr. Cheung, through his controlled corporation, Champion Dynasty Limited is deemed to be interested in 930,379,671 shares of the Company held by Champion Dynasty Limited.

2. Mr. Cheng Hau Yan owned 4,000,000 Shares and his spouse, being a staff of a subsidiary of the Company, owned 300,000 Shares. Pursuant to the SFO, Mr. Cheng Hau Yan was deemed to be interested in the same parcel of Shares which is spouse was interested.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive of the Company nor their associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or who were recorded in the registrar required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholders	Number of Shares	Capacity	Percentage of issued share capital
Champion Dynasty Limited *(Note 1)*	930,379,671(L)	Beneficial owner	31.05%

Remark:

The letter "L" denotes the long position in the shares of the Company.

Note:

1. Mr. Cheung is the sole director of Champion Dynasty Limited and owned its entire issued capital.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had, or was deemed to have, interests or short positions in the Shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or who were recorded in the register required to be kept by the Company under section 336 of the SFO.

5. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Group) had been entered into by members of the Group and the Target Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date:

(i) the Equity Transfer Agreement;

(ii) the First Subscription Agreement;

(iii) the Second Subscription Agreement;

(iv) the Placing Agreement;

(v) a share purchase agreement dated 6 March 2019 entered into between Gold Stable Limited and Billion High Worldwide Investments Limited in relation to the acquisition of the 30 ordinary shares in the capital of Wealthy Kingdom Group Limited, representing 30% of the total issued share capital in Wealthy Kingdom Group Limited, by Gold Stable Limited from Billion High Worldwide Investments Limited;

(vi) a share purchase agreement dated 6 March 2019 entered into between Yellow Dragon Medical Alliance Limited and Wealthy Kingdom Group Limited in relation to the disposal of the 7,685 ordinary shares in the capital of Dragon Pride Enterprises Limited, representing approximately 12.2% of the total issued share capital in Dragon Pride Enterprises Limited, by Wealthy Kingdom Group Limited to Yellow Dragon Medical Alliance Limited;

(vii) a supplemental agreement dated 30 November 2018 entered into among 東莞市景園實業投資有限公司 (Guangdong Tongjia Investment Management Limited*) (a wholly-owned subsidiary of the Company), 趙長偉 (Zhao Changwei*), 廣東豐源科創生物科技有限公司 (Guangdong Fengyuan Technology Innovation Bio Tech Company Limited*), 廣東豐碩生物醫藥科技有限公司 (Guangdong Fengshuo Bio Medical Tech Company Limited*) ("**Fengshuo Bio Medical Tech**"), 廣東豐源華科生物科技有限公司 (Guangdong Fengyuan Huake Bio Tech Company Limited*) ("**Fengyuan Huake**") to the agreement dated 23 November 2015 in relation to, among other matters, the capital contribution in and acquisition of 100% equity interest in Fengshuo Bio Medical Tech, and pursuant to the supplemental agreement Fengyuan Huake has, among other matters, given an undertaking as to its audited net profit for the years ending 31 December 2018 and 31 December 2019 and an undertaking as to its target revenue for the year ending 31 December 2020;

(viii) the agreement dated 5 October 2018 entered into among the Company as lender, Champion Dynasty Limited as borrower and Mr. Cheung Wai Kuen as the individual guarantor in relation to a three-year revolving loan facility of up to HK$200 million at 12% per annum (the "**New Facility Agreement**");

(ix) the agreement dated 12 August 2017 entered into among Double Ally Limited (a direct wholly-owned subsidiary of the Company), Fortune Sky Developments Limited, Ever Edge International Limited, Wealth Choice Global Limited, Ultimate Winner Ventures Limited, Outstanding Global Investments Limited, Red Summit Limited and One Heart Global Limited, pursuant to which Double Ally Limited had conditionally agreed to purchase the entire share capital of Golden Time Ventures Limited at the consideration of 400,000,000 Shares and HK$50 million in cash;

(x) the agreement dated 22 May 2017 entered into among Gold Stable Limited ("**Gold Stable**"), Billion High Worldwide Investments Limited ("**Billion High**") and Zhao Long International Medical Investment Management Group Limited ("**Zhaolong BVI**"), pursuant to which Gold Stable conditionally agreed to dispose of and Billion High conditionally agreed to acquire 35,000 ordinary shares in Zhaolong BVI held by Gold Stable at the consideration of HK$68 million with the effect that Gold Stable ceased to hold an interest in Zhaolong BVI and Zhaolong BVI ceased to be a subsidiary of the Company; and

