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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)

DISCLOSEABLE TRANSACTION IN RELATION TO LOAN AGREEMENT

LOAN AGREEMENT

On July 24, 2019, the Loan Agreement was entered into between the Company as lender and Jinhua Hospital, a hospital managed by the Group, as borrower. Pursuant to the Loan Agreement, the Company has conditionally agreed to grant through the PRC Subsidiaries the Loan to Jinhua Hospital for a term of 36 months from the date of the relevant drawdown of the Loan.

The principal terms and conditions of the Loan Agreement are set out in the paragraph headed "Principal Terms of the Loan Agreement" in this announcement. The Directors consider that the Loan Agreement and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Loan is more than 5% but all are less than 25%, the Loan constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. The Loan is exempted from shareholders' approval requirement under Chapter 14 of the Listing Rules.

PRINCIPAL TERMS OF THE LOAN AGREEMENT

On July 24, 2019, the Company entered into the Loan Agreement with Jinhua Hospital, pursuant to which, the Company has conditionally agreed to grant through the PRC Subsidiaries the Loan to Jinhua Hospital. The principal terms of the Loan Agreement are set out below:

- Date** : July 24, 2019
- Parties** : (1) The Company as lender
(2) Jinhua Hospital as borrower

- Amount of the Loan** : RMB80 million
- Term of the Loan** : 36 months from the date of the relevant drawdown
- Interest rate** : 5.23% per annum, which will be adjusted based on the applicable benchmark interest rates announced by the People's Bank of China from time to time.
- Drawdown** : Subject to the total amount of the Loan under the Loan Agreement, Jinhua Hospital may withdraw any sum of the Loan at any time upon serving three (3) business days' prior written notice on the Company or the PRC Subsidiaries and subject to the consent of the Company, provided that all the drawdowns shall be made within twelve (12) months following the effective date of the Loan Agreement.
- Conditions precedent** : The Loan Agreement is conditional upon the fulfillment of the following conditions:
- (1) the due execution of the Loan Agreement by Jinhua Hospital and the Company;
 - (2) all representations and warranties made by Jinhua Hospital in the Loan Agreement or in connection therewith being true, correct and accurate in all respect;
 - (3) the Company having complied with all requirements under the Listing Rules and all applicable laws (including but not limited to the publication of an announcement of the Company in relation to the Loan Agreement and the transactions contemplated thereunder in compliance with Chapter 14 of the Listing Rules), as well as Jinhua Hospital and the PRC Subsidiaries having complied with all requirements under all applicable laws; and
 - (4) no material adverse change having occurred since the execution of the Loan Agreement.
- Repayment** : The Loan shall be repayable within five (5) days upon expiry of 36 months from the relevant drawdown date, or any other date mutually agreed by the Company and Jinhua Hospital. The accrued interest of the Loan must be repaid at the same time.

Prepayment : Jinhua Hospital may prepay the whole or any part of the outstanding principal amount of the Loan before the expiry of the Loan provided that (i) Jinhua Hospital shall have given to the Company or the PRC Subsidiaries five (5) business days' prior written notice specifying the amount to be prepaid and the date on which prepayment is to be made, and (ii) Jinhua Hospital shall on the date of prepayment pay all accrued interest to the Company or the PRC Subsidiaries on the amount prepaid upon the Company's demand.

Termination : Upon occurrence of any of the following termination events, the Loan shall terminate immediately and Jinhua Hospital has to repay the entire sum of the Loan and all accrued interest immediately:

- (a) breach of any other financial obligations by Jinhua Hospital;
- (b) service of insolvency order to Jinhua Hospital by any person, appointment of insolvency receiver or administrator for Jinhua Hospital, or liquidation of any assets of Jinhua Hospital;
- (c) any legal claims or proceedings filed or commenced against Jinhua Hospital, which will lead to the consequence as stated in paragraph (b) above;
- (d) seizure of any assets or property of Jinhua Hospital or execution of a seizure which may affect any assets or property of Jinhua Hospital; or
- (e) Jinhua Hospital being considered as unable or impossible to repay debts.

Security : Jinhua Hospital (as chargor) shall provide a charge over its accounts receivables from its medical services provision in favor of the Company (as chargee) to secure Jinhua Hospital's punctual repayment of the Loan in accordance with the Loan Agreement.

The Directors have approved the transactions contemplated under the Loan Agreement and confirmed that the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SOURCE OF FUNDING

The source of funding of the Loan is the revenue of the Group's business.

BASIS OF THE AMOUNT OF THE LOAN AND THE INTEREST RATE

The amount of the Loan has been negotiated based on the actual financing needs of Jinhua Hospital, with reference to the fee quotes obtained from external suppliers by Jinhua Hospital for the purchase of medical equipment and hospital infrastructure, as well as the upgrade of information systems.

