

# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

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

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## Hospital Corporation of China Limited

弘和仁愛醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3869)

### CONNECTED TRANSACTION PROPOSED ALTERATION OF TERMS OF THE CONVERTIBLE BONDS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser  
to the Independent Board Committee and the Independent Shareholders



Alliance Capital Partners Limited  
同人融資有限公司

All capitalized terms used in this circular have the meanings set out in the section "Definitions" of this circular. A letter from the Board is set out on pages 6 to 22 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this circular. A letter of advice from Alliance Capital to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-17 of this circular.

A notice convening the EGM to be held at 1602, Tower B, Jin Qiu International Building, No. 6, Zhichun Road, Haidian District, Beijing, PRC on February 22, 2021 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.hccihhealthcare.com>).

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions stated thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish. In such event, the form of proxy should be deemed to be revoked.

#### PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the Shareholders, staff and other stakeholders, and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

1. Compulsory screening or checks of body temperatures
2. Compulsory wearing of surgical face masks
3. No provision of refreshments
4. No distribution of corporate gifts

To the extent permitted under law, the Company reserves the right to deny any person entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

For the health and safety of the Shareholders, staff and other stakeholders, the Company would like to encourage the Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person.

January 29, 2021

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## PRECAUTIONARY MEASURES FOR THE EGM

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In view of the ongoing COVID-19 pandemic and the heightened requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

1. Compulsory body temperature screening or checks will be carried out on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37 degrees Celsius or who is exhibiting flu-like symptoms may be denied entry into the EGM venue and be requested to leave the EGM venue.
2. Every attendee will be required to wear a surgical face mask throughout the EGM. Please note that no surgical face masks will be provided at the EGM venue and attendees should bring and wear their own surgical face masks.
3. No refreshments will be served to attendees at the EGM.
4. No corporate gifts will be distributed to attendees at the EGM.

Attendees are requested to observe and practice good personal hygiene at all times at the venue of the EGM.

To the extent permitted under law, the Company reserves the right to deny any person entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders, staff and other stakeholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, staff and other stakeholders, the Company would like to encourage the Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders' rights.

**Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently wish.**

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## DEFINITIONS

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

“Alteration of Terms”	the proposed alteration of certain terms of the Convertible Bonds as contemplated under the Deed of Amendment
“Anhui Zhong’an”	Anhui Zhong’an Health Investment Management Co., Ltd. (安徽中安健康投資管理有限公司)
“Anhui Zhong’an LP”	Anhui Zhong’an Health Elderly Care Services Industry Investment Partnership (Limited Partnership) (安徽省中安健康養老服務產業投資合夥企業(有限合夥))
“Articles”	the memorandum and articles of association of the Company
“Board”	the board of directors of the Company
“Bondholder(s)”	at any time the person who is (are) for the time being the registered holder(s) of the Convertible Bonds
“Business Day”	a day other than a Saturday, Sunday or public holiday in Hong Kong and the PRC when commercial banks in Hong Kong and the PRC are open for business
“close associate”	has the meaning ascribed to it under the Listing Rules
“Closing Date”	March 5, 2018, being the date of completion of the Subscription in accordance with the terms of the Subscription Agreement
“Company”	Hospital Corporation of China Limited (弘和仁愛醫療集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 3869)
“Conditions Precedent”	the conditions precedent set out in the paragraph headed “Conditions Precedent” of this circular
“connected person(s)”, “core connected person(s)”	each has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Conversion Price”	the price at which Conversion Shares will be issued upon conversion of the Convertible Bonds, as more particularly described in the paragraph headed “Conversion Price” of this circular
“Conversion Rights”	the right of a Bondholder to convert any Convertible Bonds into Shares, as more particularly described in the paragraph headed “Conversion Rights” of this circular
“Conversion Share(s)”	the Share(s) to be allotted and issued by the Company upon conversion of the Convertible Bonds, as more particularly described in the paragraph headed “Conversion Shares” of this circular
“Convertible Bond(s)”	the convertible bond(s) with an aggregate principal amount of HK\$468,000,000 issued by the Company on March 5, 2018 pursuant to the Subscription Agreement and constituted by the Convertible Bonds Instrument
“Convertible Bonds Instrument”	the convertible bond instrument executed by the Company on March 5, 2018 for the issue by the Company of the Convertible Bonds
“Deed of Amendment”	the deed of amendment entered into between the Company and Vanguard Glory on December 17, 2020 in relation to the alteration of certain terms of the Convertible Bonds
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the Deed of Amendment, the Alteration of Terms contemplated thereunder and the Specific Mandate
“Extended CB Maturity Date”	December 29, 2023
“Group”	the Company and its subsidiaries
“Hefei Kangyang”	Hefei Kangyang Capital Management Partnership (Limited Partnership) (合肥康養資本管理合夥企業(有限合夥))

