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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 November 20, 2020, the Loan Agreement was entered into between Tibet Honghe Zhiyuan, a 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 Honghe Zhiyuan has conditionally agreed to grant the Loan to Jinhua Hospital for an availability period of three years.

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 its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the borrower under the Loan Agreement is the same as that under the Existing Loan Agreements which were entered into and/or completed within 12 months prior to the execution of the Loan Agreement, for the calculation of the applicable percentage ratios under Rule 14.07 of the Listing Rules, the transactions under the Loan Agreement and the Existing Loan Agreements shall be aggregated as a series of transactions under Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Loan, when aggregated with the transactions under the Existing Loan Agreements, is more than 5% but 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 November 20, 2020, Tibet Honghe Zhiyuan entered into the Loan Agreement with Jinhua Hospital, pursuant to which, Tibet Honghe Zhiyuan has conditionally agreed to grant the Loan to Jinhua Hospital for a term of one year 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** : November 20, 2020
- Parties** : (1) Tibet Honghe Zhiyuan as lender; and
(2) Jinhua Hospital as borrower.
- Amount of the Loan** : Up to RMB100 million of credit limit. During the availability period and with the consent of Tibet Honghe Zhiyuan, Jinhua Hospital may make revolving drawdown and repayment within the credit limit based on its needs.
- Availability Period** : Jinhua Hospital shall apply for drawdown within three (3) years from the date of signing of the Loan Agreement.
- Term of the Loan** : One year 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** : During the availability period, drawdown could be made based on Jinhua Hospital's needs by serving five (5) prior Business Days' notice to Tibet Honghe Zhiyuan.
- Permitted use of the Loan:** Unless with Tibet Honghe Zhiyuan's prior written consent, Jinhua Hospital shall only use the principal amount of the Loan for (i) settlement of the working capital needs of Jinhua Hospital, including but not limited to payment of staff remuneration, purchase of medicine and consumables; (ii) repayment of bank loans that are due; and (iii) procurement of medical equipment and facilities.

- Conditions precedent** : The drawdown of the Loan is conditional upon the fulfillment of the following conditions:
- (1) the due execution of the Loan Agreement by Jinhua Hospital and Tibet Honghe Zhiyuan;
 - (2) all representations and warranties made by Jinhua Hospital in the Loan Agreement or in connection therewith being true, correct and accurate;
 - (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 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 Honghe Zhiyuan having complied with the requirements under all applicable laws;
 - (4) no material adverse change having occurred since the execution of the Loan Agreement; and
 - (5) Jinhua Hospital having served on Tibet Honghe Zhiyuan drawdown application and evidence proving the use of proceeds of such drawdown five (5) Business Days prior to the intended date of drawdown (including but not limited to medicine procurement agreements, orders, evidence of proof concerning the calculation of salary or other evidence to the satisfaction of Tibet Honghe Zhiyuan), and having obtained the consent of Tibet Honghe Zhiyuan.
- Repayment** : The Loan shall be repayable on the expiry date of the term of the Loan, which shall be one year 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 served on Tibet Honghe Zhiyuan five (5) Business Days' prior written notice specifying the amount to be prepaid and the date on which prepayment is to be made;
 - (2) Jinhua Hospital shall on the date of prepayment pay all accrued interest to Tibet Honghe Zhiyuan on the prepaid amount upon Tibet Honghe Zhiyuan's request; and
 - (3) Tibet Honghe Zhiyuan has agreed to such prepayment.

- Termination** : Upon occurrence of any of the following termination events, the Loan Agreement shall terminate immediately upon being notified by Tibet Honghe Zhiyuan and Jinhua Hospital shall repay the entire sum of the Loan and all accrued interest immediately upon Tibet Honghe Zhiyuan's request, as well as fully indemnify any loss suffered by Tibet Honghe Zhiyuan 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 Jinhua Hospital's assets;
 - (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 of its representation, warranty, assurance or obligation 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 Honghe Zhiyuan (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 its 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, consumables and medical equipment, amount of relevant bank loans to be due, as well as the estimated amount needed for the payment of staff salary.

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 HONGHE ZHIYUAN, THE GROUP AND JINHUA HOSPITAL

Tibet Honghe Zhiyuan

Tibet Honghe Zhiyuan was incorporated in the PRC with limited liability and is owned as to 100% by the Company. Tibet Honghe Zhiyuan principally engages in management and consultation 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.

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 the 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 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

Delay in receipt of the Medical Insurance Payment from the PRC government department affects daily operation of Jinhua Hospital

There has been a delay in Jinhua Hospital's receipt of the Medical Insurance Payment from the PRC government department. The Medical Insurance Payment could provide capital required for ordinary operation of Jinhua Hospital, and thus the delay in receipt would lead to a temporary cash flow shortfall for Jinhua Hospital to sustain its daily operation (including the procurement of medicine and consumables, payment of performance bonus and repayment of bank loans due) as well as to purchase medical equipment and facilities. As such, Jinhua Hospital needs to source additional funding to sustain its effective daily operation and the procurement of medical equipment. It also intends to use proceeds from the Loan to procure medicine and consumables required, pay for the performance bonus, repay bank loans due and procure medical equipment and facilities.

