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If you have sold or transferred all your shares in Hospital Corporation of China Limited, you should at once hand this circular to the purchaser or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

(1) CONNECTED TRANSACTION IN RELATION TO ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



Shinco Capital Limited

A letter from the Board is set out on pages 5 to 20 of this circular. A letter from an independent committee of the board of the Company (the “**Independent Board Committee**”) is set out on page 21 of this circular. A letter from Shinco Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 42 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 1602, Tower B, Jin Qiu International Building, No. 6, Zhichun Road, Haidian District, Beijing, PRC on March 2, 2018 at 10:00 a.m. is set out on pages 47 to 48 of this circular. Whether or not you are able to attend such meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting (or adjourned meeting thereof as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting (or adjourned meeting thereof as the case may be) should you so wish.

February 13, 2018

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated January 25, 2018 relating to the Subscription Agreement
“Articles”	the memorandum and articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	at any time the person who is (are) for the time being the registered holder(s) of the Convertible Bonds
“Business Day”	a day other than a Saturday, Sunday or public holiday in Hong Kong and the PRC when commercial banks in Hong Kong and the PRC are open for business
“Closing”	the completion of the Subscription in accordance with the terms of the Subscription Agreement
“Closing Date”	the date of Closing
“Company”	Hospital Corporation of China Limited (弘和仁愛醫療集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 3869)
“Conditions Precedent”	each of the conditions precedent as set out in the paragraph “Conditions Precedent” of this circular
“connected person(s)”, “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the price at which Conversion Shares will be issued upon conversion of the Convertible Bonds, as more particularly described in the paragraph “Conversion Price” of this circular
“Conversion Rights”	the right of a Bondholder to convert any Convertible Bonds into Shares, as more particularly described in the paragraph “Conversion Rights” of this circular
“Conversion Share(s)”	the Share(s) to be allotted and issued by the Company upon conversion of the Convertible Bonds, as more particularly described in the paragraph “Conversion Shares” of this circular

DEFINITIONS

“Convertible Bond(s)”	the convertible bond(s) with an aggregate principal amount of HK\$468,000,000 to be issued by the Company pursuant to the Subscription Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate
“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
“Hony Capital”	a series of private equity investment funds, together with their respective management companies/general partners
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors which has been established by the Board to advise the Independent Shareholders pursuant to the Listing Rules
“Independent Financial Adviser” or “Shinco Capital”	Shinco Capital Limited, a corporation licensed under SFO to conduct Type 6 (advising on corporate finance) regulated activity, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate
“Independent Shareholders”	the Shareholders other than those that are required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
“Last Trading Day”	January 24, 2018, being the last full Trading Day immediately prior to the entering into the Subscription Agreement
“Latest Practicable Date”	February 9, 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Maturity Date”	the date falling on the third (3rd) anniversary of the date of issue of the Convertible Bonds, and if that is not a Business Day, the Business Day immediately following such date
“Midpoint Honour”	Midpoint Honour Limited, a limited liability company incorporated in the British Virgin Islands and indirectly held as to 83.33% by Mr. Zhang Xiaopeng
“PRC” or “China”	The People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Public Float”	the Shares held in the public hands, including the Shares beneficially owned by the Shareholders other than any core connected person of the Company or any person whose acquisition of securities has been financed directly or indirectly by such core connected person or who is accustomed to taking instructions in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in his name or otherwise held by him
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shareholder(s)”	the shareholder(s) of the Company
“Share(s)”	the ordinary share(s) of the Company
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Directors for the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights attaching to the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Vanguard Glory Limited (譽鋒有限公司), a company incorporated in the British Virgin Islands as a limited liability company and the immediate holding company that holds 70.19% issued share capital of the Company as at the Latest Practicable Date
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the Subscription Agreement

DEFINITIONS

“Subscription Agreement”	the subscription agreement dated January 25, 2018 entered into between the Company and the Subscriber for the subscription by the Subscriber of the Convertible Bonds
“Trading Day”	a day on which trading of the Shares is conducted on the Stock Exchange in accordance with the rules and regulations of the Stock Exchange promulgated from time to time
“%”	per cent.

Note: Unless indicated otherwise in this circular, the exchange rate between RMB and Hong Kong Dollars used in this circular is RMB0.80413 = HK\$1.00. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures. Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhang Xiaopeng (*Chief executive officer*)

Mr. Lu Wenzuo

Non-executive Directors:

Mr. Zhao John Huan (*Chairman*)

Mr. Lin Sheng

Ms. Liu Lu

Ms. Wang Nan

Independent Non-executive Directors:

Ms. Chen Xiaohong

Mr. Shi Luwen

Mr. Zhou Xiangliang

Registered office:

Maples Corporate Services Limited

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

Head office in the PRC:

Hospital Corporation of China Limited

1602, Tower B, Jin Qiu International Building

No. 6, Zhichun Road, Haidian District, Beijing

The People's Republic of China

Principal place of business in Hong Kong:

Suite 2701, One Exchange Square

Central

Hong Kong

February 13, 2018

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

1. INTRODUCTION

Reference is made to the Announcement in relation to the issue of Convertible Bonds under the Specific Mandate. Pursuant to the Subscription Agreement, the Company agreed to issue, and the Subscriber agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$468,000,000 for a total consideration equal to the aggregate principal amount of the Convertible Bonds. The Board proposes to seek the approval of the Independent Shareholders for the allotment and issue of the Conversion Shares under Specific Mandate and the Subscription.

LETTER FROM THE BOARD

The main purpose of this circular is to provide you with, among other things, (i) further information on the Subscription Agreement and the transactions contemplated thereunder; (ii) the Specific Mandate; (iii) the letter of recommendation from the Independent Board Committee regarding the Subscription Agreement and transactions contemplated thereunder and the Specific Mandate; (iv) a letter of advice from the Independent Financial Adviser, Shinco Capital, in relation to the Subscription Agreement and transactions contemplated thereunder and the Specific Mandate; and (v) a notice of the EGM.

2. PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

The summary of the principal terms of the Subscription Agreement is set out below:

Date	:	January 25, 2018 (after trading hours)
Parties	:	(a) the Company; and (b) the Subscriber.
Subscription	:	Subject to the fulfillment or, if applicable, waiver of the Conditions Precedent set out below, the Subscriber shall subscribe for, and the Company shall issue, the Convertible Bonds in the aggregate principal amount of HK\$468,000,000.
Conditions Precedent	:	(a) The obligations of the Company to issue and the Subscriber to subscribe for the Convertible Bonds in accordance with the Subscription Agreement are subject to the following Conditions Precedent being satisfied (or, other than (ii) and (iii) set out in the following Conditions Precedent, waived by the Subscriber): (i) the representations and warranties of the Company set out under the Subscription Agreement being true, accurate and correct in all material respects as of the Closing Date; (ii) the Company having obtained from the Independent Shareholders all necessary approvals required under the Articles, applicable law and the Listing Rules: (A) to issue the Convertible Bonds subscribed for under the Subscription Agreement to the Subscriber; and (B) to allot and issue the Conversion Shares upon conversion of the Convertible Bonds; (iii) the Stock Exchange having approved the listing of, and granted permission to deal in, the Conversion Shares;

LETTER FROM THE BOARD

- (iv) the Company having performed or complied with, in all material respects, all agreements and covenants required by the Subscription Agreement to be performed or complied with by it on or before such date;
 - (v) no material adverse effect having occurred to the business, financial condition or results of operations of the Group since the date of the Subscription Agreement; and
 - (vi) no court or other governmental authority of competent jurisdiction having enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, determination, decree, preliminary or permanent injunction or other order that is in effect and that restrains, enjoins or otherwise prohibits the consummation of the Subscription or any of the other transactions contemplated under the Subscription Agreement.
- (b) The obligation of the Subscriber to subscribe for the Convertible Bonds in accordance with the Subscription Agreement is further subject to the following Conditions Precedent being satisfied (or waived by the Company):
- (i) the representations and warranties of the Subscriber set out under the Subscription Agreement being true, accurate and correct in all material respects as of the Closing Date; and
 - (ii) the Subscriber having performed or complied with, in all material respects, all agreements and covenants required by the Subscription Agreement to be performed or complied with by it on or before such date.

If any Conditions Precedent have not been satisfied or, if applicable, waived by the Company or the Subscriber (as the case may be) on or prior to March 31, 2018 or on such other date as the parties may agree in writing, the Subscription Agreement (other than the surviving provisions under the Subscription Agreement) shall automatically be terminated and (without prejudice to the rights and/or obligations of any party in respect of any antecedent breach) the parties shall be released and discharged from their respective obligations under the Subscription Agreement.

LETTER FROM THE BOARD

As of the Latest Practicable Date, none of the Conditions Precedent has been fulfilled or waived, and the Company has no intention to waive any of the Conditions Precedent. The Company will not waive any of the Conditions Precedent if the waiver of such Condition Precedent is not fair and reasonable and not in the interest of the Company and its Shareholders as a whole. As a result, the Board does not consider the waiver of such Conditions Precedent, if any, will affect the substance of the Subscription.

Closing : Closing will take place on the fifteenth (15th) Business Day following the date on which all Conditions Precedent have been satisfied or, if applicable, waived by the Company or the Subscriber (as the case may be), or on such other date as the parties may agree in writing.

On the Closing Date, the Company shall issue the Convertible Bonds and the Subscriber shall subscribe for the Convertible Bonds.

Termination of the Subscription Agreement : The Subscription Agreement may be terminated as follows:

(a) by mutual written consent of the parties;

(b) by any party if:

(i) the other party shall have breached any of its representations or warranties or failed to perform any of its covenants or other agreements contained in the Subscription Agreement, which breach or failure to perform (A) would give rise to the failure of the Conditions Precedent (a)(i) and (b)(i), and (B) if capable of being cured, has not been cured by the breaching party within fifteen (15) Business Days after its receipt of written notice of such breach from the non-breaching party; or

(ii) any governmental authority of competent jurisdiction shall have enacted, issued, promulgated, enforced, or entered any injunction, which shall have become final or non-appealable, that restrains, enjoins or otherwise prohibits the Subscription.

