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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)

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.

Reference is made to the announcement of the Company dated October 9, 2017 in relation to the non-binding framework agreement entered into regarding the Proposed Acquisition (as defined below). The Board is pleased to announce that on December 22, 2017, the Company entered into a legally binding letter of intent (the “**Letter of Intent**”) with, among others, an individual, being the vendor (the “**Vendor**”). Pursuant to the Letter of Intent, the Vendor conditionally agreed to sell, and the Company conditionally agreed to purchase, 70% equity interest in a management company (the “**Target Company**”) which will indirectly own 100% equity interest in a hospital in Guangzhou (the “**Hospital**”) (the “**Proposed Acquisition**”) subsequent to certain reorganization prior to completion of the Proposed Acquisition.

The principal terms of the Letter of Intent are summarized below.

THE LETTER OF INTENT

Subject to the entering into of a formal sale and purchase agreement in relation to the Proposed Acquisition (the “**Definitive Transaction Document**”), the Company and the Vendor have agreed on the following principal terms under the Letter of Intent:

- Reorganization : The Hospital is a not-for-profit hospital and in the process of converting into a for-profit hospital (the “**Conversion**”). Upon the Conversion, the Hospital shall be indirectly wholly-owned by the Target Company.
- Valuation : The parties have agreed to determine the consideration with reference to the valuation of the Target Company. The consideration shall be determined in the Definitive Transaction Document (the “**Consideration**”).
- Conditions Precedent : Completion shall be conditional upon satisfaction or waiver (as applicable) of the conditions precedent, including but not limited to:
1. the Company being satisfied with the results of the due diligence exercise (whether to legal, accounting, financial, business operations, tax or other aspects) on the Target Company;
 2. the Target Company having obtained the necessary approval to enter into the Definitive Transaction Document and the transactions contemplated thereunder and furnished to the Company copies of the relevant shareholders resolutions;
 3. the Target Company having furnished signed Definitive Transaction Document and other documents which are determined to be necessary by the Company;
 4. the Company having obtained the approval from its shareholders and The Stock Exchange of Hong Kong Limited Company (if any) in respect of the Proposed Acquisition in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited Company (the “**Listing Rules**”);

5. the Target Company having complete all requisite filings or registrations subsequent to the share transfer of the 70% equity interest of Target Company to the Company, obtained the new business license or other relevant documents, and furnished the business license or other relevant documents to the Company;
6. the Hospital having completed the Conversion and furnished to the Company the relevant documents evidencing the same;
7. the registered capital of the Target Company and the Hospital having been fully paid up and the relevant documents having been furnished to the Company;
8. the Hospital having completed all requisite registration and applications to update all of its licenses and permits to reflect the Conversion, and provided the relevant documents evidencing the same to the Company;
9. the Hospital having entered into long-term lease agreements with the owner of the properties currently utilized by the Hospital and reflect the conversion of the Hospital to a for-profit hospital and provided to the Company a copy of the lease agreements;
10. the Target Company having maintained its balance in cash and net operating capital of not less than certain amount as agreed pursuant to the Definitive Transaction Document;
11. all necessary consents and approval from third parties for or in connection with the completion of the Proposed Acquisition having been obtained, and the Target Company having provided the relevant documents evidencing the same to the Company;

12. on or before the full payment of the Consideration,
 - a. there being no material adverse change in the operations, capital structure and financial prospect of the Target Company and the Hospital, and no events that may result in or reasonably be expected to cause material adverse change;
 - b. the representations and warranties given by the Vendor were true, accurate and not misleading, and all obligations of the Vendor required to be performed prior to completion have been duly performed and no breach under has occurred or reasonably be expected to occur; and
13. the consummation of the transactions contemplated pursuant to the Definitive Transaction Document not having been restrained, enjoined or otherwise prohibited by any applicable laws and regulations, order, injunction, decree or judgment, and no such applicable laws and regulations, orders, injunction, decree or judgment that may result in or reasonably be expected to cause material adverse change on the Vendor, Target Company or the Hospital.

Refundable Deposit : The Company shall pay a deposit of RMB 50,000,000 (the “**Deposit**”) into a joint account within 10 business days upon the signing of the Letter of Intent, and any of the Deposit shall not be used or appropriated from the account without the written consent of the Company and its representative. In the event that (i) the Definitive Transaction Document has not been entered into during the exclusivity period; or (ii) the Letter of Intent has been terminated, the Deposit shall be returned to the Company in full within 10 business days from the date of either of the above events.

Exclusivity Period : From the date of the Letter of Intent and until July 9, 2018, the Company shall have exclusive right to negotiate with the Vendor in relation to the terms of the Proposed Acquisition.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Group is principally engaged in hospital management and general hospital business in China. It focuses expansions in regions with sizeable populations and attractive economic conditions, including Guangzhou. The Proposed Acquisition creates a synergy effect within the Group to be enlarged by the Proposed Acquisition (the “**Enlarged Group**”) and allows the Enlarged Group to benefit from the resultant economies of scale, including shared medical resources and intra-group cooperation.

The Company believes the Hospital has a strong competitive advantage in the region, making it a useful addition to the Group. The Company also believes that the Hospital has great growth potential as it has a large patient base and a leading reputation in the area. The Hospital will become a for-profit hospital prior to the Completion, and has stable patient base and profitability, which is expected to enhance the core value of the Company. The Hospital has a good financial track record and stable business operations. It has consistently turned a profit and maintained its own profitability prospects, which shows its marked potential to become a profitable acquisition for the Group.

The Board considers that the terms of the Letter of Intent are fair and reasonable and on normal commercial terms. The Board further considers that the Proposed Acquisition is in the interests of the Company and its shareholders as a whole.

GENERAL

As at the date of this announcement, the terms and conditions of the Proposed Acquisition are still being negotiated. The Proposed Acquisition, if materialised, may constitute a notifiable transaction of 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 although the Letter of Intent is legally binding, it is still 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, December 22, 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.