The amount of the interest rate under the Loan Agreement has been negotiated between the parties with reference to the benchmark interest rates for similar loans announced by the People's Bank of China, and is determined at an amount of approximately 10% higher than the benchmark interest rates. The amount of the interest rate under the Loan Agreement will be adjusted based on the applicable benchmark interest rates announced by the People's Bank of China from time to time.

INFORMATION ON THE GROUP AND JINHUA HOSPITAL

The Group

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

Jinhua Hospital

Jinhua Hospital, located in Jinhua city of Zhejiang province, is a general Class IIIB Hospital (as defined in the announcement of the Company dated May 29, 2018) 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. Jinhua Hospital is managed by Zhiyuan Medical as at the date of this announcement, which is indirectly owned as to 75% by the Company, under a hospital management agreement as disclosed in the announcement of the Company published on May 29, 2018.

To the best of the Directors' knowledge, information and belief having made all reasonable inquiries, Jinhua Hospital and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN AGREEMENT

Providing commercial and operational benefits to the Company and Jinhua Hospital

Jinhua Hospital, a hospital managed by the Group, intends to use the proceeds of the Loan to (i) purchase more advanced medical equipment, as well as to (ii) upgrade and enhance its information systems, hospital infrastructure and database system. Such purchases and upgrades will enhance Jinhua Hospital's operational efficiency and capability, which will in turn increase the operating revenue of Jinhua Hospital. As the Group charges management fee from Jinhua Hospital, the increase in operating revenue of Jinhua Hospital will enlarge the revenue base of the Group.

The enhancement of operational efficiency of Jinhua Hospital will also lead to an improvement in its medical services quality and level of medical technology, as well as its overall competitiveness in the local market.

As such, the grant of the Loan to Jinhua Hospital is both commercially and operationally beneficial to Jinhua Hospital and the Group.

Higher return rate of the Group's investments and lower default risk

The Group intends to increase both its investment income and its profits. Granting the Loan at a relatively high interest rate of 5.23% per annum, which is approximately 10% higher than the prevailing benchmark interest rate for similar loans announced by the People's Bank of China, will increase the overall return rate of the Group's investment.

Further, Jinhua Hospital's risk of default is relatively low given the Group can gain access to Jinhua Hospital's financial information and accounts, and effectively guide its daily operations and management (including the nomination of its financial manager). In the event that Jinhua Hospital's financial performance declines, the Group will be able to take precautionary measures at an earlier stage to prevent Jinhua's Hospital's default in repaying the Loan.

Consideration of terms of the Loan Agreement

The Directors consider that the terms of the Loan Agreement (including the interest rate) and the transactions contemplated thereunder are fair and reasonable, which have been negotiated on an arm's length basis based on, among other things, the actual financing needs of Jinhua Hospital, the Group's assessment on the financial position, business condition and creditworthiness of Jinhua Hospital, as well as prevailing commercial practice. Based on the reasons above, the Directors consider that the Loan Agreement and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole.

None of the Directors is considered to have a material interest in the Loan Agreement and the transactions contemplated thereunder, and therefore none of the Directors is required to abstain from voting on the relevant board resolutions approving the Loan Agreement.

LISTING RULES IMPLICATIONS

As one of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Loan is more than 5% but all are less than 25%, the Loan constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. The Loan is exempted from shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

"Board"	the board of directors of the Company;
"Company"	Hospital Corporation of China Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 3869);
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"Group"	the Company and its subsidiaries;
"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"Jinhua Hospital"	Zhejiang Jinhua Guangfu Oncological Hospital* (浙江金華廣福腫瘤醫院);
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Loan"	the loan in the principal amount of RMB80 million granted by the Company to Jinhua Hospital pursuant to the Loan Agreement;
"Loan Agreement"	the agreement entered into on July 24, 2019 between the Company and Jinhua Hospital, pursuant to which the Company has conditionally agreed to grant the Loan to Jinhua Hospital via the PRC Subsidiaries;
"PRC"	the People's Republic of China and for the purposes of this announcement, excludes Hong Kong, Taiwan and Macau Special Administrative Region of the PRC;
"PRC Subsidiaries"	subsidiaries of the Company which are in the PRC;
"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 which conducts not-for-profit social service activities;
"RMB"	Renminbi, the lawful currency of the PRC;
"Shareholder(s) "	shareholder(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Zhiyuan Medical"

Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd* (浙江弘和致遠醫療科技有限公司), previously known as Zhejiang Guangsha Medical Technology Co., Ltd* (浙江廣廈醫療科技有限公司), which is indirectly owned as to 75% by the Company;

"%"

per cent.

By order of the Board
Hospital Corporation of China Limited
Shan Guoxin
Executive Director and Chief Executive Officer

Beijing, China, July 24, 2019

As at the date of this announcement, the directors of the Company are Mr. SHAN Guoxin and Mr. LU Wenzuo being the executive Directors; Mr. ZHAO John Huan, Mr. LI Peng, 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*