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Hospital Corporation of China Limited

弘和仁愛醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3869)

VOLUNTARY ANNOUNCEMENT

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Hospital Corporation of China Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

The Board is pleased to announce that on July 4, 2017, the Company has entered into a non-binding framework agreement (the “**Framework Agreement**”) with an entity and an individual (collectively, the “**Vendors**”), pursuant to which, the Vendors conditionally agreed to sell, and the Company conditionally agreed to purchase, 70% equity interests in a for-profit general services hospital in Zhejiang (the “**Hospital**”) and its associated company principally engaged in supply of medicines (together with the Hospital, the “**Target Companies**”), and the relevant properties (the “**Target Properties**”) (the “**Proposed Acquisition**”).

THE FRAMEWORK AGREEMENT

Subject to the entering into of a formal sale and purchase agreement in relation to the Proposed Acquisition, the Company and the Vendors have agreed on the following principal terms under the Framework Agreement:

Date: July 4, 2017 (after trading hours)

Parties:

1. the Company, as the purchaser
2. the Vendors

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Vendors and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”))

Assets to be acquired and consideration:	<ol style="list-style-type: none"> 1. 70% equity interests in the Target Companies at a consideration to be determined with reference to a valuation report on the Target Companies; and 2. the Target Properties at a consideration of their initial acquisition costs plus simple interest accrued from the date of the completion of the Proposed Acquisition. <p>The consideration shall be settled in cash and by issuance and allotment of consideration shares by the Company to the Vendors.</p>
Profit guarantee:	The Vendors have agreed to jointly provide profit guarantee to the Company in relation to the consolidated net profit (after tax and deduction of extraordinary items) of the Hospital and its subsidiary for the year ended December 31, 2017 and undertake to indemnify the Company if such guaranteed profits were not achieved.
Due diligence review:	The Company will conduct due diligence review on, including without limitation, legal, finance, assets, liabilities, operations and other related matters of the Target Companies upon signing of the Framework Agreement. The Vendors shall provide its reasonable assistance to procure the Company and its counsels and agents to obtain the information as is necessary for the Company to complete its due diligence review on the Target Companies.
Exclusivity:	During a 45 days' period after signing of the Framework Agreement, the Company shall have exclusive right to negotiate with the Vendors in relation to the terms of the Proposed Acquisition and such exclusivity period can be extended for another 30 days in accordance with the terms of the Framework Agreement.
Non-binding effect:	Save for the provisions relating to due diligence review, exclusivity, confidentiality, counterparts, non-binding effect, governing law and jurisdiction, the Framework Agreement does not constitute a legally binding agreement on the parties thereto.

REASONS FOR AND BENEFITS OF THE HOSPITAL MANAGEMENT AGREEMENT

The Group is principally engaged in hospital management and general hospital business in China. The Group focuses its expansions in regions with sizeable populations and attractive economic conditions, including the Zhejiang region in which the Hospital is located. The Hospital features the use of traditional Chinese medicines and provides comprehensive medical services. The Company believes the Hospital has a strong competitive advantage in the region and great growth potential. The Hospital is a for-profit hospital with stable patient base and profitability, which is expected to enhance the core value of the Company. In order to continue to strengthen the market presence of the Group's existing business and increase the Group's market shares, as well as to further improve the quality and efficiency of the Group's healthcare business and enhance the intra-group synergy within each region and among the regions, the Directors consider that the Proposed Acquisition is in the interests of the Company and its shareholders as a whole. The Board considers that the terms of the Framework Agreement is fair and reasonable and on normal commercial terms.

GENERAL

As at the date of this announcement, the terms and conditions of the Proposed Acquisition are still being negotiated and no legally binding agreement has been entered into. The Proposed Acquisition, if materialised, may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules.

Shareholders of the Company and potential investors should note that the Framework Agreement is not legally binding and is subject to, among other things, the entering into further definitive agreements and documents, and accordingly, the transactions contemplated thereunder may or may not proceed. Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

By order of the Board
Hospital Corporation of China Limited
Zhang Xiaopeng
Executive Director and Chief Executive Officer

Beijing, China, July 4, 2017

As at the date of this announcement, the directors of the Company are Mr. ZHANG Xiaopeng and Mr. LU Wenzuo being the executive Directors; Mr. ZHAO John Huan, Mr. LIN Sheng, Ms. LIU Lu and Ms. WANG Nan being the non-executive Directors; Ms. CHEN Xiaohong, Mr. SHI Luwen and Mr. ZHOU Xiangliang being the independent non-executive Directors.

** For identification purpose only*