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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)

MAJOR ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN ORIENTAL ALLY HOLDINGS LIMITED

THE PROPOSED ACQUISITION

The Board is pleased to announce that on May 29, 2018 (after trading hours of the Stock Exchange), the Company and the Vendor entered into the Share Purchase Agreement pursuant to which, the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital of the Target Company at the Consideration. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

The Consideration is RMB630 million (equivalent to approximately HK$773,879,717), which shall be satisfied by the issuance of the Convertible Bonds by the Company to the Vendor (or such Person as the Vendor may nominate) on Completion. The Conversion Shares represent (i) approximately 28.00% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 21.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming issue of the maximum mumber of Conversion Shares and no adjustment to the Conversion Price).

LISTING RULES IMPLICATIONS

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

Furthermore, as at the date of this announcement, the Company is held as to 70.19% by Vanguard Glory, a subsidiary of Hony Fund V, and Hony Fund V is managed by Hony Capital Fund V GP Limited. The Vendor is managed by Hony Capital Fund VIII GP (Cayman) Limited. As both Hony Capital Fund V GP Limited and Hony Capital Fund VIII GP (Cayman) Limited are investment management companies of Hony Capital, the Proposed Acquisition shall be deemed as a connected transaction of the Company and subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An EGM will be held for the Independent Shareholders to consider and, if thought fit, approve the Proposed Acquisition and the Specific Mandate.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Proposed Acquisition (including the issue of the Convertible Bonds and the allotment and issue of Conversion Shares) are fair and reasonable, whether the Proposed Acquisition is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and to give its recommendations as to the voting in respect of the resolution(s) to be proposed at the EGM for approving the Proposed Acquisition and the Specific Mandate.

The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard. A circular containing, among other things, (i) further details of the Proposed Acquisition and the Specific Mandate; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee; (iv) the finanical and other information on the Group; (v) the financial and other information on the Target Group; (vi) the pro forma financial information of the Enlarged Group upon completion of the Proposed Acquisition; (vii) other information required to be disclosed under the Listing Rules; and (viii) a notice of the EGM, is expected to be despatched to the Shareholders on or before June 30, 2018 as additional time is required for the preparation of the relevant information to be included in the circular.

Shareholders and potential investors of the Company should note that the Proposed Acquisition is subject to a number of Conditions which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on May 29, 2018 (after trading hours of the Stock Exchange), the Company and the Vendor entered into the Share Purchase Agreement pursuant to which, the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital of the Target Company at the Consideration. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company. The principal terms and conditions of the Share Purchase Agreement are set out below.

THE SHARE PURCHASE AGREEMENT

Date : May 29, 2018 (after trading hours of the Stock Exchange)

Parties :

a) the Company as purchaser; and

b) the Vendor as seller.

As at the date of this announcement, the Company is held as to 70.19% by Vanguard Glory, a subsidiary of Hony Fund V, and Hony Fund V is managed by Hony Capital Fund V GP Limited. The Vendor is managed by Hony Capital Fund VIII GP (Cayman) Limited. Both Hony Capital Fund V GP Limited and Hony Capital Fund VIII GP (Cayman) Limited are investment management companies of Hony Capital.

Subject Matter : The Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital in the Target Company. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

As at the date of this announcement, the Target Company indirectly owns 75% share capital in Guangsha Medical, which is one of the founders of the Hospitals and manages Jinhua Hospital pursuant to the Hospital Management Letter of Intent and the Hospital Management Agreement 2017.

Further information of the Target Group is set out below in the paragraph "Information of the Target Group and the Hospitals".

Consideration : The Consideration shall be RMB630 million (equivalent to approximately HK$773,879,717) and shall be satisfied by issue of the Convertible Bonds in the total amount of HK$773,879,717 by the Company to the Vendor (or such Person as the Vendor may nominate) on Completion.

The key terms of the Convertible Bonds are set out below in the paragraph "The Convertible Bonds".

Refundable Deposit	:	Within two weeks of the date of the Share Purchase Agreement, the Company shall deposit RMB50,000,000, being a refundable deposit (the "**Deposit**"), into an escrow account under the name of the Vendor or its subsidiary, to which the Company shall be a joint signatory. The Deposit shall be refunded in full to the Company if (1) the Share Purchase Agreement is completed pursuant to its terms; (2) any of the Conditions is not fulfilled or waived in accordance with the Share Purchase Agreement before the Long Stop Date; or (3) the Share Purchase Agreement is terminated according to its terms.
Basis of consideration	:	The Consideration was arrived at after arm's length negotiations between the Vendor and the Company after taking into account, (i) the appraised value of the Target Company with a range from RMB592 million to RMB678 million pursuant to the Valuation Report; (ii) the price-to-earnings multiple ("**P/E Multiple**") represented by the comparable companies that primarily provide hospital management services or found hospitals in China and share similar business model with the Target Group (the "**Comparable Companies**"); (iii) comparable transactions which involved acquisition of target companies in the industry of provision of hospital and clinical services in China (the "**Comparable Transactions**"); (iv) historical financial performance of the Target Group; (v) the future prospects of Guangsha Medical and potential economic benefits from providing management services to Dongyang Hospital and Yongkang Hospital; and (vi) the benefits to be derived by the Group from the synergistic effects, the resultant economies of scale arising from the Proposed Acquisition and other factors as described under the paragraph "Reasons for and Benefits of the Proposed Acquisition and the Future Prospect of the Target Group" below. The Company has engaged Duff & Phelps China to prepare the Valuation Report on the Target Group. The Valuation Report is prepared using the market approach based on the adjusted net profit for the year ended December 31, 2017 of Guangsha Medical. The adjusted net profit represented net profit plus non-recurring professional fees in relation to the Proposed Acquisition. The Valuation Report adopted (i) the guideline company method and used a market multiple for valuing the share capital by computing the multiple for the guideline companies adjusting for a control premium and lack of marketability discount, and (ii) the guideline transaction method using the price multiples of selected guideline transactions. The product of adjusted net profit of Guangsha

Medical and selected multiples, which are derived from the guideline company method and the guideline transaction method respectively, was then multiplied by the Target Company's shareholding percentage of 75%, and added excess cash and non-operating assets held by the Target Company and Holdco to arrive at equity interest of the Target Group. The Board has also reviewed and discussed with Duff & Phelps China the key bases and assumptions adopted for the valuation.

The Company has also carried out an analysis based on comparable companies. In particular, the Company has identified and reviewed, to the best of its knowledge and ability, the P/E Multiples represented by the Comparable Companies. Details of the Comparable Companies are set out as below:

Name	**Stock Code**	**Exchange where the stock is listed**	**Principal business activities**	**P/E Multiples**[(1)]
New Century Healthcare Holding Co. Limited	1518	Hong Kong	New Century Healthcare Holding Co. Limited is principally engaged in the provision of medical services in pediatrics and obstetrics and gynecology in Beijing, the PRC.	56.31x
Guangdong Kanghua Healthcare Co., Ltd.	3689	Hong Kong	Guangdong Kanghua Healthcare Co., Ltd. Is a China-based company principally engaged in the operation of hospitals, provision of hospital management services and sales of pharmaceutical products in the PRC.	20.64x
Rici Healthcare Holdings Limited	1526	Hong Kong	Rici Healthcare Holdings Limited is principally engaged in the provision of general hospital services, specialty hospital services and medical examination services in the PRC.	N/A[(2)]
Wenzhou Kangning Hospital Co., Ltd.	2120	Hong Kong	Wenzhou Kangning Hospital Co., Ltd. operates and manages a network of healthcare facilities across various regions in China that primarily focus on providing psychiatric specialty care.	48.72x
Harmonicare Medical Holdings Limited	1509	Hong Kong	Harmonicare Medical Holdings Limited is principally engaged in the provision of specialised hospital services, especially in obstetrics and gynaecology and supply chain business in the PRC.	53.53x

Name	Stock Code	Exchange where the stock is listed	Principal business activities	P/E Multiples[(1)]
China Resources Phoenix Healthcare Holdings Company Limited	1515	Hong Kong	China Resources Phoenix Healthcare Holdings Company Limited, formerly Phoenix Healthcare Group Co. Ltd., is an investment holding company principally engaged in the provision of general healthcare services, hospital management and consulting services, group purchasing organisation business and other hospital-derived services in mainland China.	25.65x

Note:

(1) The P/E Multiples of the Comparable Companies were derived from the information published on Bloomberg as at May 8, 2018.