Indemnity : The Subscriber and the Company shall indemnify and keep indemnified the other party against any loss, liability, damages, costs or expenses (including legal expenses) suffered or incurred by the other party as a result of or in connection with, directly or indirectly, any breach of the representations, warranties, undertakings and other terms under the Subscription Agreement.

LETTER FROM THE BOARD

Specific Mandate

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM. The Subscriber (together with its associates) will abstain from voting on the resolutions in respect of the Specific Mandate. The Specific Mandate will be valid from the date of passing of the relevant resolutions at the EGM to April 24, 2018, being the fifteenth (15th) Business Day after March 31, 2018, and will cease to be effective if any Conditions Precedent have not been satisfied or, if applicable, waived by the Company or the Subscriber (as the case may be) on or prior to March 31, 2018 or on such other date as the parties may agree in writing. In such case, the Company will comply with the applicable Listing Rules, and seek approval from its Shareholders or Independent Shareholders where required.

Application for Listing

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Closing is subject to the fulfillment of the Conditions Precedent. As the issue of the Convertible Bonds may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

3. PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are set out below:

Issuer	:	The Company
Principal Amount	:	HK\$468,000,000
Issue Price	:	100% of the principal amount
Form and Denomination	:	Convertible Bonds are issued in registered form in the denomination of HK\$1,000,000 each.
Maturity Date	:	The date falling on the third (3rd) anniversary of the date of issue of the Convertible Bonds, and if that is not a Business Day, the Business Day immediately following such date. The Company has no right to extend the maturity date of the Convertible Bonds under the Subscription Agreement.
Interest	:	The Convertible Bonds do not bear any interest.
Conversion Rights	:	Subject to the restrictions set out below, Bondholder shall have the right to convert the Convertible Bonds into Shares at any time on or after the Closing Date up to the Maturity Date at the discretion of such Bondholder.

LETTER FROM THE BOARD

- Restriction on Conversion** : No conversion of the Convertible Bonds shall take place if and to the extent that, immediately following such conversion, the Company would be in breach of its obligations under the minimum Public Float requirement under the Listing Rules.
- Adjustments to Conversion Price** : The Conversion Price shall from time to time be adjusted upon the occurrence of the following events in relation to the Company:
- (a) an alteration of the nominal amount of the Shares by reason of consolidation, sub-division or re-classification of Shares;
 - (b) an issue of Shares credited as fully paid (other than in lieu of cash dividend) by way of capitalization of profits or reserves of the Company;
 - (c) a capital distribution made to the Shareholders (except where the Conversion Price falls to be adjusted under (b) above);
 - (d) any dividend or distribution, whether of cash, assets or other property to the Shareholders;
 - (e) an issue of Shares by way of rights, or issue or grant of any options, warrants or other rights to subscribe for or purchase any Shares;
 - (f) an issue of other securities by way of rights, or issue or grant of any options, warrants or other rights to subscribe for or purchase or otherwise acquire any securities;
 - (g) any modification of rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities arising from a conversion or exchange of other exiting securities so that the consideration per Share is less than 95% of the current market price;
 - (h) other offers by the Company or a subsidiary of the Company to the Shareholders who are entitled to participate in arrangements whereby the securities may be acquired by them; and
 - (i) other events including, but not limited to, circumstances that in the Company's view would have an effect on the position of the Bondholders as a class compared with the position of the holders of all other securities of the Company.
- Redemption upon Maturity and Early Redemption** : The Company will redeem all the outstanding Convertible Bonds at an amount of the principal amount of such outstanding Convertible Bonds on the Maturity Date.

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In the event that the Shares cease to be listed or admitted to trading on the Stock Exchange, each Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem, in whole but not in part only.

The Company has no early redemption right under the Subscription Agreement.

Default interest : If the Company fails to pay any sum in respect of the Convertible Bonds when the same becomes due and payable under the conditions of the Convertible Bonds, interest shall accrue on the overdue sum at the rate of 5% per annum from the due date and ending on the date on which full payment is made to the Bondholders. Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year.

Transferability : The Convertible Bonds shall be assigned or transferred with prior written consent of the Company, save where such transfer is made to an Affiliate of the Subscriber. Any transfer of the Convertible Bonds shall be made in compliance with all applicable requirements under the Listing Rules and all applicable laws and regulations.

Affiliate means, in respect of the Subscriber, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with the Subscriber.

Status : The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company, and shall at all times rank *pari passu* and without any preference or priority among themselves.

Voting and other rights : The Bondholders will not be entitled to receive notice of or attend or vote at general meetings of the Company by reason only of being the holders of the Convertible Bonds. The Bondholders will not be entitled to participate in any distribution and/or offers of further securities made by the Company by reason only of being the holders of the Convertible Bonds.

Conversion Price

The initial Conversion Price is HK\$18.00 per Conversion Share (subject to adjustments as set out below in the paragraph headed "Adjustments to Conversion Price").

This represents:

- (a) a premium of approximately 19.363% over the closing price of HK\$15.080 per Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (b) a premium of approximately 27.515% over the average closing price of approximately HK\$14.116 per Share as quoted on the Stock Exchange for the last five (5) consecutive Trading Days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 30.359% over the average closing price of approximately HK\$13.808 per Share as quoted on the Stock Exchange for the last ten (10) consecutive Trading Days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 31.387% over the average closing price of approximately HK\$13.700 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive Trading Days immediately prior to and including the Last Trading Day; and
- (e) a premium of approximately 32.184% over the unaudited consolidated net assets per Share of approximately HK\$13.617 as at 30 June 2017 (calculated by dividing the Group's unaudited consolidated net assets attributable to the Shareholders of approximately RMB1,513.25 million (approximately HK\$1,881.85 million) as at 30 June 2017 by 138,194,000 Shares in issue as at the Latest Practicable Date).

The Conversion Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the recent trading price and trading volume of the Shares on the Stock Exchange, and the assets, liabilities, financial performance and business condition of the Company. When determining the Conversion Price, the Company also considered the future prospects of the Company, including the expected growth in its profitability by entering into further acquisitions (including the Cixi Acquisition (as defined below) and the Potential Acquisition (as defined below)) and the estimated price performance of its Shares. In addition, the Company further considered the factors disclosed in the section headed "6. Reasons for and Benefits of Entering into the Subscription Agreement and Use of Proceeds" below. Based on all the factors as aforementioned, the Board considers that the Conversion Price is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conversion Shares

Based on the initial Conversion Price of HK\$18.00 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 26,000,000 Conversion Shares, which represent (i) approximately 18.81% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 15.83% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds, assuming there is no further issue or repurchase of the Shares.

The allotment and issue of the Conversion Shares are subject to the granting of the Specific Mandate by the Independent Shareholders at the EGM.

There are no restrictions on any subsequent sale of the Conversion Shares. The allotment and issue of the Conversion Shares will not result in a change of control of the Company.

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Listing

No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchanges. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

4. INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands as an exempted company with limited liability, shares of which have been listed on the Stock Exchange since March 16, 2017. The Company is an indirect non-wholly owned subsidiary of Hony Capital Fund V, L.P., an exempted limited partnership. The general partner of Hony Capital Fund V, L.P. is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited. The Group is principally engaged in hospital management business and general hospital business in China.

5. INFORMATION ON THE SUBSCRIBER

The Subscriber was incorporated in the British Virgin Islands as a limited liability company. The Subscriber is a direct non-wholly owned subsidiary of Hony Capital Fund V, L.P., an exempted limited partnership. The general partner of Hony Capital Fund V, L.P. is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited. Hony Capital Fund V GP Limited is ultimately held as to 49% by Mr. Zhao John Huan, the Chairman and a non-executive Director of the Company, as to 25.50% each by Mr. Cao Yonggang and Mr. Xu Minsheng, respectively. The Subscriber is an investment vehicle and has not conducted any operating activities since incorporation.

As at the Latest Practicable Date, the Subscriber, being the direct Shareholder of 97,000,000 Shares (representing approximately 70.19% of the issued share capital of the Company as at the Latest Practicable Date), is a substantial shareholder of the Company. Accordingly, the Subscriber is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

6. REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION AGREEMENT AND USE OF PROCEEDS

China's deepening reform efforts in the healthcare services industry are providing the Company with opportunities to grow its business. The Company intends to form a nationwide medical service network leveraging its highly replicable business model and plans to improve the profitability of its business by investing in and managing more reputable hospitals. The Company believes that through strategic cooperation with hospitals and expansion by mergers and acquisitions, it can establish a high standard and quality healthcare service network that provides comprehensive medical and rehabilitation services to the community, which in turn can enhance the overall performance and ensure the integrity of the Company.

LETTER FROM THE BOARD

In implementing this strategy, the Company targets Class II or Class III hospitals or hospitals with Class II or Class III hospital-equivalent scale that have demonstrated advanced performance in medical specialties and are located in areas with sizeable populations and attractive economic conditions. The Company also plans to consolidate medical resources in the regions where its hospitals are located and establish regional medical service centers providing consistent, systematic, easy-to-access, high-quality and comprehensive medical services to residents of these regions.

According to the abovementioned business plan, the Company has constantly been conducting market research and potential target analyses, and proactively searching for and reviewing potential target hospitals for acquisitions or management arrangements. As at the Latest Practicable Date, the Company has entered into an acquisition of 70% indirect equity interest in a for-profit traditional Chinese medicine general hospital located in Zhejiang province as disclosed in the Company's announcement and circular dated October 27, 2017 and December 15, 2017 respectively (the **"Zhejiang Acquisition"**), and the Company has entered into an acquisition agreement in respect of 70% indirect equity interest in a hospital management company located in Cixi, Zhejiang province as disclosed in the Company's announcement dated February 8, 2018 (the **"Cixi Acquisition"**). The Company has also signed a legally binding letter of intent in relation to potential acquisition in a hospital and a hospital management company (the **"Potential Acquisition"**) as disclosed in the Company's announcement dated December 22, 2017. As at the Latest Practicable Date, the Company substantially completed the enhanced due diligence on the target hospital and the audit procedure in respect of the acquisition targets. The Company is currently in the process of negotiation with the relevant vendor in respect of the transaction documents for the Potential Acquisition, the signing of which is expected to take place in or around the first half of 2018.