Providing commercial and operational benefits to the Company and Jinhua Hospital

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. Procurement of medicine and consumables as well as punctual repayment of bank loans are critical to the basic daily operation of Jinhua Hospital. Payment of performance bonus will motivate staff and thus enhance the medical service quality provided by Jinhua Hospital, while the procurement of state-of-art medical equipment and facilities will boost Jinhua Hospital's operating efficiency and capability, which will in turn increase the operating revenue of Jinhua Hospital and enlarge the revenue base of the Group.

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 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.

Besides, Jinhua Hospital's risk of default is relatively low as Jinhua Hospital expects to receive the Medical Insurance Payment in accordance with the timing arrangement of local finance department. Since the medical insurance fee in Jinhua region exceeds the annual budget, and the adjustment of which is subject to the approval of the Standing Committee of the People's Congress of Jinhua city. The Standing Committee of the People's Congress of Jinhua city has just approved the adjustment of budget at the end of October 2020, and the Medical Insurance Payment is expected to be appropriated by the end of 2020 for the repayment of the Loan (including accrued interest). Further, the Group can gain access to Jinhua Hospital's financial information and accounts, and effectively guide its daily operation 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, its terms 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.

EXISTING LOAN AGREEMENTS

On July 24, 2019, the Company entered into the First Existing Loan Agreement with Jinhua Hospital, pursuant to which the Company has conditionally agreed to grant the First Existing Loan to Jinhua Hospital 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 First Existing Loan is 36 months from the date of the relevant drawdown of such loan. The First Existing Loan Agreement constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and further details can be referred to in the announcement issued by the Company on July 24, 2019. The First Existing Loan has been drawn down in full by Jinhua Hospital.

On May 19, 2020, Tibet Dazi, an indirect non wholly-owned subsidiary of the Company, entered into the Second Existing Loan Agreement with Jinhua Hospital, pursuant to which Tibet Dazi has conditionally agreed to grant the Second Existing Loan to Jinhua Hospital at the interest rate of 4.79% 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 Second Existing Loan is 90 days from the date of the relevant drawdown of such loan. The Second Existing Loan Agreement constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and further details can be referred to in the announcement issued by the Company on May 19, 2020. The first instalment of the Second Existing Loan amounting to RMB25 million has been drawn down and repaid in full by Jinhua Hospital, whereas the second instalment of the Second Existing Loan amounting to RMB20 million has not been drawn down and is no longer available for drawdown under the terms of the Second Existing Loan Agreement.

LISTING RULES IMPLICATIONS

As the borrower under the Loan Agreement is the same as that under the Existing Loan Agreements which were entered into and/or completed within 12 months prior to the execution of the Loan Agreement, for the calculation of the applicable percentage ratios under Rule 14.07 of the Listing Rules, the transactions under the Loan Agreement and the Existing Loan Agreements shall be aggregated as a series of transactions under Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Loan, when aggregated with the transactions under the Existing Loan Agreements, is more than 5% but 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 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 Agreements”	the First Existing Loan Agreement and the Second Existing Loan Agreement;
“First Existing Loan”	the loan in a principal amount of RMB80 million granted by the Company to Jinhua Hospital pursuant to the First Existing Loan Agreement;
“First Existing Loan Agreement”	the loan agreement entered into between the Company as lender and Jinhua Hospital as borrower on July 24, 2019, the details of which could be referred to in the announcement issued by the Company on July 24, 2019;
“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 revolving loan in the maximum principal amount of RMB100 million to be granted by Tibet Honghe Zhiyuan to Jinhua Hospital pursuant to the Loan Agreement;

“Loan Agreement”	the loan agreement entered into between Tibet Honghe Zhiyuan as lender and Jinhua Hospital as borrower on November 20, 2020, pursuant to which Tibet Honghe Zhiyuan has conditionally granted 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;
“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 Existing Loan”	the loan in a principal amount of RMB45 million granted by Tibet Dazi to Jinhua Hospital pursuant to the Second Existing Loan Agreement;
“Second Existing Loan Agreement”	the loan agreement entered into between Tibet Dazi as lender and Jinhua Hospital as borrower on May 19, 2020, the details of which could be referred to the announcement issued by the Company on May 19, 2020;
“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;
“Tibet Honghe Zhiyuan”	Tibet Honghe Zhiyuan Business Management Co., Ltd.* (西藏弘和志遠企業管理有限公司), a company incorporated in the PRC with limited liability, which is owned as to 100% 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
Chen Shuai
Chairman

Beijing, China, November 20, 2020

As at the date of this announcement, the Directors of the Company are Mr. CHEN Shuai and Mr. LU Wenzuo being the executive Directors; Mr. SU Zhiqiang, Ms. SHI Wenting, Ms. LIU Lu and Ms. WANG Nan being the non-executive Directors; and Mr. DANG Jinxue, Mr. SHI Luwen and Mr. ZHOU Xiangliang being the independent non-executive Directors.

* For identification purpose only