(2) The entity recorded loss after taxation for the latest financial year.

The Consideration reflects an implied P/E Multiple of approximately 31.4 times, which falls within the range of the P/E Multiples of 20.64 times and 56.31 times of the Comparable Companies.

The Board believes that the Comparable Companies share similar business model with the Target Group, and reflect the current market consideration of companies operating in the same domain. The Board is aware that the Comparable Companies are all listed companies whose shares are traded on the Stock Exchange. The Target Company is not a public company, and thus its shares would not enjoy the benefit of marketability similar to the above Comparable Companies, yet there is no public and direct assessment of the fair market value of the Target Company itself. The Board understands that it is a market practice to derive a fair market value of a private company based on the P/E Multiples of a comparable group of listed companies. The Board is also aware of the control premium, being the additional value inherent in the controlling interest. To the best knowledge and information of the Directors, the P/E Multiples of the Comparable Companies, based on the above criteria, are exhaustive and serve as fair and representative samples for the purpose of the Proposed Acquisition. The Board therefore considers the above analysis sufficient and meaningful for the Board to form an observation and meaningful comparison with the Proposed Acquisition.

The Company has further taken into account the implied P/E Multiples of the Comparable Transactions. The Comparable Transactions are relatively recent transactions completed over the past three years with the transaction particulars publicly available, and are also transactions involving acquisition of target companies in the industry of provision of hospital and clinical services in China. The Board considers it fair and reasonable to select these Comparable Transactions and to use their respective implied P/E Multiples as reference for determining the Consideration.

The implied P/E Multiples of the Comparable Transactions ranged from approximately 21.20 times to 57.97 times, with an average of approximately 36.92 times. The implied P/E multiple of 31.4 times reflected by the Consideration falls within the range of the Comparable Transaction. Details of the Comparable Transactions are set out as below:

Target company	**Percentage acquired/ disposed**	**Implied Equity Value**	**Implied P/E Multiples**
		(RMB' million)	*(times)*
Jiande Hexu Enterprise Management Co. Ltd.	70%	690	24.21x
Etern Group Ltd. (investment company that holds 98% equity interest in Suzhou Yongding Hospital Company Limited)	60%	1,126	21.74x
Jiangyin Baiyi Hospital Co. Ltd.	51%	220	29.11x
Sichuan Friendship Hospital Co. Ltd.	75%	1,300	32.85x
Kaiyuan Central Hospital Co. Ltd.	90%	81.9	36.42x
Lu'an Development Zone Hospital	65%	49.5	57.97x
Anqing Shihua Hospital	88%	155.8	54.25x
Yugan County Chudong Hospital Co. Ltd.	60%	474.9	34.11x
Hetian Xinsheng Hospital Co. Ltd.	51%	156	21.20x
Xuancheng Eye Hospital Co. Ltd	80%	110	57.36x

Source: public filings and the respective companies' announcements.

Having considered the aforesaid factors, the Directors (excluding the (i) independent non-executive Directors whose views will be included in the circular of the Company to be despatched in relation to, inter alia, the Proposed Acquisition after taking into consideration of the advice of the Independent Financial Adviser; and (ii) the Abstained Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions : Completion shall be conditional upon satisfaction or waiver (as applicable) of each of the following Conditions:

a) the passing of all necessary resolutions by the advisory committee, board of directors and/or shareholders (or, where applicable, the independent shareholders) (as the case may be) of the Company and the Vendor;

b) (i) all requisite filings or registrations having been made with, and (ii) all requisite governmental authorisations on terms and conditions satisfactory to the Company having been obtained from, all applicable governmental entities, or other third parties which are necessary in connection with the execution and performance of the Share Purchase Agreement and any transaction contemplated therein (if any);

c) the Stock Exchange granting or agreeing to grant approval for the listing of and permission to deal in the Conversion Shares (either unconditionally or if subject to conditions, if required by the Stock Exchange to be fulfilled before Completion, such conditions being fulfilled and satisfied before Completion) and such listing and permission remaining in full force and effect and not subsequently revoked;

d) all third party consents to the transfer of the entire issued share capital of the Target Company pursuant to the Share Purchase Agreement that are required under any contract to which any of the Target Group Companies and the Hospitals is a party having been obtained, it being understood that a consent will be deemed required under a contract if the lack of it may result in a breach of, or constitute (with or without notice or lapse of time or both) a default and/or give rise to a third party right of termination, cancellation, modification, payment or acceleration under, such contract;

e) the Vendor having performed and complied with all covenants and obligations required to be performed or complied with by it under the Share Purchase Agreement on or before Completion and the Vendor having delivered to the Company a certificate to that effect in the agreed form at Completion;

f) each of the warranties given by the Company and the Vendor pursuant to the Share Purchase Agreement being complete, true and accurate and not misleading as at the date of the Share Purchase Agreement and at Completion as though restated on and at Completion with respect to facts, events and circumstances existing as at such date and the Vendor having delivered to the Company a certificate to that effect in the agreed form at Completion;

g) each of the transaction documents required under the Share Purchase Agreement having been duly executed and delivered by each of the parties thereto (other than the Company);

h) the Undertaking Letter having been duly executed and delivered by the parties thereto; and

i) there having been no actual or threatened termination of the Hospital Management Letter of Intent and the Hospital Management Agreement 2017.

Except for the above Conditions (a), (b) and (c) which cannot be waived, the Company shall have the discretion to waive the Conditions. The reason for empowering the Company to waive the above Conditions is to allow more flexibility to the Company to manage the Proposed Acquisition if circumstances required. As of the date of this announcement, none of the Conditions has been fulfilled and the Company has no intention to waive any of the Conditions. The Company will not waive any of the Conditions if the waiver of such Condition 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, if any, will affect the substance of the Proposed Acquisition.

Long Stop Date : In the event that any of the Conditions is not fulfilled or waived on or before the Long Stop Date, then the party not in default shall have the right, but not the obligation, by written notice to the other party:

a) defer Completion to after the Long Stop Date;

b) proceed to Completion so far as practicable (without prejudice to its rights under the Share Purchase Agreement); or

c) rescind the Share Purchase Agreement.

The Specific Mandate will be valid from the date of passing of the relevant resolutions at the EGM to January 8, 2019, being the fifth (5th) Business Day after December 31, 2018, and will cease to be effective if any of the Conditions has not been satisfied or, if applicable, waived by the Company or the Vendor (as the case may be) on or prior to December 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.