According to the interim report of the Company for the six months ended June 30, 2017, the Group had RMB456,556,000 cash and cash equivalents as at June 30, 2017, among which, RMB247,200,000 has been used for the payment of part of the consideration for the Zhejiang Acquisition. Given the need for a substantial amount of funds for the Potential Acquisition and the Cixi Acquisition, the Directors consider that the Company should increase its funding available for such acquisitions. The gross proceeds from the Subscription are approximately HK\$468,000,000 and the estimated net proceeds from the issue of the Convertible Bonds (after deduction of expenses) will be approximately HK\$467,000,000. On such basis, the estimated net price for each Conversion Share will be approximately HK\$17.96. The Company intends to apply all the net proceeds from the issue of the Convertible Bonds as to (i) approximately HK\$211 million for financing the Cixi Acquisition of which the completion of the acquisition shall take place in or around the first quarter of 2018; and (ii) approximately HK\$256 million for financing the Potential Acquisition, in relation to the acquisition of 70% indirect equity interest in a hospital located in Guangzhou in or around the first half of 2018.

As of the Latest Practicable Date, the Company is in the course of performing preliminary due diligence on various target hospitals located in Zhejiang province, Hunan province and Jiangxi province, and in the discussion of term sheets in respect of potential acquisitions of such target hospitals. However, except for the Potential Acquisition, the Company had not entered into any agreement, understanding or undertaking in respect of any potential acquisitions as at the Latest Practicable Date, nor had any intention or plan to dispose or downsize of the existing business of the Group in the next 12 months. In the event that the Cixi Acquisition or the Potential Acquisition would

LETTER FROM THE BOARD

not be materialized, the Directors consider that the Company should still get sufficient amount of cash standing by as the Company intends to conduct acquisitions of hospital businesses or hospital management businesses in accordance with its expansion strategy and business development plan whenever any appropriate opportunities arise. The Company will use the proceeds from the Subscription for other appropriate acquisition opportunities if the Cixi Acquisition or the Potential Acquisition does not materialize.

The Company believes that it is in the best interests of the Company to enter into the issue of the Convertible Bonds. The current structure of the Convertible Bonds will provide the Company with access to immediately available cash and without incurring financing costs. In addition, with such substantial amount of cash standing by, the Company will be more flexible and competitive in negotiating future acquisitions against other competitors. Sufficient financial resources allow the Company to adopt more flexible settlement method, payment schedule and deal structure in the potential acquisitions, which provide an advantage for the Company during negotiation process. As such, the Directors are of the view that the issue of the Convertible Bonds represents a good opportunity for the Company to raise a substantial amount of funds for its future acquisitions with no immediate cost impact and will facilitate the Company to better structure its acquisitions in a more efficient and cost-effective way. Furthermore, despite the Company has not entered into the definitive transaction documents for the Potential Acquisition as at the Latest Practicable Date, the Company believes it would be able to identify other appropriate investment and acquisition opportunities from the other target hospitals which they have been conducting due diligence on in the event that the Potential Acquisition failed to be materialized. The Company also believes that China's deepening reform efforts in the healthcare services industry are providing the Company with opportunities to grow and expand its business by investing in and managing more reputable hospitals. By further acquisitions of hospital businesses, the Company can enhance its overall performance and core value as well as improve its profitability and stock price performance, which would be expected to bring investment returns and drive value creation to its Shareholders.

The Company has also explored various alternatives, which include funds raising from capital markets (such as placing of new shares and rights issue) and bank borrowings. The Company conducted a preliminary market research on the commercial terms of private placements and rights issues made by Hong Kong listed companies and also consulted a financial institution with whom the Company had business relationship. The Directors consider that (i) the terms of placing of new shares or rights issue to raise such a large amount of funds would not be more favorable than those of the issue of the Convertible Bonds based on the current market performance of the Company in the first year of its listing on the Hong Kong market; (ii) as compared with the issue of Convertible Bonds, the Company will incur much higher costs, including underwriting fee or commission, for placing of new shares or rights issue; (iii) a rights issue will be more time-consuming than raising funds by way of the issue of the Convertible Bonds taking in account the time for engaging underwriter, negotiating the underwriting terms and fees and finalizing the terms of rights issue; (iv) raising bank borrowings of such a large amount is not feasible as the potential acquisitions are still subject to entering into further definitive agreements and documents and the transactions contemplated thereunder may or may not proceed; and (v) bank borrowings will not improve the financial position of the Company but will incur high financial cost each year.

Having considered all the relevant factors (in particular, the terms of the Convertible Bonds which do not bear any interest) and in light of the reasons and benefits as set out above, the Directors (including the independent non-executive Directors) consider that the Subscription Agreement was

LETTER FROM THE BOARD

entered into on normal commercial terms following arm's length negotiations between the Company and the Subscriber, and the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

If the Company identifies any other appropriate acquisition opportunities and all the net proceeds generated from the Subscription have been utilized for funding the Cixi Acquisition and the Potential Acquisition, the Company will consider bank financing and equity fund raising activities, subject to the borrowing costs and the cash position of the Company. However, as at the Latest Practicable Date, the Company does not have any plan, expected terms, amount, or timing for any equity fund raising activities in the next 12 months.

7. CHANGES IN SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 138,194,000 Shares in issue. The following table depicts the effects of the issue of the Conversion Shares on the shareholding structure of the Company (i) as at the Latest Practicable Date, (ii) immediately after the Subscription and assuming full conversion of the Convertible Bonds at the initial Conversion Price (assuming there is no further issue or repurchase of the Shares), and (iii) immediately after the Subscription and assuming full conversion of the Convertible Bonds at the initial Conversion Price to the extent that immediately after such conversion, the Company will continue to be able to satisfy the Public Float requirement (assuming there is no further issue or repurchase of the Shares):

Name of Shareholders	As of the Latest Practicable Date		Immediately after the Subscription and assuming full conversion of the Convertible Bonds at the initial Conversion Price ¹		Immediately after the Subscription and assuming full conversion of the Convertible Bonds at the initial Conversion Price to the extent that immediately after such conversion, the Company will continue to be able to satisfy the Public Float requirement	
	Number of Shares	Approximate % of issued share capital of the Company	Number of Shares	Approximate % of issued share capital of the Company	Number of Shares	Approximate % of issued share capital of the Company
The Subscriber	97,000,000	70.19	123,000,000	74.91	112,142,000	73.13
Midpoint Honour ²	2,860,000	2.07	2,860,000	1.74	2,860,000	1.87
Public Shareholders	<u>38,334,000</u>	<u>27.74</u>	<u>38,334,000</u>	<u>23.35</u>	<u>38,334,000</u>	<u>25.00</u>
Total	<u>138,194,000</u>	<u>100.00</u>	<u>164,194,000</u>	<u>100.00</u>	<u>153,336,000</u>	<u>100.00</u>

Notes:

- The shareholding structure is shown for illustration purpose only and may not be exhaustive. Pursuant to conversion restrictions under the terms and conditions of the Convertible Bonds, Conversion Rights may be exercised to the extent that, immediately after such conversion, the Company will continue to be able to satisfy the Public Float requirement under the Listing Rules.
- As Midpoint Honour is indirectly owned as to 83.33% by Mr. Zhang Xiaopeng and is a connected person of the Company, the Shares held by Midpoint Honour are not counted towards the Public Float.

LETTER FROM THE BOARD

8. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below is the equity fund raising activity of the Company during the past twelve months immediately preceding the Latest Practicable Date:

Date	Description	Net proceeds raised (approximate)	Intended use of proceeds (approximate)	Actual use of proceeds (approximate)
March 16, 2017 and April 13, 2017	The initial public offering of the Shares at the offer price of HK\$12.80 per Share and the exercise of the over-allotment option under the initial public offering of the Shares	HK\$465.60 million	(i) approximately 50% is expected to be used for strategic acquisition of hospitals; (ii) approximately 18% is expected to be used for further investment in the hospitals that the Company owns or manages from time to time (except for not-for-profit hospitals); (iii) approximately 15% is expected to be used for employee training at the hospitals the Company owns or manages from time to time, talents recruitment and academic research activities; (iv) approximately 7% is expected to be used for upgrading and improving information technology system; and (v) approximately 10% is expected to be used for providing funding for working capital and other general corporate purposes.	(i) HK\$232.80 million has been used for the payment of part of the consideration for the Zhejiang Acquisition; (ii) no proceeds have been utilized for further investment in the hospitals that the Company owns or manages; (iii) approximately HK\$3.59 million has been used for employee training at the hospitals the Company owns or manages, talents recruitment and academic research activities; (iv) approximately HK\$0.36 million has been used for upgrading and improving information technology system; and (v) approximately HK\$46.00 million has been used for providing funding for working capital and other general corporate purposes.

Save for the above-mentioned initial public offering and the exercise of the respective over-allotment option, the Company did not conduct any fund raising activities from issue of equity securities in the twelve-month period immediately preceding the date of the Latest Practicable Date.

As disclosed above, the Company currently has no intention to change the intended use of net proceeds generated from the initial public offering and the exercise of the over-allotment option as at the date of this circular, and it is commercially desirable that the intended use of the remaining balance of the proceeds remain unchanged. Therefore, given the need for a substantial amount of funds for the Cixi Acquisition and the Potential Acquisition, the Board is of the view that the Subscription is in the best interest of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

9. SPECIFIC MANDATE

The Company will seek the approval of the Specific Mandate from the Independent Shareholders at the EGM to allot and issue the Conversion Shares. No application will be made by the Company to the Listing Committee for listing of the Convertible Bonds. An application will be made by the Company to the Listing Committee for the grant of the listing of, and permission to deal in, the Conversion Shares.

Based on the initial Conversion Price of HK\$18.00 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price under the Subscription Agreement, the Convertible Bonds will be convertible into 26,000,000 Conversion Shares, representing approximately 18.81% of the issued share capital of the Company as at the Latest Practicable Date and approximately 15.83% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, assuming there is no further issue or repurchase of the Shares.

10. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, the Subscriber, being the direct Shareholder of 97,000,000 Shares (representing approximately 70.19% of the issued share capital of the Company as at the Latest Practicable Date), is a substantial shareholder of the Company. Accordingly, the Subscriber is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Accordingly, the Subscription constitutes a non-exempt connected transaction of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the requirements under Chapter 14A of the Listing Rules in respect of the Subscription, including but not limited to seeking Independent Shareholders' approval for the Subscription at the EGM.