(xi) a non-legally binding cooperation framework agreement dated 5 May 2017 among the Company and 深圳市前海聖輝堂醫療健康產業投資集團有限公司 (Shenzhen Qianhai Sheng Hui Tang Healthcare Industry Investment Group Co., Ltd.*) with respect of cooperation in the region of healthcare.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's businesses as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

8. INTEREST IN CONTRACTS AND ASSETS

On 2 October 2015, the Company entered into a facility agreement (the "**Facility Agreement**") with Champion Dynasty Limited and Mr. Cheung Wai Kuen. Pursuant to the Facility Agreement, the Company provided a three-year revolving facility of up to HK$200,000,000 to Champion Dynasty Limited at an interest rate of 10% per annum, with Mr. Cheung Wai Kuen as the individual guarantor. A supplemental agreement was signed on 21 December 2016 to increase the interest rate from 10% per annum to 11% per annum. On 5 October 2018, the Company, Champion Dynasty Limited and Mr. Cheung Wai Kuen entered into the New Facility Agreement and agreed to renew the Facility Agreement for a period of three years from 19 November 2018 to 18 November 2021.

Other than the Facility Agreement and the New Facility Agreement referred to in the paragraph headed "Material Contracts" in this Appendix, there is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

9. LITIGATION

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

10. QUALIFICATION AND CONSENT OF EXPERTS

The qualifications of the experts who have given opinions and advice in this circular are as follows:

Name	Qualification
HLB Hodgson Impey Cheng Limited ("**HLB**")	Certified Public Accountant, the reporting accountant for the financial information of the Target Group and the unaudited pro forma financial information of the Enlarged Group
BMI Appraisals Limited	An independent professional valuer

As at the Latest Practicable Date, each of HLB Hodgson Impey Cheng Limited and BMI Appraisals Limited had no shareholding, directly or indirectly, in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which had since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

The above experts have given and has not withdrawn their respective written consent to the issue of this circular with the inclusion in this circular of its letter and/or references to its name in the form and context in which it appears.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any business day at the principal place of business of the Company in Hong Kong at Room 2709–10, 27th Floor, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong:

(a) the memorandum of association and bye-laws of the Company;

(b) the Equity Transfer Agreement;

(c) the First Subscription Agreement;

(d) the Second Subscription Agreement;

(e) the Placing Agreement;

(f) this circular;

(g) the written consents referred to in the paragraph headed "Qualification and Consent of Experts" in this Appendix;

(h) the annual report of the Company for each of the two financial years ended 31 December 2017 and 31 December 2018;

(i) the accountant's report of the Target Group from HLB, the text of which is set out in Appendix II to this circular;

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

(k) the valuation report of the Target Group prepared by the Independent Valuer, the text of which is set out in Appendix V to this circular; and

(l) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix.

12. MISCELLANEOUS

(a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and the principal place of business in Hong Kong of the Company is at Room 2709–10, 27th Floor, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(b) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited, The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.

(c) The branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Mr. Wong Wing Cheung, who is a practicing member of the Hong Kong Institute of Certified Public Accountants.

(e) The English text of this circular prevails over its Chinese translation in the case of discrepancy.

COMMON SPLENDOR INTERNATIONAL HEALTH INDUSTRY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

NOTICE OF SGM

NOTICE IS HEREBY GIVEN that the special general meeting ("**Meeting**") of Common Splendor International Health Industry Group Limited (the "**Company**") will be held at Rooms 2709–10, 27th Floor, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong on Wednesday, 28 August 2019 at 4:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifying the following resolutions which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the equity transfer agreement dated 24 January 2019 (as amended and supplemented by a supplemental agreement dated 23 July 2019) entered into by 廣東同佳健康產業集團有限公司 (Guangdong Common Splendor Health Industry Company Limited*), a wholly-owned subsidiary of the Company, as purchaser, Ms. Zhu Yufei ("**Vendor A**"), 成都鵬益企業管理有限公司 (Chengdu Pengyi Enterprise Management Company Limited*), 深圳市陶潤管理諮詢合夥企業(有限合夥) (Shenzhen City Taorun Management Advisory Partnership (Limited Partnership)*), 深圳市愛心恒久遠資本管理合夥企業(有限合夥) (Shenzhen City Aixinhengjiuyuan Assets Management Partnership (Limited Partnership)*) ("**Vendor D**"), 深圳市創富博大投資中心(有限合夥) (Shenzhen City Chuangfuboda Investment Centre (Limited Partnership)*), 深圳市三好泰富資本投資合夥企業(有限合夥) (Shenzhen City Sanhaotaifu Capital Investment Partnership) (Limited Partnership)*) as vendors ("**Vendors**") and the Company as the guarantor in relation to the sale and purchase of 88.5184% of the issued share capital of 深圳愛帝宮母嬰健康管理股份有限公司 (Shenzhen Aidigong Maternity Health Management Co., Ltd.*) at the aggregate maximum consideration of RMB888,000,000 (the "**Equity Transfer Agreement**"), a copy of which is marked "**A**" and signed by the chairman of the SGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified in all respects; and