Completion : Completion shall take place on the fifth (5th) Business Day immediately after the fulfilment or waiver of all the Conditions (other than those conditions that by their terms are intended to or may be fulfilled at Completion).

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the accounts of the Group.

Indemnity : The Vendor undertakes to indemnify the Company from and against all material losses suffered or incurred by the Company, any Target Group Company and the Hospitals as a consequence of or which would not have arisen but for:

a) any material breach or inaccuracy of any representation or warranty made by the Vendor in the transaction documents in relation to the Proposed Acquisition; or

b) any material failure by the Vendor to perform any of its obligations under the Share Purchase Agreement and the transaction documents required thereunder in relation to the Proposed Acquisition.

THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are as follows:—

Issuer : The Company

Principal Amount : HK$773,879,717

Issue Price : 100% of the principal amount

Form and denomination	:	Convertible Bonds are issued in registered form in the denomination of HK$1 each.
Issue Date	:	The date of Completion
Maturity Date	:	The date falling on the fifth (5th) 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.
Interest	:	The Convertible Bonds do not bear any interest.
Conversion Shares	:	Assuming the conversion rights attached to the Convertible Bonds are exercised in full at the initial Conversion Price of HK$20.00 per Conversion Share, a number of 38,693,985 Conversion Shares will be issued upon conversion of the Convertible Bonds (subject to adjustments), which represent (i) approximately 28.00% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 21.87% 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. 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. The Conversion Shares upon issue will in all respects rank *pari passu* with the Shares then in issue.
Conversion Rights	:	Subject to the restrictions set out below, the Bondholders shall have the right to convert the Convertible Bonds into Shares at any time on or after the date following six months from the date of issue of the Convertible Bonds up to the close of business on the Maturity Date.
Restriction on Conversion	:	The Company is not obliged to issue Shares in satisfaction of the Conversion Rights in breach of its obligations under the Listing Rules (including but not limited to the minimum public float requirement) or the Takeovers Code.

Redemption upon Maturity and Early Redemption	:	The Company will redeem the outstanding Convertible Bonds at its principal amount on the Maturity Date. The Company may not redeem the Convertible Bonds at its option prior to the Maturity Date except in the event that the Shares cease to be listed or admitted to trading on the principal stock exchange on which the Shares are then listed or quoted or dealt in.
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 of principal and the relevant interest accrued is made to the Bondholders.
Transferability	:	The Convertible Bonds may be assigned or transferred with prior written consent of the Company, save where such transfer is made to an Affiliate of the Bondholder(s). 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 Bondholder(s), any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such Bondholder(s).
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 Bondholders. 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 Bondholders.
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.

Conversion Price

The initial Conversion Price is HK$20.00 per Conversion Share (subject to adjustments as set out below in the paragraph headed "Adjustments to Conversion Price"), which represents:

(a) a discount of approximately 0.50% over the closing price of HK$20.10 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a premium of approximately 2.25% over the average closing price of approximately HK$19.56 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 4.33% over the average closing price of approximately HK$19.17 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 2.93% over the average closing price of approximately HK$19.43 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 48.59% over the audited consolidated net assets per Share of approximately HK$13.46 as at December 31, 2017 (calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB1,514.11 million (approximately HK$1,859.90 million) as at December 31, 2017 by 138,194,000 Shares in issue as at the date of this announcement).

The Conversion Price was determined after arm's length negotiations between the Company and the Vendor 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 growth potential by entering into the Proposed Acquisition. In addition, the Company further considered the factors disclosed in the section headed "Reasons for and Benefits of the Proposed Acquisition and the Future Prospect of the Target Group" below. Based on all the factors as aforementioned, the Board (excluding the (i) independent non-executive Directors whose views will be included in the circular of the Company to be despatched in relation to, inter alia, the Proposed Acquisition after taking into consideration of the advice of the Independent Financial Adviser and (ii) the Abstained Directors) considers that the Conversion Price is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

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 capitalisation of profits or reserves of the Company;

(c) a capital distribution made to the Shareholders;

(d) any payment of dividend or distribution, whether of cash, assets or other property to the Shareholders (other than in lieu of cash dividend);

(e) an issue of Shares, or issue or grant of any options, warrants or other rights, by way of rights, to all or substantially all Shareholders to subscribe for or purchase any Shares;

(f) an issue of securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) or issue or grant of any options, warrants or other rights, by way of rights, to subscribe for or purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares);

(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 relevant Current Market Price;

(h) other offers of securities 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 which 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, which is analogous to any of the price adjustment events mentioned under paragraphs (a) to (h) above.

THE JV AGREEMENT

Holdco and Kangshou entered into the JV Agreement on April 28, 2016 in respect of their shareholdings in Guangsha Medical and their rights and obligations, key terms of which are set out as below:

Board composition	:	The board of directors of Guangsha Medical shall consist of five (5) directors, among which Holdco is entitled to appoint four (4) directors and Kangshou is entitled to appoint one (1) director.
Reserved matters	:	The following reserved matters require the consent of all attending directors at the relevant board meeting: (1) increase or decrease of the registered capital of Guangsha Medical; (2) amendments to the articles of association of Guangsha Medical; (3) the discontinuation, termination or dissolution of Guangsha Medical; and (4) merger or de-merger of Guangsha Medical.
Term and Termination	:	Guangsha Medical has a term of 20 years and may be extended upon mutual agreements of both parties, unless terminated under the following circumstances: (1) mutual agreement of the parties that the business purpose of the joint venture has failed and Guangsha Medical has no prospects; (2) failure to perform the obligations under the JV Agreement and the articles of association of Guangsha Medical by one party, as a result of which Guangsha Medical is unable to carry out normal business; or (3) other circumstances as set out in the Sino-foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》) and its implementation regulations.

THE UNDERTAKING LETTER

As one of the Conditions, the Company proposes to execute the Undertaking Letter in favour of the Guangsha Minority Shareholders, pursuant to which the Company undertakes to acquire the remaining 25% equity interests in Guangsha Medical held by Kangshou (the "**Remaining Interest**") (the "**Subsequent Acquisition**"), no later than the date falling on the third anniversary of the Completion Date at the purchase price of not less than RMB210 million (calculated as RMB630 million÷75%x25%) plus other reasonable expenses incurred by the Guangsha Minority Shareholders in connection with their investment in Guangsha Medical and subject to the valuation of the Remaining Interest to be conducted by an independent professional valuer appointed by the parties thereunder as of the date of the acquisition of the Remaining Interest. (the "**Remaining Interest Purchase Price**").

The Remaining Interest Purchase Price was determined after arm's length negotiation between parties, having regard to (a) the expectation that Jinhua Hospital is to maintain a stable growth rate in generation of revenue, mainly due to the expansion of capacity and the improvement in operational efficiency; (b) the potential growth in return of Guangsha Medical created by applying the Company's hospital management business model to Dongyang Hospital and Yongkang Hospital; (c) the other reasons set out under the paragraph "Reasons for and Benefits of the Proposed Acquisition and the Future Prospect of the Target Group" below; and (d) the then market value and condition of the comparable companies.

The Subsequent Acquisition will not be entered into nor completed by the parties until the fulfillment of the following conditions: (a) the acquisition of the Remaining Interest having complied with all applicable requirements under the Listing Rules or any other applicable laws, rules and regulations; (b) if required by the Listing Rules, the Company having obtained the approval by independent shareholders at general meeting of the Company in respect of the acquisition of the Remaining Interest; and (c) the independent board committee and, if required by the Listing Rules, the independent financial adviser as appointed for the purpose of the acquisition of the Remaining Interest having forming the view that the terms of the acquisition of the Remaining Interest are fair and reasonable, on commercial terms or better and in the interests of the Company and its Shareholders as a whole.