Mr. Zhao John Huan and Mr. Lin Sheng, who are deemed to have material interest in the issue of the Convertible Bonds by virtue of their positions at Hony Capital and/or Hony Capital Fund V, L.P., have abstained from voting on the board resolutions passed to approve the Subscription Agreement and transactions contemplated thereunder and the Specific Mandate.

11. GENERAL

An EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, except the Subscriber (together with its associates), which has material interests in the Subscription Agreement, no Shareholders are required to abstain from voting on the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to make a recommendation to the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate.

LETTER FROM THE BOARD

The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate.

12. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement are on normal commercial terms and the issue of Convertible Bonds under the Specific Mandate are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate.

13. EGM

An EGM will be held on March 2, 2018 at 10:00 a.m. at 1602, Tower B, Jin Qiu International Building, No. 6, Zhichun Road, Haidian District, Beijing, PRC, during which resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve, among other matters, the Subscription Agreement and the transactions contemplated thereunder including the Subscriptions and the grant of Specific Mandate to allot and issue the Conversion Shares.

The notice of the EGM is set out on pages 47 to 48 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure the chairman of the EGM to demand for voting on poll in respect of the ordinary resolutions to be proposed at the EGM in accordance with the Articles of the Company and Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, will serve as the scrutineer for the vote-taking.

LETTER FROM THE BOARD

14. ADDITIONAL INFORMATION

Your attention is drawn to (1) the letter from the Independent Board Committee set out on page 21 of this circular and (2) the letter of advice from the Independent Financial Adviser set out on pages 22 to 42 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder (including the Subscription and the grant of Specific Mandate allot and issue of the Conversion Shares) and the principal factors considered by it in arriving at its recommendation.

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

February 13, 2018

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated February 13, 2018 (the “**Circular**”) of which this letter forms a part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. Shinco Capital has been appointed as the Independent Financial Adviser to advise us in this respect.

We note that the transactions contemplated under the Subscription Agreement are not carried out in the ordinary and usual course of business of the Company. Having considered the principal reasons and factors considered by, and the advice of Shinco Capital as set out in its letter of advice to us on pages 22 to 42 of the Circular, we are of the opinion that (a) the terms of the Subscription Agreement are on normal commercial terms; and (b) the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve, among other things, (a) the Subscription Agreement and the transactions contemplated thereunder; and (b) the Specific Mandate for the allotment and issue of the Conversion Shares upon conversion of Convertible Bonds.

Yours faithfully,

For and on behalf of the Independent Board Committee

Ms. Chen Xiaohong
*Independent
non-executive Director*

Mr. Shi Luwen
*Independent
non-executive Director*

Mr. Zhou Xiangliang
*Independent
non-executive Director*

LETTER FROM SHINCO CAPITAL

The following is the text of a letter of advice from Shinco Capital Limited, the independent financial adviser to the Independent Board Committee and Independent Shareholders, for the purpose of incorporation into this circular.



Room 1106, 11/F
Office Plus@Sheung Wan
No. 93 — 103 Wing Lok Street
Sheung Wan
Hong Kong

13 February 2018

*To the Independent Board Committee and the Independent Shareholders of
Hospital Corporation of China Limited (the “Company”)*

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 13 February 2018 (the “**Circular**”), of which this letter (the “**Letter**”) forms a part. Capitalised terms used in this Letter shall have the same meanings as those defined in the Circular unless otherwise specified.

On 25 January 2018, the Company and the Subscriber entered into the Subscription Agreement pursuant to which, the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$468,000,000. As at the Latest Practicable Date, the Company has a total of 138,194,000 Shares in issue. Assuming there is no further issue or repurchase of the Shares, based on the initial Conversion Price of HK\$18.00 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 26,000,000 Conversion Shares, representing (i) approximately 18.81% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 15.83% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

As at the Latest Practicable Date, the Subscriber, being the direct Shareholder of 97,000,000 Shares (representing approximately 70.19% of the issued share capital of the Company as at the Latest Practicable Date), is a substantial Shareholder of the Company. Accordingly, the Subscriber is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The Subscription

LETTER FROM SHINCO CAPITAL

constitutes a non-exempt connected transaction of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company is required to comply with requirements under Chapter 14A of the Listing Rules in respect of the Subscription, including but not limited to seeking Independent Shareholders' approval for the Subscription at the EGM.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, except the Subscriber (together with its associates), which has material interests in the Subscription Agreement, no Shareholders are required to abstain from voting on the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate at the EGM. The Subscriber and its associates shall abstain from voting on the resolutions to be proposed at the EGM. The Specific Mandate will be valid from the date of passing of the relevant resolutions at the EGM to 24 April 2018, being the fifteenth (15th) Business Day after 31 March 2018, and will cease to be effective if any Conditions Precedent have not been satisfied or, if applicable, waived by the Company or the Subscriber (as the case may be) on or prior to 31 March 2018 or on such other date as the parties may agree in writing. In such case, the Company will comply with the applicable Listing Rules, and seek approval from its Shareholders or Independent Shareholders where required.

The Independent Board Committee, comprising Ms. Chen Xiaohong, Mr. Shi Luwen and Mr. Zhou Xiangliang, each of them being an independent non-executive Director, has been established to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the grant of the Specific Mandate) are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to give a recommendation to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the EGM.

We, Shinco Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate are in the ordinary course of business, fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders shall vote in respect of the resolutions to be proposed at the EGM.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Directors, the Company and the management of the Group; (iii) the opinions expressed by and the representations of the Directors, the Company and the management of the Group; and (iv) our review of the relevant public information. In respect of the above, we have reviewed, among others things, (a) the Subscription Agreement (including the instrument of the

LETTER FROM SHINCO CAPITAL

Convertible Bonds); (b) the Board resolutions in relation to the Subscription and the Company's acquisitions as described below; (c) the Company's published prospectus, announcements and circulars up to the Latest Practicable Date; and (d) the Company's annual report for the financial year ended 31 December 2016 (the "**2016 Annual Report**") and the Company's interim report for the six months ended 30 June 2017 (the "**2017 Interim Report**").

We have assumed that all information and representations that have been provided by the Directors and/or management of the Group, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration. We have no reason to suspect that any material facts or information have been withheld or omitted or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us. We have also sought and received confirmation from the management of the Group that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of EGM.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading in all material respects.

We consider that we have performed all the necessary steps as required under Rule 13.80 of the Listing Rules and have been provided with sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date. Nothing contained in this Letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

As at the Latest Practicable Date, we had no current business relationship with the Company, parties to the Subscription Agreement, or a director, subsidiary, holding company or substantial shareholder of the Company or parties to the Subscription Agreement, which would be reasonably considered to affect our independence in performing the duties as set out in the Listing Rules, or might reasonably give rise to a perception that our independence would be so affected.

LETTER FROM SHINCO CAPITAL

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion, we have considered the following principal factors and reasons:

1. Background and financial information of the Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability, shares of which have been listed on the Stock Exchange since 16 March 2017. As at the Latest Practicable Date, the Group is principally engaged in hospital management business and general hospital business in China.

Set out below is a summary of the financial results of the Group for the two financial years ended 31 December 2015 and 2016 and for the six months ended 30 June 2016 and 2017 as extracted from the 2016 Annual Report and the 2017 Interim Report respectively.

	For the year ended 31 December		For the six months ended 30 June	
	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
Revenue	142,524	161,385	76,097	88,209
- Hospital management services	119,077	130,882	63,086	70,971
- General hospital services	23,447	30,503	13,011	17,238
Profit before income tax	90,113	60,087	35,849	7,386
Profit/(loss) for the year/period	67,325	41,481	24,562	(2,433)
Net profit margin (Note)	47.24%	25.70%	32.28%	Not applicable

LETTER FROM SHINCO CAPITAL

	As at 31 December 2015 RMB'000 (Audited)	As at 31 December 2016 RMB'000 (Audited)	As at 30 June 2017 RMB'000 (Unaudited)
Non-current assets	1,109,712	1,104,977	1,102,555
Current assets	<u>192,317</u>	<u>182,600</u>	<u>616,632</u>
Total assets	<u>1,302,029</u>	<u>1,287,577</u>	<u>1,719,187</u>
Non-current liabilities	37,069	55,907	40,241
Current liabilities	<u>136,421</u>	<u>70,727</u>	<u>113,972</u>
Total liabilities	<u>173,490</u>	<u>126,634</u>	<u>154,213</u>
Net assets	<u>1,128,539</u>	<u>1,160,943</u>	<u>1,564,974</u>

Note: The net profit margin is calculated by dividing the profit for the year/period by revenue.

For the year ended 31 December 2016

For the financial year ended 31 December 2016, the Group's revenue amounted to approximately RMB161.39 million, representing an increase of approximately 13.23% as compared to the previous financial year, among which (i) the hospital management services segment increased by approximately 9.91%; and (ii) and the general hospital services segment increased by approximately 30.09%.

With reference to the 2016 Annual Report, during the financial year ended 31 December 2016, the increase in revenue from (i) the hospital management services segment was mainly attributable to the increase in revenue from Shanghai Yangsi Hospital ("Yangsi Hospital") with a stable aggregate management service fee rate that the Company charged Yangsi Hospital; and (ii) the general hospital services segment was mainly attributable to an increase in pharmaceutical sales due to the increases of out-patient and in-patient visits in Shanghai Fuhua Hospital Co., Ltd. (上海福華醫院有限公司) ("Fuhua Hospital").

Meanwhile, for the financial year ended 31 December 2016, the Group recorded profit before income tax and profit for the year of approximately RMB60.09 million and RMB41.48 million respectively, representing decreases of approximately 33.32% and 38.39% respectively as compared to the previous financial year. Such decreases were mainly attributable to (i) the increase in cost of revenue as a result of the increase in employee benefit expenses (in particular, the share-based compensation expenses and increased average employee benefits) for attracting and retaining quality personnel and the increase in cost of inventories, consumables and inspection fees; and (ii) the increase in administrative expenses primarily due to the incurrence of listing expenses.