(b) each of the directors of the Company be and is hereby authorized to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Equity Transfer Agreement and any of the transactions contemplated thereunder."

2. "**THAT**:

(a) the subscription agreement dated 25 January 2019 entered into by the Company as issuer and Vendor A and Vendor D as subscribers in relation to the issue and subscription of up to 222,006,334 and 42,093,632 new ordinary shares of the Company (the "**First Subscription Shares**") at a price of HK$0.7 per First Subscription Share (the "**First Subscription Agreement**"), a copy of which is marked "**B**" and signed by the chairman of the SGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified in all respects;

(b) subject to the fulfilment of the conditions of the First Subscription Agreement and conditional upon passing of resolution a) above, the board of directors (the "**Board**") of the Company be and is hereby authorised to allot and issue the First Subscription Shares under a specific mandate in accordance with and subject to the terms and conditions of the First Subscription Agreement; and

(c) each of the directors of the Company be and is hereby authorized to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the First Subscription Agreement and any of the transactions contemplated thereunder."

3. "**THAT**:

(a) the subscription agreement dated 28 May 2019 entered into by the Company as issuer and Suntek Global Growth Fund SPC as subscriber in relation to the issue and subscription of an aggregate of 500,000,000 new ordinary shares of the Company (the "**Second Subscription Shares**") at a price of HK$0.4 per Second Subscription Share (the "**Second Subscription Agreement**"), a copy of which is marked "**C**" and signed by the chairman of the SGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified in all respects;

(b) subject to the fulfilment of the conditions of the Second Subscription Agreement and conditional upon passing of resolution a) above, the Board of the Company be and is hereby authorised to allot and issue the Second Subscription Shares under a specific mandate in accordance with and subject to the terms and conditions of the Second Subscription Agreement; and

(c) each of the directors of the Company be and is hereby authorized to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Second Subscription Agreement and any of the transactions contemplated thereunder."

4. "**THAT**:

(a) the placing agreement dated 28 May 2019 (as amended and supplemented by a side letter dated 17 June 2019) entered into by the Company as issuer and Kingston Securities Limited as placing agent in relation to the proposed placing of up to the maximum of 750,000,000 new ordinary shares of the Company (the "**Placing Shares**") at the placing price of HK$0.4 per Placing Share (the "**Placing Agreement**"), a copy of which is marked "**D**" and signed by the chairman of the SGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified in all respects;

(b) subject to the fulfilment of the conditions of the Placing Agreement and conditional upon passing of resolution a) above, the Board of the Company be and is hereby authorised to allot and issue the Placing Shares under a specific mandate in accordance with and subject to the terms and conditions of the Placing Agreement; and

(c) each of the directors of the Company be and is hereby authorized to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Placing Agreement and any of the transactions contemplated thereunder."

* *for identification purpose*

By Order of the Board
Common Splendor International Health Industry Group Limited
Cheung Wai Kuen
Chairman

Hong Kong, 26 July 2019

Notes:

1. All resolutions (except for procedural and administrative matters) at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

2. Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the above meeting. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. Members of the Company whose names appear on the register of members of the Company at 4:30 p.m. on Thursday, 22 August 2019 shall be entitled to attend and vote at the SGM. In order to be entitled to attend and vote at the SGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 22 August 2019.

5. As at the date of this notice, the Board comprises Mr. Cheung Wai Kuen, Mr. Cheng Hau Yan and Mr. Ye Jiong Xian as executive Directors; Mr. Hou Kai Wen and Mr. Lin Jiang as non-executive Directors; and Mr. Lam Chi Wing, Mr. Mai Yang Guang, and Mr. Wong Yiu Kit, Ernest as independent non-executive Directors.