Considering the restraint in relation to the current legal and policy requirements under the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (中外合資、合作醫療機構管理暫行辦法), The Catalogue of Industries for Guiding Foreign Investment (2017 Revision) (外商投資產業指導目錄) and local policy that foreign investment in medical institutions is restricted to the form of sino-foreign equity joint venture or cooperative joint venture and the percentage of foreign investment shall not exceed 70%, as well as related costs and other expenses, the Company does not intend to acquire the Remaining Interest alongside the Proposed Acquisition.

INFORMATION OF THE TARGET GROUP AND THE HOSPITALS

The Target Group

The Target Company is an investment holding company established in the British Virgin Islands with limited liability. As at the date of this announcement, the Target Company directly owns the entire share capital in the Holdco, which in turn owns 75% share capital in Guangsha Medical. The Holdco acquired the 75% equity interest in Guangsha Medical in April 2016 from an independent third party at a total consideration of RMB600 million while Kangshou at the same time acquired the remaining 25% from the same vendor with a proportionate consideration of RMB200 million.

Guangsha Medical is one of the founders of each of the Hospitals and holds 80%, 80% and 65% of the start-up capital in Jinhua Hospital, Dongyang Hospital and Yongkang Hospital, respectively.

Set out below is the unaudited consolidated financial information of the Target Group for the two years ended December 31, 2016 and 2017.

	For the financial year ended December 31,	
	2016	**2017**
	RMB'000	*RMB'000*
Revenue	—	37,694
Net (loss)/profit before taxation	(1,800)	33,579
Net (loss)/profit after taxation	(501)	25,148
Add back: One-off expenses*	—	1,635
Adjusted net (loss)/profit after taxation	(501)	26,783
Adjusted net (loss)/profit attributable to shareholders	(537)	20,050

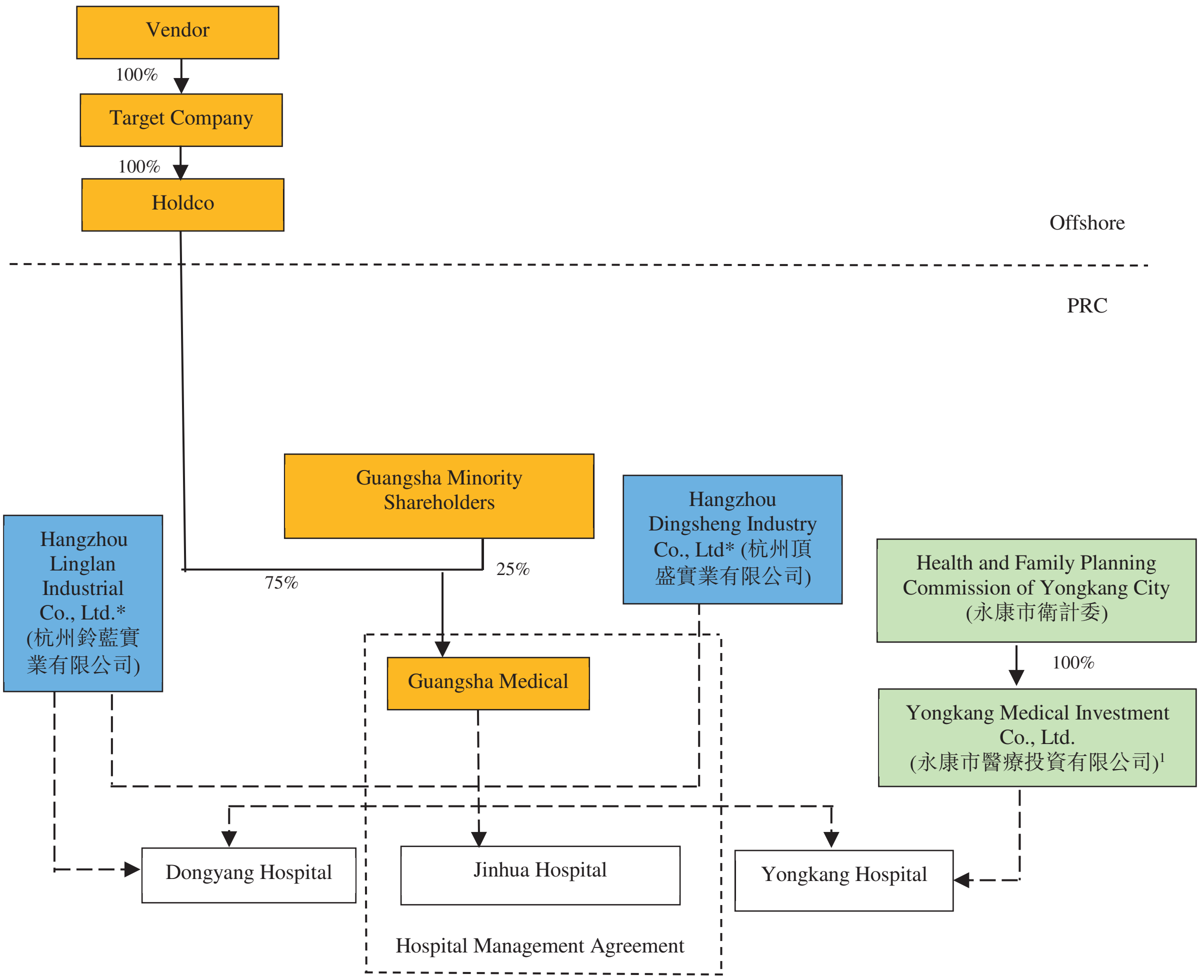
* *The one-off expenses represent the payment of professional service fees to the auditors in relation to the Proposed Acquisition.*

Guangsha Medical entered into the Hospital Management Agreement 2017 with Jinhua Hospital with a term of three years commencing from January 1, 2017 to January 1, 2020, and the Target Group started to charge service fees from Jinhua Hospital from the financial year ended December 31, 2017.

The unaudited consolidated total and net asset value of the Target Group as at December 31, 2017 were approximately RMB703.4 million and RMB623.1 million, respectively.

The shareholding structure of the Target Group before the Proposed Acquisition and after Completion is set out below:

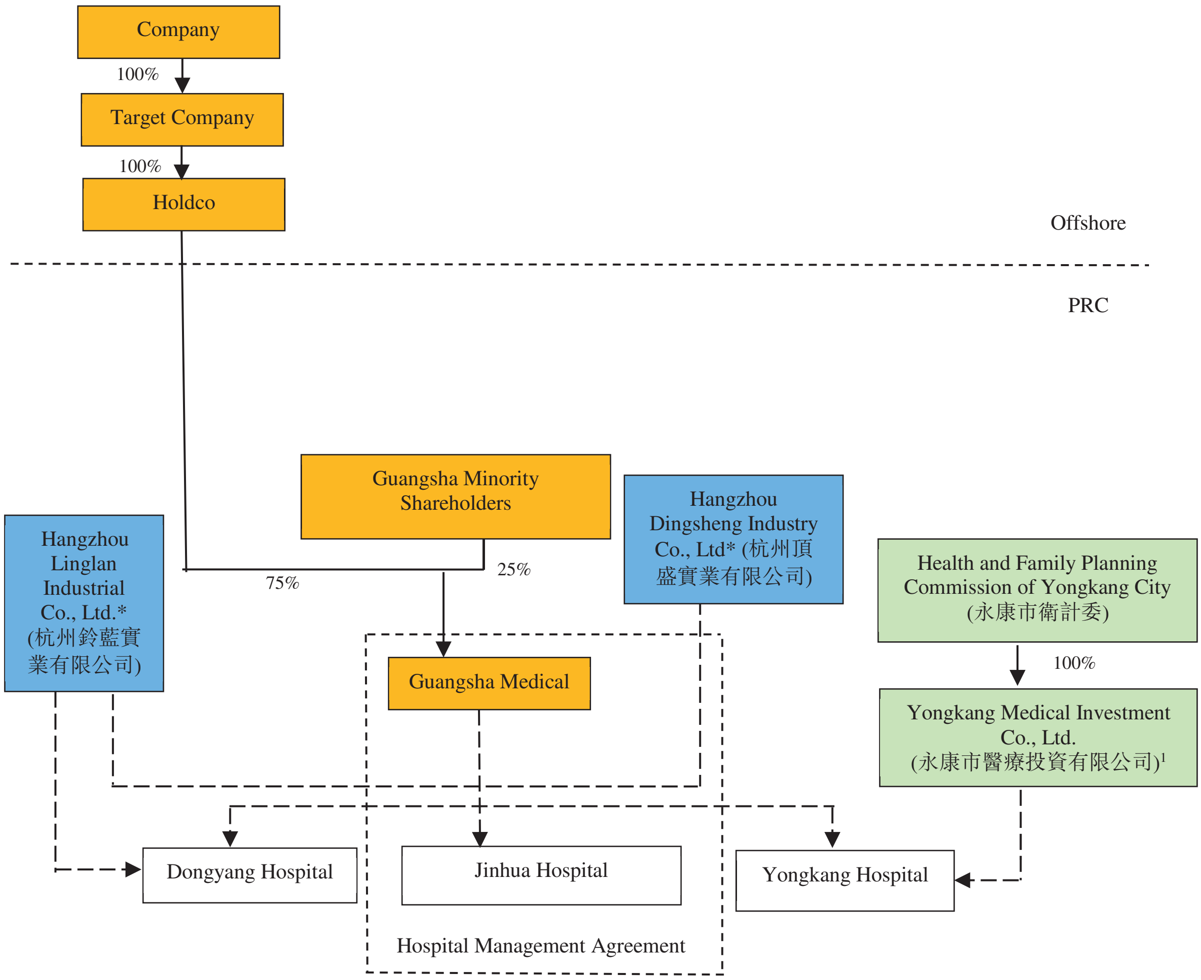
Shareholding structure of the Target Group before the Proposed Acquisition



Note:

1. The entity is in the process of setting up as at the date of this announcement.

Shareholding structure of the Target Group after Completion



Note:

1. The entity is in the process of setting up as at the date of this announcement.

Jinhua Hospital and the Hospital Management Arrangements

Overview of Jinhua Hospital

Jinhua Hospital, located in Jinhua city of Zhejiang province, is a general Class IIIB Hospital and registered as a Privately-funded Non-enterprise Entity, which serves as a local medical services platform offering comprehensive medical services with specialty in oncology and cancer treatments.

Historical financials of Jinhua Hospital

The table below sets out financial information of Jinhua Hospital with reference to its unaudited management accounts:

	As of December 31,	
	2016	**2017**
	RMB'000	*RMB'000*
Total Asset	534,663	588,275
Net Asset Value	(67,722)	(55,530)

	For the financial year ended December 31,	
	2016	**2017**
	RMB'000	*RMB'000*
Revenue	505,218	514,396
Net profit before taxation	30,803	12,192[1]
Net profit after taxation	30,803	12,192[1]

Note

1. The number reflects net profit after payment of hospital management service fee.

The Hospital Management Arrangements with Jinhua Hospital

As at the date of this announcement, Guangsha Medical manages Jinhua Hospital pursuant to:

(a) the Hospital Management Letter of Intent entered into by Guangsha Medical and Jinhua Hospital, among others, in 2017 for a term of 50 years from January 1, 2017 to December 31, 2066 pursuant to which Guangsha Medical agreed to provide consultancy and management services to Jinhua Hospital, and Jinhua Hospital agreed to pay Guangsha Medical hospital management service fees, which shall be calculated based on a percentage of Jinhua Hospital's revenue for the relevant year and a number of target performance indicators; and

(b) the Hospital Management Agreement 2017 entered into by Guangsha Medical and Jinhua Hospital pursuant to the Hospital Management Letter of Intent in 2017, governing the specific terms for the management and consultancy services provided by Guangsha Medical to Jinhua Hospital from January 1, 2017 to January 1, 2020. Pursuant to the Hospital Management Agreement 2017, Guangsha Medical shall provide services to Jinhua Hospital in respect of, among other things, medical examination and laboratory tests, establishment of a modern management system, daily operational management and pharmaceutical and medical consumable procurement consultancy services; and from January 1, 2018, the service fees shall be calculated based on (1) a fixed percentage of 4.8% of the revenue of Jinhua Hospital (which is determined with reference to the common practices in the healthcare services industry in the region and may be adjusted by mutual agreement of the parties if there are any changes to the services provided by Guangsha Medical) and (2) a performance-based floating component, which shall be determined based on a number of predetermined performance indicators, including the number of out-patient and in-patient visits, the satisfaction rate of various suppliers to Jinhua Hospital, and the satisfaction rate of medical professionals regarding Jinhua Hospital and the services provided by Guangsha Medical.

Guangsha Medical and Jinhua Hospital will enter into a service agreement with specific terms and may negotiate on the performance indicators and manner to calculate management fees every three years, which is consistent with the market practice. As advised by the PRC legal advisors of the Company, the Hospital Management Letter of Intent creates a binding contractual obligation on both Guangsha Medical and Jinhua Hospital to enter into hospital management agreements in relation to the provision of consultancy and management services during the term of the Hospital Management Letter of Intent.

The Company believes that Guangsha Medical is a founder of Jinhua Hospital and it has the ability to continue procuring hospital management agreements with Jinhua Hospital and exercise its influence over the operational and managerial decisions of Jinhua Hospital through its management rights under the articles of association of Jinhua Hospital to nominate six out of the seven members in the executive committee of Jinhua Hospital. Among these executive committee members nominated by Guangsha Medical, one of them shall become the chairman of the executive committee. Guangsha Medical is also entitled to nominate the hospital administrator, finance manager and the supervisor of Jinhua Hospital.

Dongyang Hospital and Yongkang Hospital

Dongyang Hospital, located in Jinhua city of Zhejiang province, is a Class II Hospital and registered as a Privately-funded Non-enterprise Entity providing comprehensive medical services on common, frequently-occurring and chronic diseases and serving as a medical service center for local residents. The table below sets out financial information of Dongyang Hospital with reference to its unaudited management account:

	As of December 31,	
	2016	**2017**
	RMB'000	*RMB'000*
Total Asset	117,707	118,410
Net Asset Value	(59,307)	(68,963)

	For the financial year ended December 31,	
	2016	**2017**
	RMB'000	*RMB'000*
Revenue	39,455	45,852
Net loss before taxation	(15,565)	(9,508)
Net loss after taxation	(15,565)	(9,508)

Yongkang Hospital, located in Yongkang city in Zhejiang province, is a Class IIB Hospital and registered as a public institution providing comprehensive medical services on common, frequently-occurring and chronic diseases and serving as a regional medical platform for focused medical treatment. The table below sets out financial information of Yongkang Hospital with reference to its unaudited management account:

	As of December 31,	
	2016	**2017**
	RMB'000	*RMB'000*
Total Asset	68,423	69,211
Net Asset Value	44,438	46,286

	For the financial year ended December 31,	
	2016	2017
	RMB'000	*RMB'000*
Revenue	89,056	104,346
Net (loss)/ profit before taxation	(3,227)	1,824
Net (loss)/ profit after taxation	(3,227)	1,824

Hospital Management Arrangement with Dongyang Hospital and Yongkang Hospital

Guangsha Medical entered into a hospital management letter of intent with each of Dongyang Hospital and Yongkang Hospital in 2016, and expects to enter into a hospital management agreement with each of them by the end of 2018. As advised by the PRC legal advisors of the Company, the hospital management letters of intent create a binding contractual obligation on both Guangsha Medical and each of Dongyang Hospital and Yongkang Hospital to enter into hospital management agreements in relation to the provision of consultancy and management services.

