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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 May 19, 2020, the Loan Agreement was entered into between Tibet Dazi (an indirect non wholly-owned subsidiary of the Company) as lender and Jinhua Hospital, a hospital managed by the Group, as borrower. Pursuant to the Loan Agreement, Tibet Dazi has conditionally agreed to grant the Loan to Jinhua Hospital, for a term of 90 days from the date of the relevant drawdown of each installment 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 the borrower under the Loan Agreement (Jinhua Hospital) is the same as that under the Existing Loan Agreement which was entered into and completed within 12 months prior to the execution of the Loan Agreement, the transactions under the Loan Agreement and the Existing Loan Agreement shall be aggregated as a series of transactions under Rule 14.22 of the Listing Rules.

As one of the applicable percentage ratios in respect of the Loan, when aggregated with the transactions under the Existing Loan Agreement, 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 reporting and announcement requirements under Chapter 14 of the Listing Rules.

PRINCIPAL TERMS OF THE LOAN AGREEMENT

On May 19, 2020, Tibet Dazi (an indirect non wholly-owned subsidiary of the Company) entered into the Loan Agreement with Jinhua Hospital, pursuant to which, Tibet Dazi has conditionally agreed to grant the Loan to Jinhua Hospital for a term of 90 days from the date of the relevant drawdown of each installment of the Loan. The principal terms of the Loan Agreement are set out below:

- Date** : May 19, 2020
- Parties** : (1) Tibet Dazi (an indirect non wholly-owned subsidiary of the Company) as lender; and
(2) Jinhua Hospital as borrower.
- Amount of the Loan** : RMB45 million, comprising the First Installment of RMB25 million and the Second Installment of RMB20 million.
- Term of the Loan** : 90 days from the date of the relevant drawdown.
- Interest rate** : 4.79% per annum, which will be adjusted based on the applicable benchmark interest rate announced by the People's Bank of China from time to time.
- Drawdown date** : The Loan is to be granted in two installments and details of the expected drawdown date of each installment, subject to fulfillment of certain conditions as set out in the paragraph headed "Conditions precedent" below, are as follows:
(1) the expected drawdown date of the First Installment is on or before May 20, 2020; and
(2) the expected drawdown date of the Second Installment is on or before June 25, 2020.
- Availability period** : All drawdowns of the Loan by Jinhua Hospital must be made on or before June 28, 2020.
- Permitted use of the Loan** : Unless with Tibet Dazi's prior written consent, Jinhua Hospital shall only use the principal amount of (i) the First Installment for medicine procurement and payment of the Performance Bonus, and (ii) the Second Installment for medicine procurement.

Conditions precedent

- : The drawdown of the Loan is conditional upon the fulfillment of the following conditions (the “**General Conditions**”):
- (1) the due execution of the Loan Agreement by Jinhua Hospital and Tibet Dazi;
 - (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 Tibet Dazi having complied with all requirements under all applicable laws; and
 - (4) no material adverse change having occurred since the execution of the Loan Agreement.

In addition to the General Conditions, the drawdown of the First Installment is also conditional upon Jinhua Hospital having served on Tibet Dazi three (3) Business Days’ prior written drawdown request, together with relevant evidence proving the use of proceeds of such drawdown, including but not limited to medicine procurement agreements, orders, evidence of proof concerning the calculation of Performance Bonus or any other evidence to the satisfaction of Tibet Dazi.

In addition to the General Conditions, the drawdown of the Second Installment is also conditional upon the fulfillment of the following conditions:

- (1) Jinhua Hospital not having received the Medical Insurance Payment from the relevant PRC government department as of June 20, 2020;
- (2) in accordance with Tibet Dazi’s request, Jinhua Hospital having provided evidence to prove the use of proceeds of the First Installment, including receipts of medicine procurement, relevant documents and transfer records regarding the payment of Performance Bonus, sufficient proof showing that Jinhua Hospital has utilized the proceeds from the First Installment in accordance with the use of proceeds as agreed in the Loan Agreement; and
- (3) Jinhua Hospital having served on Tibet Dazi three (3) Business Days’ prior written drawdown request, together with relevant evidence proving the use of proceeds of such drawdown, including but not limited to medicine procurement agreements, orders, sufficient proof of evidence that Jinhua Hospital has not received the Medical Insurance Payment from the relevant PRC government department as of June 20, 2020, Jinhua Hospital’s bank statement from the date of relevant drawdown for the First Installment to June 20, 2020.

- Repayment** : The Loan shall be repayable upon expiry of 90 days from the relevant drawdown date, and if such date is not a Business Day, on the first Business Day immediately following such date. 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:
- (1) Jinhua Hospital shall have given Tibet Dazi five (5) Business Days' prior written notice specifying the amount to be prepaid and the date on which prepayment is to be made; and
 - (2) Jinhua Hospital shall on the date of prepayment pay all accrued interest to Tibet Dazi on the amount prepaid upon Tibet Dazi's demand.
- Termination** : Upon occurrence of any of the following termination events, the Loan Agreement shall terminate immediately and Jinhua Hospital shall repay the entire sum of the Loan and all accrued interest immediately upon Tibet Dazi's request, as well as fully indemnify any loss suffered by Tibet Dazi as a result of such termination event:
- (1) breach of any other financial obligations by Jinhua Hospital;
 - (2) 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;
 - (3) any legal claims or proceedings filed or commenced against Jinhua Hospital, which will lead to the consequence as stated in paragraph (2) above;
 - (4) seizure of any assets or property of Jinhua Hospital or execution of a seizure which may affect any assets or property of Jinhua Hospital;
 - (5) Jinhua Hospital being considered as unable or impossible to repay debts; or
 - (6) Jinhua Hospital being in breach of any representations, warranties, assurances or obligations under the Loan Agreement.
- Security** : Jinhua Hospital (as chargor) shall provide a charge over its accounts receivables from its medical services provision in favor of Tibet Dazi (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 medicine and the estimated amount needed for the payment of the Performance Bonus.