LETTER FROM SHINCO CAPITAL

For the six months ended 30 June 2017

For the six months ended 30 June 2017, the revenue of the Group amounted to approximately RMB88.21 million, representing an increase of approximately 15.92% over the corresponding period in the previous financial year, among which (i) the hospital management services segment increased by approximately 12.50%; and (ii) the general hospital services segment increased by approximately 32.49%. Such increases were mainly attributable to the increase in revenue from Yangsi Hospital and the increase in number of visit and average revenue per visit of out-patient and in-patient in Fuhua Hospital as above-mentioned.

For the six months ended 30 June 2017, the Group recorded profit before income tax of approximately RMB7.39 million, representing a year-on-year decrease of approximately 79.40%. Furthermore, the Group recorded net loss of approximately RMB2.43 million for the six months ended 30 June 2017, compared to the net profit of approximately RMB24.56 million recorded in corresponding period in the previous financial year. Such decreases were mainly attributable to (i) the increase in cost of revenue primarily due to share-based compensation expenses and cash bonus under the incentive scheme of the Company; (ii) the increase in administrative expenses primarily due to the increase in listing expenses and professional services fees to external advisers for regulatory compliance after listing; and (iii) the increase in finance expenses comprised the foreign exchange losses related to the bank deposit of the net proceeds from the listing and the full exercise of the over-allotment option.

Section summary

It is noted that the revenue of the Group had been increasing for the financial year ended 31 December 2016 and for the six months ended 30 June 2017. In particular, the hospital management services segment continued to be the primary source of revenue, while the general hospital services segment recorded a significant growth over the year/period. We noted that the Group experienced deteriorate results which were primarily due to the impact of the non-recurring expenses as aforesaid, including (i) listing and related professional services; and (ii) foreign exchange losses.

2. The latest business development of the Company

As set out in the Letter from the Board, the China's deepening reform efforts in the healthcare service industry are providing the Company with opportunities to grow its business. The Company intends to form a nationwide medical service network leveraging its highly replicable business model and plans to improve the profitability of its business by investing in and managing more reputable hospitals. The Company believes that through strategic cooperation with hospitals and expansion by mergers and acquisitions, it can establish a high standard and quality healthcare service network that provides comprehensive medical and rehabilitation services to the community, which in turn can enhance the overall performance and ensure the integrity of the Company. Accordingly, the Company (i) has constantly been conducting market research and potential target analyses, and proactively searching for and reviewing potential target hospitals for acquisitions or management arrangements; and (ii) plans to consolidate medical resources in the regions where its hospitals are located and establish regional medical service centers providing consistent, systematic, easy-to-access, high-quality and comprehensive medical services to residents of these regions.

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In implementing this strategy, the Group has been strategically targeting Class II or Class III hospitals or hospitals with Class II or Class III hospital-equivalent scale that have demonstrated advanced performance in medical specialties and are located in areas with sizeable populations and attractive economic conditions. On 23 August 2017, the Company entered into a disposal of the entire equity interest in Fuhua Hospital which is a non-public for-profit general hospital with Class I hospital-equivalent scale and principally engaged in providing general hospital services, for a total consideration of RMB43,000,000. The disposal of Fuhua Hospital completed in August 2017. Proceeds from the disposal are intended to be applied towards the working capital for general corporate purpose. Details of the disposal of Fuhua Hospital are set out in the announcement of the Company dated 23 August 2017.

On 27 October 2017, the Company entered into a sale purchase agreement for the acquisition of the entire equity interest in Jiande Hexu Enterprise Management Co., Ltd.* (建德和煦企業管理有限公司) (“**Jiande Hexu**”) for a total consideration of RMB483,000,000 (the “**Zhejiang Acquisition**”). Jiande Hexu is interested in (i) 70% equity interest in Jiande Hospital of Traditional Chinese Medicine Co., Ltd.* (建德中醫院有限公司), a for-profit traditional Chinese medicine general hospital in Zhejiang province; (ii) 70% equity interest in Zhejiang Dajia Medicines Co., Ltd.* (浙江大佳醫藥有限公司), a company that is principally engaged in the wholesale of pharmaceutical products; and (iii) 70% equity interest in Jiande Dajia Chinese Medicines Pharmaceutical Technology Co., Ltd.* (建德大家中醫藥科技有限公司). As confirmed by the management of the Company, among the total consideration of RMB483,000,000, (i) RMB247,200,000, was funded by internal resources of the Group (in which RMB217.5 million was funded by the proceeds from initial public offering); and (ii) the remaining consideration of RMB235,800,000 was funded by loan facilities granted by China Merchants Bank Shanghai Zhangyang Branch. Such external loan facility carries an interest rate equal to Hong Kong Interbank Offer Rate plus 360 basis points per annum and with a term of up to five years. The Zhejiang Acquisition completed in January 2018. Details of the Zhejiang Acquisition are set out in the announcement and circular of the Company dated 27 October 2017 and 15 December 2017 respectively.

In addition, on 8 February 2018, the Company entered into an equity transfer agreement for the acquisition of the entire equity interest in Cixi Hongai Medical Management Co., Ltd.* (慈溪弘愛醫療管理有限公司), which owns 70% interest in Cixi Honghe Medical Management Co., Ltd.* (慈溪弘和醫療管理有限公司) (“**Cixi Honghe**”). Cixi Honghe is a management company providing management and consultancy services to Cixi Union Hospital* (慈溪協和醫院), a not-for-profit general hospital located in Cixi, Zhejiang province, for a total consideration of RMB336,000,000 (the “**Cixi Acquisition**”). As confirmed by the management of the Company, approximately HK\$211 million of the consideration will be funded by the net proceeds from the issue of the Convertible Bonds, and the remaining by internal resources of the Group and/or bank borrowings as the Company considers appropriate. The completion of the Cixi Acquisition shall take place in or around the first quarter of 2018. Details of the Cixi Acquisition are set out in the announcements of the Company dated 2 November 2017, 28 December 2017 and 8 February 2018 respectively.

Apart from the Zhejiang Acquisition and the Cixi Acquisition, the Company entered into a legally binding letter of intent in relation to potential acquisition (the “**Potential Acquisition**”) of 70% equity interest in a management company (which will indirectly own the entire equity interest in a hospital located in Guangzhou, China subsequent to certain reorganisation prior to completion of the Potential Acquisition), and the Company has paid a refundable deposit of RMB50,000,000. As

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confirmed by the management of the Company, the above deposit was funded by internal resources of the Group. As at the Latest Practicable Date, the Company has substantially completed the enhanced due diligence on the target hospital and the audit procedures in respect of the acquisition target. The Company is currently in the process of negotiation with the relevant vendor in respect of the transaction documents for the Potential Acquisition, the signing of which is expected to take place in or around the first half of 2018. Details of the Potential Acquisition are set out in the announcement of the Company dated 22 December 2017.

In addition to the above Potential Acquisition, as advised by the Company, it will continue to seek for other potential investment(s) to enjoy the benefit from the resultant economies of scale, including shared medical resources and intra-group cooperation. As of the Latest Practicable Date, the Company is also in the course of performing preliminary due diligence on various target hospitals located in Zhejiang province, Hunan province and Jiangxi province, and in the discussion of term sheets in respect of potential acquisitions of such target hospitals. However, except the Potential Acquisition, the Company had not entered into any agreement, understanding or undertaking in respect of any other potential acquisitions as at the Latest Practicable Date, nor had any intention or plan to dispose or downsize of the existing business of the Group in the next 12 months.

3. Information on the Subscriber

The Subscriber was incorporated in the British Virgin Islands as a limited liability company. The Subscriber is a direct non-wholly owned subsidiary of Hony Capital Fund V, L.P., an exempted limited partnership. The general partner of Hony Capital Fund V, L.P. is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited. Hony Capital Fund V GP Limited is ultimately held as to 49% by Mr. Zhao John Huan, the Chairman and a non-executive Director of the Company, as to 25.50% each by Mr. Cao Yonggang and Mr. Xu Minsheng, respectively. The Subscriber is an investment vehicle and has not conducted any operating activities since incorporation.

As at the Latest Practicable Date, the Subscriber, being the direct Shareholder of 97,000,000 Shares (representing approximately 70.19% of the issued share capital of the Company as at the Latest Practicable Date), is a substantial Shareholder of the Company. Accordingly, the Subscriber is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

4. The Subscription Agreement and the Subscription

On 25 January 2018, the Company entered into the Subscription Agreement with the Subscriber pursuant to which, among other things, the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$468,000,000 for a total consideration equal to the aggregate principal amount of the Convertible Bonds.

The Subscription is subject to the fulfillment or, if applicable, waiver of the conditions precedent as set out in the paragraph headed “Conditions Precedent” under the section headed “2. PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT” in the Letter from the Board, which included, among others, the obtaining of the listing approvals from the Stock Exchange and the approval of the Independent Shareholders at the EGM. Please refer to the Letter from the Board for the summary of the principal terms of the Subscription Agreement.

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5. Information on the Convertible Bonds

Principal terms of the Convertible Bonds

Set out below are the principal terms of the Convertible Bonds. For further details of the terms of the Convertible Bonds, please refer to the section headed “3. PRINCIPAL TERMS OF THE CONVERTIBLE BONDS” in the Letter from the Board.

Principal Amount:	HK\$468,000,000
Issue Price:	100% of the principal amount.
Maturity Date:	<p>The date falling on the third (3rd) anniversary of the date of issue of the Convertible Bonds, and if that is not a Business Day, the Business Day immediately following such date.</p> <p>The Company has no right to extend the maturity date of the Convertible Bonds under the Subscription Agreement.</p>
Interest:	The Convertible Bonds do not bear any interest.
Conversion Price and Adjustment:	<p>The initial Conversion Price is HK\$18.00 per Conversion Share.</p> <p>The Conversion Price shall from time to time be adjusted upon the occurrence of certain events of the Company which are set out in Subscription Agreement and have been summarised and disclosed in the Letter form the Board.</p>
Conversion Rights:	Subject to the restrictions set out below, Bondholders shall have the right to convert the Convertible Bonds into Shares at any time on or after the Closing Date up to the Maturity Date at the discretion of such Bondholder.
Restriction on Conversion:	No conversion of the Convertible Bonds shall take place if and to the extent that, immediately following such conversion, the Company would be in breach of its obligations under the minimum Public Float requirement under the Listing Rules.
Transferability:	The Convertible Bonds shall be assigned or transferred with prior written consent of the Company, save where such transfer is made to an Affiliate of the Subscriber. Any transfer of the Convertible Bonds shall be made in compliance with all applicable requirements under the Listing Rules and all applicable laws and regulations.