INFORMATION ON THE VENDOR

The Vendor, the sole shareholder of the Target Company, is an exempted limited partnership formed in Cayman Islands and is managed by Hony Capital Fund VIII GP (Cayman) Limited. Hony Capital Fund VIII GP (Cayman) 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 series of private equity investment funds (including the Vendor), together with their respective companies/general partners were founded to capture investment opportunities as a private equity platform.

INFORMATION ON THE GROUP

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

CHANGES IN SHAREHOLDING STRUCTURE

As at the date of this announcement, 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 date of this announcement and (ii) immediately after the issue of the Conversion Shares 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 and assuming no further Shares would be issued after the date of this announcement and prior to such conversion after Completion:

Name of Shareholders	**As at the date of this announcement**		**Immediately after the issue of the Conversion Shares to the extent that immediately after such conversion, the Company will continue to be able to satisfy the public float requirement**	
	No. of Shares	*Approximate % of issued share capital of the Company*	*No. of Shares*	*Approximate % of issued share capital of the Company*
Vanguard Glory	97,000,000	70.19	97,000,000	63.26
Vendor	—	—	15,142,000	9.88
Midpoint Honour[2]	2,860,000	2.07	2,860,000	1.87
Public Shareholders	38,334,000	27.74	38,334,000	25.00
Total	138,194,000	100.00	153,336,000	100.00

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 right 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. Midpoint Honour is indirectly owned as to 83.33% by Mr. Zhang Xiaopeng, a former Director of the Company up to May 23, 2018.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION AND THE FUTURE PROSPECT OF THE TARGET GROUP

The Group is principally engaged in hospital management business and general hospital business in China. With a view to become a professional and large-scale hospital operation and management group, the Group has been constantly seeking sound investment opportunities to manage or own hospitals and to replicate its business model of promoting synergies between the Group's management and investment expertise and the professional and management team that has been operating the hospitals by centralizing strategic planning and development at the group-level, providing sufficient support and necessary investment strategies to enhance the hospital's operations, and optimizing the management and medical resources through exchange and communication between hospitals managed or owned by the Group.

Strong operating condition of Jinhua Hospital

Jinhua Hospital is a general Class IIIB not-for-profit private hospital located in Jinhua city in central Zhejiang Province, which offers comprehensive medical services with specialty in oncology and cancer treatments and is in the course of expanding its operation. As at the date of this announcement Guangsha Medical is providing hospital management and consultancy services to Jinhua Hospital. Jinhua Hospital is currently equipped with 28 medical departments, 21 wards and 20 medical laboratories. It has a total of approximately 600 registered beds and the capacity can be expanded to over 1,000 beds. It also has an experienced medical experts team consisting of around 330 doctors, 430 nurses and 130 medical technicians. Jinhua Hospital also ranks top-tier among non-public hospitals in China in terms of its medical specialty in oncology and cancer treatments, service branding as well as the scale of operation. Jinhua Hospital has recorded a stable growth in revenue in recent years. The Company expects to facilitate the business development of Jinhua Hospital, through provision of hospital management and consultancy services by Guangsha Medical, with its centralized management platform as well as its expertise in hospital management and operation, and in turn generate higher return as well as broaden the revenue base for the Group.

Great potential and high return in the oncology and cancer treatment market of China

Due to various factors such as aging population, industrial pollution and urbanization, China sees a significantly rising cancer prevalence and cancer mortality rate. Cancer claims over 25% of deaths in China. Despite the constant upgrading of oncology and cancer treatment services in China throughout the years, the amount of cancer patients outgrew the number of hospital beds, resulting in a bed occupancy rate for oncology specialty hospitals of over 100%, the highest among all specialty hospitals. It is expected that in the future, the shortage of supply in oncology and cancer treatment services will remain for a considerable period of time.

Being operated in a under-served market, hospitals enjoy strong price bargaining power in both upstream and downstream, enabling them to capture the value created by medical and treatment expenses and medical equipment. Such value is particularly high in oncology and cancer treatment services industry, primarily due to high medical and treatment expenses, and high expenses relating to medical equipment.

On the other hand, oncology and cancer treatment is highly complex in nature and usually combines multiple treatment methods, which puts forward particularly high requirements for the expertise of medical experts and treatment equipment. Specialization and delineation of medical departments in oncology and cancer treatment according to the different treatment methods will be the future trend of oncology and cancer treatment. As a result, despite the high revenue generated, oncology specialty hospitals pose higher industry barrier and are less in number comparing to other specialty hospitals.

Prime clientele, demographics and market of Jinhua Hospital

The Proposed Acquisition represents a valuable opportunity for the Group to overcome the industry barrier and readily expand its hospital network into the oncology and cancer treatment market. Jinhua city has approximately 10% of the total population in Zhejiang Province, with a per capita disposable income higher than the national average. The Company considers it an optimal timing to expand its hospital network to Jinhua city for the following reasons:

(a) Jinhua city has a larger percentage of population aged over 60 compared to the national average, which results in greater demand for medical treatment;

(b) Comparing to the small number of oncology specialty hospitals in Jinhua City, the reported cancer incidence rate in Jinhua city is significantly higher than the national average and it is expected that the demand for specialty oncology treatment will be constantly growing in the future; and

(c) The distribution of medical treatment resources is uneven between the city center of Jinhua city and its surrounding counties, leaving the surrounding counties with market potential for development of hospital networks.

Potential growth of Dongyang Hospital and Yongkang Hospital

Dongyang Hospital is a Class II Hospital registered as a Private-funded Non-enterprise Entity and was put into operation in June 2013. The hospital is equipped with 300 registered beds and around 220 staff and primarily focuses on the treatment of common diseases, frequently re-occurring diseases and chronic diseases. Upon its establishment, Jinhua Hospital sent over key doctors in respiratory medicine, cardiology, oncology and orthopedics to Dongyang Hospital to assist in establishing key medical departments.

Yongkang Hospital is a Class IIB Hospital registered as a public institution jointly owned by the government and Guangsha Medical as to 35% and 65%. The hospital was first established in 1952, and therefore has accumulated clientele and established its reputation in the region. The hospital completed its public hospital restructuring in April 2015, during which period Guangsha Medical injected capital into Yongkang Hospital to assist the development of the hospital, including the upgrade of medical facilities. Yongkang Hospital is now equipped with around 200 beds and 300 staff.

Located in the old region of Yongkang city with high density of population, Yongkang Hospital is capable of transforming into a hospital with focus on the treatment of common diseases, frequently re-occurring diseases and chronic diseases.