The amount of the interest rate under the Loan Agreement has been negotiated between the parties with reference to the benchmark interest rate 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 rate. The amount of the interest rate under the Loan Agreement will be adjusted based on the applicable benchmark interest rate announced by the People's Bank of China from time to time.

INFORMATION ON TIBET DAZI, THE GROUP AND JINHUA HOSPITAL

Tibet Dazi

Tibet Dazi was incorporated in the PRC with limited liability and is indirectly owned as to 77% by the Company. Tibet Dazi principally engages in hospital management business in the PRC.

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.

The single largest shareholder of the Company, Vanguard Glory Limited, is holding approximately 70.19% of the total issued share capital of the Company as at the date of this announcement.

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. Jinhua Hospital was founded by Zhiyuan 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).

Jinhua Hospital, as a not-for-profit hospital, is different from for-profit hospitals. The founders of Jinhua Hospital are not entitled to any rights to dividend or the remaining assets after liquidation available under the laws and regulations of the PRC. As such, the concept of "ultimate beneficial owner" is not applicable given Jinhua Hospital's nature as a not-for-profit hospital.

To the best of the Directors' knowledge, information and belief having made all reasonable inquiries, Jinhua Hospital is a third party 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

There has been a delay in Jinhua Hospital's receipt of the Medical Insurance Payment from the relevant PRC government department. As such, Jinhua Hospital needs to source additional funding to sustain its effective daily operations and it intends to use the proceeds of the Loan to procure medicine required and pay for the Performance Bonus. Since Jinhua Hospital is a hospital managed by the Group, which pays management fees to the Group, assisting Jinhua Hospital to maintain its operational capability and stability will also benefit and stabilize the source of income of the Group. Accordingly, 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 4.79% 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.

Jinhua Hospital's risk of default is relatively low as Jinhua Hospital expects to receive the Medical Insurance Payment within the third quarter of this year, which can then be used to repay the Loan together with the accrued interests. Further, 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.

THE EXISTING LOAN AGREEMENT

On July 24, 2019, the Company entered into the Existing Loan Agreement with Jinhua Hospital, pursuant to which the Company conditionally agreed to grant the Existing Loan to Jinhua Hospital through the PRC subsidiaries of the Company at the interest rate of 5.23% per annum, which is subject to adjustments based on the applicable benchmark interest rates announced by the People's Bank of China from time to time. The term of the Existing Loan is 36 months from the date of the relevant drawdown. The Existing Loan Agreement constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and further details can be found in the announcement issued by the Company on July 24, 2019. The Existing Loan has been drawn down in full by Jinhua Hospital.

LISTING RULES IMPLICATIONS

As the borrower under the Loan Agreement (Jinhua Hospital) is the same as that under the Existing Loan Agreement which was entered into and completed within 12 months prior to the execution of the Loan Agreement, the transactions under the Loan Agreement and the Existing Loan Agreement shall be aggregated as a series of transactions under Rule 14.22 of the Listing Rules.

As one of the applicable percentage ratios in respect of the Loan, when aggregated with the transactions under the Existing Loan Agreement, 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 reporting and announcement requirements 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;
“Business Day”	a day other than a Saturday, Sunday or public holiday in the PRC;
“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;
“Existing Loan”	the loan in a principal amount of RMB80 million granted by the Company to Jinhua Hospital pursuant to the Existing Loan Agreement;

“Existing Loan Agreement”	the loan agreement entered into between the Company as lender and Jinhua Hospital as borrower on July 24, 2019, pursuant to which the Company conditionally agreed to grant the Existing Loan to Jinhua Hospital via subsidiaries of the Company in the PRC;
“First Installment”	the first installment of the Loan, in a principal amount of RMB25 million to be granted by Tibet Dazi to Jinhua Hospital pursuant to the Loan Agreement;
“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 a principal amount of RMB45 million to be granted by Tibet Dazi to Jinhua Hospital pursuant to the Loan Agreement;
“Loan Agreement”	the loan agreement entered into on May 19, 2020 between Tibet Dazi as lender and Jinhua Hospital as borrower, pursuant to which Tibet Dazi has conditionally agreed to grant the Loan to Jinhua Hospital;
“Medical Insurance Payment”	medical insurance payment for the period from July 1, 2018 to December 31, 2019;
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules;
“Performance Bonus”	performance bonus payable to Jinhua Hospital’s employees for April 2020;
“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;
“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;
“Second Installment”	the second installment of the Loan, in a principal amount of RMB20 million to be granted by Tibet Dazi to Jinhua Hospital pursuant to the Loan Agreement;

“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tibet Dazi”	Tibet Dazi Honghe Ruixin Business Management Co., Ltd.* (西藏達孜弘和瑞信企業管理有限公司), a company incorporated in the PRC with limited liability, which is indirectly owned as to 77% by the Company;
“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, May 19, 2020

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; Mr. DANG Jinxue, Mr. SHI Luwen and Mr. ZHOU Xiangliang being the independent non-executive Directors.

* For identification purpose only