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Affiliate means, in respect of the Subscriber, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with the Subscriber.

Status: The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company, and shall at all times rank *pari passu* and without any preference or priority among themselves.

Redemption upon Maturity and Early Redemption: The Company will redeem all the outstanding Convertible Bonds at an amount of the principal amount of such outstanding Convertible Bonds on the Maturity Date.

In the event that the Shares cease to be listed or admitted to trading on the Stock Exchange, each Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem, in whole but not in part only.

The Company has no early redemption right under the Subscription Agreement.

Voting and other Rights: The Bondholders will not be entitled to receive notice of or attend or vote at general meetings of the Company by reason only of being the holders of the Convertible Bonds. The Bondholders will not be entitled to participate in any distribution and/or offers of further securities made by the Company by reason only of being the holders of the Convertible Bonds.

As set out in the Letter from the Board, the terms of the Convertible Bonds were arrived at arm's length commercial negotiations between the Company and the Subscriber.

Number of Conversion Shares

As at the Latest Practicable Date, the Company has a total of 138,194,000 Shares in issue. Assuming (i) there is no further issue or repurchase of the Shares from the Latest Practicable Date to the date of full exercise of the conversion rights attaching to the Convertible Bonds; and (ii) full conversion of the Convertible Bonds at the initial Conversion Price of HK\$18.00 per Conversion Share upon the exercise of the conversion rights attaching to the Convertible Bonds, the Convertible Bonds will be convertible into 26,000,000 Conversion Shares, representing:

- (i) approximately 18.81% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 15.83% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

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The Conversion Shares will be allotted and issued pursuant to the Specific Mandate which is subject to the Independent Shareholders' approval at the EGM.

The Conversion Price

The initial Conversion Price for each Conversion Share is set at HK\$18.00, and represents:

- (i) a premium of approximately 19.363% over the closing price of HK\$15.080 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 27.515% over the average closing price of approximately HK\$14.116 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 30.359% over the average closing price of approximately HK\$13.808 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 31.387% over the average closing price of approximately HK\$13.700 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 12.500% over the closing price of HK\$16.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 32.184% over the unaudited consolidated net assets per Share of approximately HK\$13.617 as at 30 June 2017 (calculated by dividing the Group's unaudited consolidated net assets attributable to the Shareholders of approximately RMB1,513.25 million (approximately HK\$1,881.85 million as at 30 June 2017 at an exchange rate of HK\$1 to RMB0.80413 (for information purpose only)) by 138,194,000 Shares in issue).

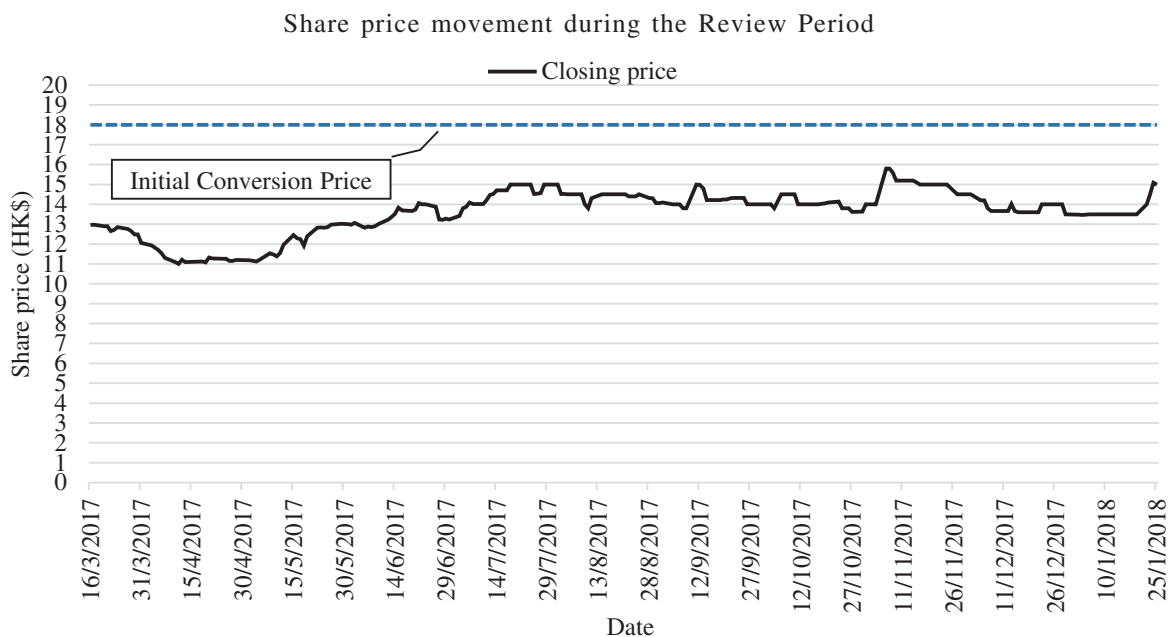
As set out in the Letter from the Board, the Conversion Price was determined after arm's length negotiations between the Company and Subscriber with reference to the recent trading price and trading volume of the Shares on the Stock Exchange and the assets, liabilities, financial performance, and business condition of the Company. When determining the Conversion Price, the Company also considered the future prospects of the Company, including the expected growth in its profitability by entering into further acquisitions (including the Potential Acquisition) and the estimated price performance of its Shares. In addition, the Company further considered the factors disclosed in the section headed "6. REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION AGREEMENT AND USE OF PROCEEDS" in the Letter from the Board. Based on all the factors as aforementioned, the Board considers that the Conversion Price is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

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Review on the historical price and trading volume

In assessing the fairness and reasonableness of the Conversion Price, we have taken into account (i) the daily closing price of the Shares as quoted on the Stock Exchange commencing from 16 March 2017 (being the listing date of the Company) up to and including the date of the Subscription Agreement (the “**Review Period**”); and (ii) the average trading volume of the Shares during the Review Period.

(i) *Share price movement during the Review Period*



Source: website of the Stock Exchange

As illustrated in the diagram above, at the beginning of the Review Period, the Share prices declined since the listing of the Company and reached its trough of HK\$11 per Share on 11 April 2017. The Share price then generally increased for subsequent three-month period to HK\$15 per Share on 18 July 2017. Afterwards, the Share price moved in-between HK\$13.46 per Share and \$15.8 per Share over the last six months of the Review Period.

During the Review Period, the closing prices of the Shares ranged from HK\$11 per Share (on 11 April 2017) to HK\$15.8 per Share (on 6 and 7 November 2017). Therefore, the Conversion Price falls above the range of closing prices of the Shares during the Review Period and represents a premium of approximately 63.64% and 13.92% over the lowest and the highest closing price of the Shares during the Review Period respectively.

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(ii) *Average trading volume during the Review Period*

The table below sets out the average daily trading volume of the Shares during the Review Period up to and including the date of Subscription Agreement.

Month	Average daily trading volume of the Shares during the month/period (approximate)	Average daily trading volume during the month/period as a percentage of the total number of issued Shares as at the Latest Practicable Date (%) (approximate)	Number of trading days (no. of day)	Number of trading days with no trade (no. of day)
2017				
March (<i>Note 1</i>)	896,250	0.6485%	12	0
April	102,082	0.0739%	17	0
May	83,750	0.0606%	20	0
June	82,455	0.0597%	22	0
July	32,133	0.0233%	21	2
August	15,164	0.0110%	22	1
September	6,905	0.0050%	21	5
October	2,240	0.0016%	20	5
November	15,527	0.0112%	22	9
December	2,011	0.0015%	19	12
2018				
January (<i>Note 2</i>)	12,567	0.0091%	18	8

Source: website of the Stock Exchange

Notes:

- (1) Since the listing date of the Company on 16 March 2017.
- (2) The average trading volume of the Shares in January 2018 was up to the date of Subscription Agreement only.

During the Review Period, the average daily trading volume of the Company showed a decreasing trend. The average daily trading volume of the Shares in each month ranged from the highest of approximately 896,250 Shares in March 2017 to the lowest of approximately 2,011 Shares in December 2017, representing approximately 0.6485% and 0.0015% to the total number of issued Shares respectively as at the Latest Practicable Date. Furthermore, it is noted that since July 2017

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(which is approximately three months after the listing of Shares), the daily trading volume of the Shares each month significantly reduced and there was a number of trading days without any trade of the Shares. Therefore, the trading of the Shares did not appear to be active. Such thin trading may indicate difficulty to pursue sizeable equity financing alternatives in the stock market without providing considerable discount and/ or underwriting fees.