The Company expects to enter into a hospital management agreement after the completion with each of Dongyang Hospital and Yongkang Hospital by the end of 2018, upon which the Group expects to further broaden its revenue base with the new hospital management agreements.

Synergistic effect within the Group

In October 2017 and February 2018, the Group entered into agreements in relation to the acquisition of (1) Jiande Hexu Enterprise Management Co., Ltd.* (建德和煦企業管理有限公司), which holds, inter alia, 70% equity interests in each of Jiande Hospital of Traditional Chinese Medicine Co., Ltd.* (建德中醫院有限公司) ("**Jiande Hospital**"), a for-profit traditional Chinese medicine general hospital in Zhejiang Province and Zhejiang Dajia Medicines Co., Ltd.* (浙江大佳醫藥有限公司), a wholesaler of pharmaceutical products; and (2) Cixi Hongai Medical Management Co., Ltd.* (慈溪弘愛醫療管理有限公司), which manages Cixi Union Hospital* (慈溪協和醫院) ("**Cixi Hospital**"), a not-for-profit general hospital in Zhejiang Province through hospital management agreement. Upon completion of the acquisitions, the Group will be able to establish its presence in Zhejiang Province, an area with sizable population, considerable purchase power and needs for medical resources. The Group will also acquire experienced staff in hospital management, medical experts as well as other hospital administrative staff, which will strengthen the Group's operational capacity and contribute to the Group's know-how in hospital management and operation.

The Hospitals are also located in Zhejiang Province, in close proximity to Jiande Hospital and Cixi Hospital. The Proposed Acquisition will enable the Group to further expand its hospital network and to magnify the synergistic effect within the Group through its consolidated and centralized management system, its unified investment and financing platform, supply chain platform and personnel training platform that can be implemented to all hospitals owned or managed by the Group. For instance, the Hospitals are expected to benefit from the experience of the Group in hospital management and operation, to be in a better position to attain deals in procurement of goods and services, to take advantage of the Group's centralized and streamlined procurement system which addresses the redundancies of intermediates, as well as to benefit from the exchange of academic, research and clinical expertise among the other hospitals managed by the Group.

Business development and future prospects of Guangsha Medical

After Completion, the Company plans to provide consultancy and management services to the Hospitals under hospital management agreement entered into or to be entered into with each of the Hospitals, with the view to facilitate the business development of the Hospitals according to their medical specialties, unique circumstances and special development needs. For instance, the Hospitals will be able to develop or expand their VIP patient services and other premier medical services; Jinhua Hospital will be able to expand their operation scale after it completes construction of the new rehabilitation center and outpatient building; and in general, the Hospitals will enjoy the platform and resources offered by the Group to expand their service areas, enhance their regional influence and coverage, improve their management effectiveness and operation efficiency, enhance their medical expertise through exchange with other hospitals managed by the Group, as well as improve the performance of medical professionals and other hospital staff. The Company believes that through such efforts in business development, the Hospitals will be able to improve their patient's satisfaction rate, attract new customers as well as increase patient revisit rate, and in turn generate higher return for the Hospitals and for the Group.

The Board (excluding (i) the independent non-executive Directors whose views will be included in the circular of the Company to be despatched in relation to, inter alia, the Proposed Acquisition after taking into consideration of the advice of the Independent Financial Adviser; and (ii) the Abstained Directors who have abstained from voting at the relevant Board meeting) considers that the terms of the Share Purchase Agreement and the Proposed Acquisition are fair and reasonable and on normal commercial terms, and after considering the strong operating conditions and the potential growth of the Hospitals and the synergistic effect arising from the Proposed Acquisition as disclosed above, considers the Proposed Acquisition in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Proposed Acquisition exceed 25% but are less than 100%, the Proposed Acquisition constitutes a major acquisition of the Company under the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, as at the date of this announcement, the Company is indirectly held as to 70.19% by Hony Fund V, which is ultimately managed by Hony Capital Fund V GP Limited. The Vendor is ultimately managed by Hony Capital Fund VIII GP (Cayman) Limited. As both Hony Capital Fund V GP Limited and Hony Capital Fund VIII GP (Cayman) Limited are investment management companies of Hony Capital, the Proposed Acquisition constitutes a connected transaction of the Company subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Abstained Directors, Mr. Zhao John Huan, by virtue of his 49% equity interests in Exponential Fortune Group Limited, which in turn manages and controls the Vendor, and Mr. Lin Sheng, by virtue of his directorship in Guangsha Medical, are deemed to have material interests in the Proposed Acquisition, and have abstained from voting on the relevant board resolutions approving the Proposed Acquisition.

GENERAL

EGM

An EGM will be held for the Independent Shareholders to consider and, if thought fit, approve the Proposed Acquisition and the Specific Mandate. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, except for Vanguard Glory and Midpoint Honour, which are deemed to have material interests in the Proposed Acquisition, no other Shareholders will be required to abstain from voting in relation to the resolution to approve, among other things, the Proposed Acquisition and the Specific Mandate at the EGM.

Formation of Independent Board Committee and Appointment of Independent Financial Adviser

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Share Purchase Agreement, the Proposed Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

Despatch of Circular

A circular containing, among other things, (i) further details of the Proposed Acquisition and the Specific Mandate; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the finanical and other information on the Group; (v) the financial and other information on the Target Group; (vi) the pro forma financial information of the Enlarged Group upon completion of the Proposed Acquisition; (vii) other information required to be disclosed under the Listing Rules; and (viii) a notice of the EGM, is expected to be despatched to the Shareholders on or before June 30, 2018 as additional time is required for the preparation of the relevant information to be included in the circular.

Shareholders and potential investors of the Company should note that the Proposed Acquisition is subject to a number of Conditions which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise cautions when dealing in the securities of the Company.

DEFINITIONS

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

"Abstained Directors"	Mr. Zhao John Huan and Mr. Lin Sheng, who are deemed to have material interests in the Proposed Acquisition by virtue of their positions in the Vendor and/or the Target Group, have abstained from voting on the relevant board resolutions approving the Share Purchase Agreement and the Proposed Acquisition
"Board"	the board of Directors
"Bondholder(s)"	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
"Class II Hospital"	the regional hospitals designated as Class II hospitals by the NHFPC hospital classification system, typically have 100 to 500 beds in operation, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions
"Class IIB Hospital"	each Class II Hospital can be further divided into A, B and C. Class IIB hospitals are the second tier hospitals among Class II Hospitals in China
"Class III Hospital"	the largest regional hospitals with the highest standard in China designated as Class III hospitals by the NHFPC hospital classification system, typically having more than 500 beds in operation, providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
"Class IIIB Hospital"	each Class III Hospital can be further divided into A, B and C. Class IIIB hospitals are the second tier hospitals among Class III hospitals in China
"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)