Interest Rate

The Convertible Bonds do not bear any interest and will be redeemed at an amount of its outstanding principal amount on the Maturity Date. We considered that it will help the Group to relieve future interest expense to finance any future potential acquisitions, therefore we consider the free interest rate to be fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

Conclusion

Having consider that (i) the Conversion Price represents a considerable premium over the prevailing trading price of the Shares as discussed in the previous section; (ii) the Conversion Price represents a premium over the range of closing prices of the Shares during the Review Period; (iii) the very thin historical trading of the Shares may indicate difficulty to pursue sizeable equity financing alternatives in the stock market; and (iv) the subscription of the Convertible Bonds without interest represents the commitment of the controlling Shareholders in supporting the business development of the Company, we are of the view that the principal terms of the Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

6. Fund raising activities in the past twelve months

Set out below is the equity fund raising activity of the Company during the past twelve months immediately preceding the Latest Practicable Date:

Date	Description	Net proceeds raised (approximate)	Intended use of proceeds (approximate)	Actual use of proceeds (approximate)
16 March 2017 and 13 April 2017	The initial public offering of the Shares at the offer price of HK\$12.80 per Share and the exercise of the over-allotment option thereunder	HK\$465.60 million	(i) 50% (i.e. HK\$232.80 million) is expected to be used for strategic acquisition of Class II or Class III hospitals or hospitals with Class II or Class III hospital-equivalent scale that possess competitive advantages and are located in regions in China with sizeable population and economic activities;	(i) HK\$232.80 million has been used for the payment of part of the consideration for the Zhejiang Acquisition;

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Date	Description	Net proceeds raised (approximate)	Intended use of proceeds (approximate)	Actual use of proceeds (approximate)
			(ii) 18% (i.e. HK\$83.81 million) is expected to be used for further investment in the hospitals that the Company owns or manages from time to time (except for not-for-profit hospitals);	(ii) no proceeds have been utilised for further investment in the hospitals that the Company owns or manages;
			(iii) 15% (i.e. HK\$69.84 million) is expected to be used for employee training at the Yangsi Hospital and Fuhua Hospital and other hospitals the Company owns or manages from time to time, talents recruitment and academic research activities;	(iii) HK\$3.59 million has been used for employee training at the hospitals the Company owns or manages, talents recruitment and academic research activities;
			(iv) 7% (i.e. HK\$32.59 million) is expected to be used for upgrading and improving the Company's information technology system; and	(iv) HK\$0.36 million has been used for upgrading and improving information technology system; and
			(v) 10% (i.e. HK\$46.56 million) is expected to be used for providing funding for the Company's working capital and other general corporate purposes.	(v) HK\$46.00 million has been used for providing funding for working capital and other general corporate purposes.

As set out in the Letter from the Board, save for the above-mentioned initial public offering and the exercise of the over-allotment option, the Company did not conduct any fund raising activities from the issue of equity securities in the twelve-month period immediately preceding the Latest Practicable Date.

According to the 2017 Interim Report, the Group had RMB456,556,000 cash and cash equivalents as at 30 June 2017 which has already included the above total net proceeds from the initial public offering and the over-allotment option. As confirmed by the management of the Company, approximately HK\$232.8 million from the aforesaid net proceeds have been used for the payment of part of the consideration for the Zhejiang Acquisition. In view of (i) the proceeds from initial public offering and the exercise of the over-allotment option which has been earmarked for strategic

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acquisition has been fully used; and (ii) the funding need of the Cixi Acquisition, the Potential Acquisition and other potential acquisitions in future as set out in the section headed “2. The latest business development of the Company” in this Letter, we concur with the Directors’ view that the Company should increase its funding available for such future acquisitions.

Furthermore, as advised by the Company, it has no intention to use the proceeds contrary to the descriptions as stated in the table above, and it is commercially desirable that the intended use of the remaining balance of the proceeds remains unchanged. Therefore, given the needs for a substantial amount of funds for the Cixi Acquisition and the Potential Acquisition, the Board is of the view that the Subscription is in the best interest of the Company and its Shareholders as a whole.

7. Reasons for and benefits of entering into the Subscription Agreement and use of proceeds

Given the needs for a substantial amount of funds for future acquisitions as set out in the section headed “2. The latest business development of the Company” in this Letter, the Directors consider that the Company should increase its funding available for such future acquisitions.

The gross proceeds from the Subscription is HK\$468,000,000 and the estimated net proceeds from the issue of the Convertible Bonds (after deduction of expenses) will be approximately HK\$467,000,000. On such basis, the estimated net price for each Conversion Share will be approximately HK\$17.96. The Company intends to apply all the net proceeds from the issue of the Convertible Bonds as to (i) approximately HK\$211 million for financing the Cixi Acquisition; and as to (ii) approximately HK\$256 million for financing the Potential Acquisition respectively. As advised by the Company, it is expected that the total consideration for the Cixi Acquisition and the Potential Acquisition are higher than the amount of fund to be raised from the Subscription and that the Company would consider appropriate financing method(s) as and when appropriate.

Having considered all the relevant factors (in particular, the terms of the Convertible Bonds, which do not bear any interest) and in light of the reasons and benefits for the Subscription, the Directors consider that the Subscription Agreement was entered into on normal commercial terms following arm’s length negotiations between the Company and the Subscriber, and the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In the event that the Cixi Acquisition or the Potential Acquisition would not materialise, the Directors consider that the Company should still get sufficient amount of cash standing by as the Company intends to conduct acquisitions of hospital businesses or hospital management businesses in accordance with its expansion strategy and business development plan whenever any appropriate opportunities arise. The Company will use the proceeds from the Subscription for other appropriate acquisition opportunities if the Cixi Acquisition or the Potential Acquisition does not materialise.

As the Company is also in the progress of identifying other suitable investment which are in line with the Company’s strategies, we consider that in the event the Cixi Acquisition or the Potential Acquisition would not materialise, such standby resources would reinforce the cash position of the Group for its future development and strategically put the Company in an advantageous position to

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take up potential opportunities from time to time, with a more assured and available cash resources, therefore, we consider the reasons for the Subscription and the intended use of proceeds to be justifiable, and the Subscription is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

8. Other financing alternatives

As set out in the Letter from the Board, the Company has considered various fund raising alternatives before resolving to the Subscription, including funds raising from capital markets (such as placing of new shares and rights issue) and bank borrowings. The Company conducted a preliminary market research on the commercial terms of private placements and rights issues made by Hong Kong listed companies and also consulted a financial institution with whom the Company had business relationship. The Directors consider that (i) the terms of placing of new shares or rights issue to raise such a large amount of funds would not be more favorable than those of the issue of the Convertible Bonds based on the current market performance of the Company in the first year of its listing on the Hong Kong market; (ii) as compared with the issue of Convertible Bonds, the Company will incur much higher costs, including underwriting fee or commission, for placing of new shares or rights issue; (iii) a rights issue will be more time-consuming than raising funds by way of the issue of the Convertible Bonds taking in account the time for engaging underwriter, negotiating the underwriting terms and fees and finalising the terms of rights issue; (iv) raising bank borrowings of such a large amount is not feasible as the potential acquisitions are still subject to entering into further definitive agreements and documents and the transactions contemplated thereunder may or may not proceed; and (v) bank borrowings will not improve the financial position of the Company but will incur high financial cost each year. As such, the Directors consider that funds raising through the issue of the Convertible Bonds is a better way at this stage.

In respect of the placing of new shares, open offer and/or rights issue as alternative fund raising method(s), taking into account that (i) the subscription of the Convertible Bonds by the Subscriber represents the controlling Shareholder's support and commitment to the Company and helps relieving the Group's management from time-consuming effort in lengthy negotiation of the underwriting terms and preparation of documents, and allows its management to devote more time and effort on the Cixi Acquisition and the Potential Acquisition underway, which may be materialised in or around the first half of 2018, and other potential targets in discussion; (ii) more costs (including underwriting commission, documentation preparation costs and professional fees) will be involved for these fund raising alternative methods and considerable discount to the market prices of the Shares would be required in view of the low historical trading volumes of the Shares; (iii) placing/subscription of new Shares to other investors will also have inevitable immediate dilution effect on the shareholding interests of the existing Shareholders; and (iv) the trading of the Shares did not appear to be active during the Review Period, which may indicate difficulty to pursue sizeable equity financing alternatives in the stock market, we are of the view that these fund raising methods are not considered to be desirable alternatives to the issue of Convertible Bonds, in light of (a) the Subscriber agreed the subscription of the Convertible Bonds of which the Conversion Price is at premium over prevailing trading price of the Shares and there would not be any immediate dilution effect before its conversion; (b) the Company will not incur any underwriting commission for issuing the Convertible Bonds thereby reserving more proceeds for the benefit of the Company; and (c) the Convertible Bonds carry no interest.

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In addition, in respect of the bank borrowing, taking into account that (i) debt financing may be subject to lengthy due diligence and negotiations with banks; and (ii) given the size of the consideration for the Cixi Acquisition and the Potential Acquisition, financing through bank borrowing will incur interest expense which would add burden to the Company and its profitability, we are of the view that financing through bank borrowing is not considered to be desirable alternative to the issue of Convertible Bonds, which is at zero coupon rate.

The Company believes, and we concur, that it is in the best interests of the Company to enter into the issue of the Convertible Bonds. The current structure of the Convertible Bonds will provide the Company with access to immediately available cash and without incurring financing costs. In addition, with such substantial amount of cash standing by, the Company will be more flexible and competitive in negotiating future acquisitions against other competitors. Having sufficient financial resources allows the Company to adopt more flexible settlement method, payment schedule and deal structure in the potential acquisitions, which provides an advantage for the Company during negotiation process. As such, the Directors are of the view that the issue of the Convertible Bonds represents a good opportunity for the Company to raise a substantial amount of funds for its future acquisitions with no immediate cost impact and will facilitate the Company to better structure its acquisitions in a more efficient and cost-effective way. Furthermore, despite the Company has not entered into the definitive transaction documents for the Potential Acquisition as at the Latest Practicable Date, the Company believes it would be able to identify other appropriate investment and acquisition opportunities from the other target hospitals which they have been conducting due diligence on in the event that the Potential Acquisition failed to be materialised. The Company also believes that China's deepening reform efforts in the healthcare services industry are providing the Company with opportunities to grow and expand its business by investing in and managing more reputable hospitals. By further acquisitions of hospital businesses, the Company could enhance its overall performance and core value as well as improve its profitability and stock price performance, which would be expected to bring investment returns and drive value creation to its Shareholders. In light of the above and having considered the Company's intended use of proceeds from the Subscription with strategic business plan as set out in the section headed "6. REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION AGREEMENT AND USE OF PROCEEDS" in the Letter from the Board, we consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company and is in the interest of the Company and the Shareholders as a whole and the dilution effect to the shareholding interests of the existing public Shareholders is acceptable.

If the Company identifies any other appropriate acquisition opportunities and all the net proceeds generated from the Subscription have been utilised for funding the Cixi Acquisition and the Potential Acquisition, the Company will consider bank financing and equity fund raising activities, subject to the borrowing costs and the cash position of the Company. However, as at the Latest Practicable Date, the Company does not have any plan, expected terms, amount, or timing for any equity fund raising activities in the next twelve months.

Having considered the above and that (i) the issue of the Convertible Bonds will provide the Company with immediate access to available cash for its future acquisitions, without incurring interest burden, finance costs and underwriting fee; (ii) there would not be an immediate substantial dilution effect on the shareholding of the existing Shareholders before the conversion of the Convertibles

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Bonds, which are subject to the restriction on conversion as discussed above; and (iii) it may enlarge the capital base of the Company should the Convertible Bonds be converted into Conversion Shares, we consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company and is in the interest of the Company and the Shareholders as a whole.

9. Financial impact of the issue of the Convertible Bonds

(i) *Effects on net assets*

The Convertible Bonds as a whole will be accounted for as financial liability at fair value through profit or loss on the consolidated balance sheets of the Group which require assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards. As the fair value of the Convertible Bonds will depend on certain market conditions, the Company is unable to assess the exact impact of the Convertible Bonds on the net asset value of the Group until reliable estimations of the value of the Convertible Bonds can be made.

On the other hand, it is expected that the net asset value of the Group would increase on the assumption that (i) immediately upon the conversion of the Convertible Bonds by the Subscriber into Conversion Shares which, as a result, causes the decrease in the liability; and (ii) all other things remain the same.

(ii) *Effects on liquidity and working capital*

As stated in the Letter from the Board, the net proceeds from the issuance of approximately HK\$467,000,000 are intended to be applied to the appropriate mergers and acquisitions in the future. Upon completion of the Subscription, the liquidity and cash position of the Group will be enhanced for future acquisitions.

As the Convertible Bonds carry no interest payment, it will involve no cash outflow until redemption/repayment of the Convertible Bonds by the Group.

(iii) *Effects on earnings*

As advised by the Company, the Convertible Bonds as a whole will be recognised at fair value assessed by professional valuer at the reporting date, with changes in fair value through profit or loss. The Company is unable to assess the exact impact of the Convertible Bonds at this moment.

It should be noted that the above-mentioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Company will be upon completion of the Subscription.

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10. Potential dilution effect on the interests of other public Shareholders

As at the Latest Practicable Date, the issued share capital of the Company is 138,194,000 Shares. Set out below is a shareholding table showing the change in shareholding structure of the Company upon completion of the transactions as contemplated under the Subscription Agreement and the conversion of the Convertible Bonds:

Shareholders	As at the Latest Practicable Date		Immediately after the Subscription and assuming full conversion of the Convertible Bonds at the initial Conversion Price		Immediately after the Subscription and assuming full conversion of the Convertible Bonds at the initial Conversion Price to the extent that immediately after such conversion, the Company will continue to be able to satisfy the Public Float requirement	
			(Note 1)			
	Number of Shares	%	Number of Shares	%	Number of Shares	%
The Subscriber	97,000,000	70.19%	123,000,000	74.91%	112,142,000	73.13%
Midpoint Honour (Note 2)	2,860,000	2.07%	2,860,000	1.74%	2,860,000	1.87%
Public shareholders	<u>38,334,000</u>	<u>27.74%</u>	<u>38,334,000</u>	<u>23.35%</u>	<u>38,334,000</u>	<u>25.00%</u>
Total	<u>138,194,000</u>	<u>100.00</u>	<u>164,194,000</u>	<u>100.00</u>	<u>153,336,000</u>	<u>100.00</u>

Notes:

- (1) The shareholding structure is shown for illustration purpose only and may not be exhaustive. Pursuant to conversion restrictions under the terms and conditions of the Convertible Bonds, Conversion Rights may be exercised to the extent that, immediately after such conversion, the Company will continue to be able to satisfy the Public Float requirement under the Listing Rules.
- (2) As Midpoint Honour is indirectly owned as to 83.33% by Mr. Zhang Xiaopeng, an executive Director and chief executive officer and thus a connected person of the Company. The Shares held by Midpoint Honour are not counted towards the Public Float.

As shown from the above table, for illustrative purpose only, assuming (i) full conversion of the Convertible Bonds at the initial conversion price of HK\$18.00 immediately after the Subscription; (ii) there is no further issue or repurchase of the Shares; and (iii) the amount of Shares held by other non-public Shareholders remains the same, the shareholding of the existing public Shareholders of 38,334,000 Shares will be diluted from approximately 27.74% to approximately 23.35%.

As set out in the terms of Subscription Agreement, the Bondholder(s) shall not exercise any of its right to convert the Convertible Bonds into Conversion Shares to the extent that would result in the Company in breach of the Public Float requirement under Rule 8.08 of the Listing Rules. As shown from the above table, for illustrative purpose only, assuming (i) full conversion of the Convertible

LETTER FROM SHINCO CAPITAL

Bonds at the initial Conversion Price immediately after the Subscription and to the extent that immediately after such conversion, the Company will continue to be able to satisfy the Public Float requirement; (ii) there is no further issue or repurchase of the Shares; and (iii) the amount of Shares held by other non-public Shareholders remains the same, the shareholding of the existing public Shareholders of 38,334,000 Shares will be diluted mildly from approximately 27.74% to approximately 25.00%.

Having considered that (i) the principal terms of the Subscription Agreement were fairly and reasonably set as discussed above; (ii) the Subscriber is already interested in approximately 70.19% of the interest in the Company and conversion of the Convertible Bonds is limited by the Public Float requirement; (iii) any form of non-pro rata fund raising activities would have equal dilution effect to all Shareholders; and (iv) if the Company satisfies the consideration for future acquisitions through the issue of consideration shares and/or convertible securities, such issue will still have dilution effect to all existing Shareholders, we concur with the Directors' view that the dilution effect to the shareholding interests of the existing public Shareholders is acceptable.

RECOMMENDATIONS

Having considered the principal factors and reasons described above, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription, though is not in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate.

Yours faithfully,
For and on behalf of
Shinco Capital Limited
Bobby Chow **Teresa Tsang**
Managing Director *Director*

Mr. Bobby Chow is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 10 years of experience in corporate finance industry.

Ms. Teresa Tsang is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 10 years of experience in corporate finance industry.

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 Company. 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. DISCLOSURE OF INTERESTS OF DIRECTORS

At the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required (i) 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) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) to be notified to the Company and the Stock Exchange were as follows:

Name of Directors/ chief executive	Number of Shares	Capacity/Nature of interests	Approximate percentage to the number of issued Shares (Note 4)
Zhao John Huan	123,000,000	Interest in controlled corporation (Note 1)	89.01%
	2,500,000	Deemed interest (Note 2)	1.81%
Zhang Xiaopeng	2,860,000	Interest in controlled corporation (Note 3)	2.07%
	1,727,425	Beneficial owner	1.25%

Note:

1. Including the long position in the Shares held by Zhao John Huan in respect of the Convertible Bonds.
2. The Shares held by Midpoint Honour Limited and pledged in favor of Hony Capital 2008 Management Limited.
3. Including the Shares held by Midpoint Honour Limited and pledged in favor of Hony Capital 2008 Management Limited.
4. At the Latest Practicable Date, the total number of issued Shares was 138,194,000.

Save as disclosed above, as of the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required (i) 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) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein, or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

3. DIRECTORS' INTERESTS

- (a) At the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which have been 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 since December 31, 2016 (being the date to which the latest published audited financial statements of the Group were made up).
- (b) At the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, which was subsisting and was significant in relation to the business of the Group.
- (c) Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. EXPERT AND CONSENT

The following are the names and qualifications of the experts who have given opinions contained in this circular:

Name	Qualification
Shinco Capital Limited	a corporation licensed under SFO to conduct Type 6 (advising on corporate finance) regulated activity, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate

Shinco Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and/or references to its name in the form and context in which they respectively appear.

5. EXPERTS' INTEREST

Shinco Capital has confirmed that as at the Latest Practicable Date:

- (a) it did not have any shareholding interest whether directly or indirectly in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- (b) it did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2016 (being the date up to which the latest published audited consolidated financial statements of the Group were made).

6. SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contract with any member of the Group which is not expiring or terminable by the employer within one year without payment of compensation other than statutory compensation.

7. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in any businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since December 31, 2016 (being the date to which the latest published audited financial statements of the Group were made up).

9. GENERAL

- (a) The registered office of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Suite 2701, One Exchange Square, Central, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (d) The company secretary of the Company is Ms. Kwong Yin Ping Yvonne, who has been a fellow of the Hong Kong Institute of Chartered Secretaries and a fellow of the Institute of Chartered Secretaries and Administrators since December 2012.
- (e) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the following documents are available for inspection during normal business hours at the office of Cleary Gottlieb Steen & Hamilton (Hong Kong) at 37/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong from the date of this circular and up to and including the date which is 14 days from the date of this circular:

- (a) the Subscription Agreement.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Hospital Corporation of China Limited (the “**Company**”) will be held at 1602, Tower B, Jin Qiu International Building, No. 6, Zhichun Road, Haidian District, Beijing, PRC on March 2, 2018 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the conditional subscription agreement dated January 25, 2018 (the “**Subscription Agreement**”) entered into between the Company and the Subscriber for the subscription by the Subscriber of certain new convertible bonds (the “**Convertible Bonds**”) for an aggregate principal amount of HK\$468,000,000 to be issued by the Company, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company be and are hereby granted a specific mandate to exercise powers of the Company to allot and issue such number of shares of the Company as may be required to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds; and
- (c) any one or more directors of the Company be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient to carry out the Subscription Agreement, and the transactions contemplated thereunder into full effect.”

2. “**THAT:**

- (a) the creation and issue of the Convertible Bonds by the Company pursuant to the terms of the Subscription Agreement be and are hereby approved; and

NOTICE OF EGM

- (b) the Directors be and are hereby authorised to do all such acts and things as they consider necessary, desirable or expedient for the implementation of and giving effect to the resolution set out in paragraph (a) above.”

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

Beijing, China, February 13, 2018

Registered Office:
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Notes:

1. All resolutions at the EGM 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**”). 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 EGM is entitled to appoint another person as his proxy to attend and vote in his stead. A Shareholder who is the holder of two or more Shares in the Company may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a Shareholder of the Company.
3. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders are present at the EGM, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such Shares shall alone be entitled to vote in respect thereof.
4. 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 notarially certified copy of such power of attorney or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Delivery of any instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of the shareholders of the Company to attend and vote at the EGM will be the close of business on Tuesday, February 27, 2018. All transfer of shares of the Company accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, February 26, 2018.

As at the date of this notice, 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.