"Completion"	completion of the Proposed Acquisition, as more particularly described in the paragraph "Completion" in this announcement
"Conditions"	the conditions to Completion, as more particularly described under the paragraph "Conditions" in this announcement
"connected person(s)", "percentage ratios", "subsidiary(ies)"	each has the meaning ascribed to it under the Listing Rules
"Consideration"	RMB630 million (equivalent to approximately HK$773,879,717) payable by the Company to the Vendor pursuant to the Share Purchase Agreement, as more particularly described in the paragraph "Consideration" in this announcement
"Conversion Price"	the conversion price for the allotment and issue of one Conversion Share upon the exercise of the Conversion Rights attaching to the Convertible Bonds, subject to adjustments under the terms and conditions of the Convertible Bonds, as more particularly described in the paragraph "Conversion Price" of this announcement
"Conversion Rights"	the right of a Bondholder to convert any Convertible Bonds into Shares
"Conversion Share(s)"	the Share(s) to be allotted and issued by the Company upon conversion of the Convertible Bonds
"Convertible Bonds"	the convertible bonds due on the Maturity Date in the aggregate principal amount of HK$773,879,717 to be issued by the Company on Completion pursuant to the Share Purchase Agreement, as more particularly described in the section "The Convertible Bonds" in this announcement
"Current Market Price"	in respect of a Share at a particular time on a particular date, means the average of the daily volume-weighted average price of one share for the five consecutive trading days in the Stock Exchange immediately preceding such date
"Director(s)"	the director(s) of the Company

"Dongyang Hospital"	Dongyang Guangfu Hospital* (東陽廣福醫院), a Privately-funded Non-enterprise Entity established on June 5, 2012 and a hospital founded by Guangsha Medical and Hangzhou Linglan Industrial Co., Ltd.* (杭州鈴藍實業有限公司)
"Duff & Phelps China"	D&P China (HK) Limited, an independent valuation specialist
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Proposed Acquisition and the Specific Mandate
"Enlarged Group"	the Group as enlarged by the Proposed Acquisition
"Group"	the Company and its subsidiaries
"Guangsha Medical"	Zhejiang Guangsha Medical Technology Co., Ltd* (浙江廣廈醫療科技有限公司), a limited liability company established under the laws of the PRC and held as to 75% by the Holdco and as to 25% by Kangshou
"Guangsha Minority Shareholders"	Hony 2015 (Shenzhen) Equity Investment Funds Center (Limited Partnership)* (弘毅貳零壹伍(深圳)股權投資基金中心(有限合夥)), Hony Capital Management (Tianjin) (Limited Partnership)* (弘毅投資管理(天津)(有限合夥)) and Kangshou
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Holdco"	Impeccable Success Limited (成臻有限公司), a limited liability company established under the laws of Hong Kong, and a wholly-owned subsidiary of the Vendor prior to Completion
"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
"Hony Fund V"	Hony Capital Fund V, L.P., an exempted limited partnership formed in the Cayman Islands on August 10, 2011

"Hospitals"	Jinhua Hospital, Dongyang Hospital and Yongkang Hospital
"Hospital Management Agreement 2017"	the hospital management agreement entered into between Guangsha Medical and Jinhua Hospital in 2017 pursuant to the Hospital Management Letter of Intent
"Hospital Management Letter of Intent"	the hospital management letter of intent entered into by, among others, Guangsha Medical and Jinhua Hospital in 2017 in relation to the provision of hospital management services by Guangsha Medical to Jinhua Hospital
"Independent Board Committee"	an independent committee of the Board, comprising of all independent non-executive Directors, established for the purpose of advising the Independent Shareholders in respect of the Proposed Acquisition (including the allotment and issue of Convertible Bonds as contemplated under the Share Purchase Agreement) and the Specific Mandate
"Independent Financial Adviser"	Amasse Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), who has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition 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
"Jinhua Hospital"	Zhejiang Jinhua Guangfu Oncological Hospital* (浙江金華廣福腫瘤醫院), a Privately-funded Non-enterprise Entity established on July 25, 2000 and a hospital founded by Guangsha Medical, Hangzhou Linglan Industry Co., Ltd* (杭州鈴藍實業有限公司) and Hangzhou Dingsheng Industry Co., Ltd* (杭州頂盛實業有限公司) and managed by Guangsha Medical
"JV Agreement"	the joint venture agreement dated April 28, 2016 entered into between the Holdco and Kangshou in relation to their shareholdings in Guangsha Medical

"Kangshou"	Hony Kangshou Management Consulting (Shanghai) Co., Ltd.* (弘毅康壽管理諮詢(上海)有限公司), a limited liability company established under the laws of the PRC and held as to 99.9% by Hony 2015 (Shenzhen) Equity Investment Funds Center (Limited Partnership)* (弘毅貳零壹伍(深圳)股權投資基金中心(有限合夥)) and 0.1% by Hony Capital Management (Tianjin) (Limited Partnership)* (弘毅投資管理(天津)(有限合夥))
"Last Trading Day"	May 28, 2018, being the last full trading day for the Shares before the date of this announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	being December 31, 2018 or such later date as may be agreed by parties to the Share Purchase Agreement, as more particularly described in the paragraph "Long Stop Date" in this announcement
"Maturity Date"	the date falling on the fifth (5th) 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 owned as to 83.33% by Mr. Zhang Xiaopeng
"Net Profit"	for any fiscal year, means the audited profit after deduction of tax and non-recurring profit or loss and excluding all income or loss generated from activities outside the ordinary and usual course of business, prepared in accordance with international financial reporting standards for such fiscal year;
"NHFPC"	the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會), which was reorganized from the former Ministry of Health of the PRC and National Population and Family Planning Commission in March 2013
"Person"	an individual, body corporate, partnership, trust, company, association, joint venture, governmental entity or other entity

"PRC" or "China"	The People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Privately-funded Non-enterprise Entity"	an entity which is established by enterprises, institutions, associations or other civic entities as well as individual citizens using non-state assets and conduct not-for-profit social service activities
"Proposed Acquisition"	the acquisition of the entire share capital in the Target Company and the transactions contemplated under the Share Purchase Agreement, including the issue of the Convertible Bonds and allotment and issue of the Conversion Shares upon exercise of the Conversion Rights attaching to the Convertible Bonds
"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 take 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
"Share Purchase Agreement"	the share purchase agreement entered into between the Company and the Vendor as at the date of this announcement in relation to the sale and purchase of the entire issued share capital in the Target Company, as more particularly described in the section "The Share Purchase Agreement" in this announcement
"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

"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs
"Target Company"	Oriental Ally Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 100% by the Vendor prior to Completion
"Target Group"	the Target Company and its subsidiaries
"Target Group Companies"	members of the Target Group, and "Target Group Company" shall mean any of them
"Undertaking Letter"	the undertaking letter to be executed by the Company in favour of the Guangsha Minority Shareholders at Completion in relation to the Company's conditional undertaking to acquire the remaining 25% equity interests in Guangsha Medical held by Kangshou
"Valuation Report"	The final valuation report prepared by Duff & Phelps China in respect of the market value of the Target Group using guideline company method and guideline transaction method of market approach
"Vanguard Glory"	Vanguard Glory Limited, 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 date of this announcement.
"Vendor"	Hony Capital Fund VIII (Cayman), L.P., an exempted limited liability partnership which is ultimately managed and controlled by Hony Capital Fund VIII GP (Cayman) Limited, and a connected person of the Company
"Yongkang Hospital"	Yongkang Hospital* (永康醫院), a public institution established on April 21, 2015 and a hospital founded by Guangsha Medical and Yongkang Medical Investment Co., Ltd.* (永康市醫療投資有限公司) (on behalf of Health and Family Planning Bureau of Yongkang)

"%"	per cent.

By order of the Board
Hospital Corporation of China Limited
Zhao John Huan
Chairman

Beijing, China, May 29, 2018

Unless indicated otherwise in this announcement, the exchange rate of HK$1 to RMB0.81408 has been used, where applicable, for illustration purposes only and does not constitute any representation that any amount has been, could have been or may be exchanged at such rate or any other rates or at all on the date or dates in question or any other date.

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

* *For identification purpose only*