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“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 under the laws of the Cayman Islands
“Hony Fund VIII”	Hony Capital Fund VIII (Cayman), L.P., an exempted limited partnership formed under the laws of the Cayman Islands
“Hony Fund VIII Convertible Bond(s)”	the convertible bond(s) with an aggregate principal amount of HK\$773,879,717 issued by the Company to Hony Fund VIII on August 7, 2018
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors which has been established by the Board to advise the Independent Shareholders pursuant to the Listing Rules
“Independent Financial Adviser” or “Alliance Capital”	Alliance Capital Partners Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation Deed of Amendment, the Alteration of Terms contemplated thereunder and the Specific Mandate
“Independent Shareholders”	the Shareholders other than those that are required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
“Last Trading Day”	December 16, 2020, being the last full Trading Day immediately prior to the date of entering into the Deed of Amendment

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## DEFINITIONS

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“Latest Practicable Date”	January 22, 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Leap Wave”	Leap Wave Limited (立濤有限公司), a company incorporated in the British Virgin Islands limited by shares, a wholly-owned subsidiary of Legend Holdings
“Legend Holdings”	Legend Holdings Corporation (聯想控股股份有限公司), a company incorporated in the People’s Republic of China as a joint-stock company with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 3396)
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LW Convertible Bond(s)”	the convertible bond(s) with an aggregate principal amount of HK\$800,000,000 issued by the Company to Leap Wave on February 27, 2019
“PRC” or “China”	The People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Public Float”	the Shares held in the public hands, including the Shares beneficially owned by the Shareholders other than any core connected person of the Company or any person whose acquisition of securities has been financed directly or indirectly by such core connected person or who is accustomed to taking instructions in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in his name or otherwise held by him
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shareholder(s)”	the holders of Share(s) of the Company

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## DEFINITIONS

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“Share(s)”	the ordinary share(s) of HK\$0.001 each in the issued share capital 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
“Subscription Agreement”	the subscription agreement dated January 25, 2018 entered into between the Company and Vanguard Glory for the subscription of the Convertible Bonds
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Trading Day”	a day on which trading of the Shares is conducted on the Stock Exchange in accordance with the rules and regulations of the Stock Exchange promulgated from time to time
“Vanguard Glory”	Vanguard Glory Limited (譽鋒有限公司), a company incorporated in the British Virgin Islands as a limited liability company and the immediate holding company that holds approximately 70.19% issued share capital of the Company as at the Latest Practicable Date
“%”	per cent.

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



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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Chen Shuai (*Chairman and  
Acting Chief Executive Officer*)  
Mr. Lu Wenzuo

*Non-executive Directors:*

Mr. Su Zhiqiang  
Ms. Shi Wenting  
Ms. Liu Lu  
Ms. Wang Nan

*Independent Non-executive Directors:*

Mr. Dang Jinxue  
Mr. Shi Luwen  
Mr. Zhou Xiangliang

*Registered Office:*

Maples Corporate Services Limited  
PO Box 309, Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

*Head Office in the PRC:*

1602, Tower B  
Jin Qiu International Building  
No. 6, Zhichun Road, Haidian District  
Beijing, PRC

*Principal Place of Business  
in Hong Kong:*

Suite 10, 70/F  
Two International Finance Centre  
No. 8 Finance Street  
Central, Hong Kong

January 29, 2021

*To the Shareholders*

Dear Sir/Madam,

### CONNECTED TRANSACTION PROPOSED ALTERATION OF TERMS OF THE CONVERTIBLE BONDS

#### 1. INTRODUCTION

Reference is made to (i) the announcement of the Company dated January 25, 2018 and the circular of the Company dated February 13, 2018 in relation to the issue of Convertible Bonds under specific mandate; and (ii) the announcement of the Company dated December 17, 2020 in relation to the Alteration of Terms pursuant to the Deed of Amendment.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further details of the Deed of Amendment and the Alteration of Terms contemplated thereunder; (ii) further details of the Specific Mandate; (iii) a letter of recommendation from the Independent Board Committee in relation to the Deed of Amendment, the Alteration of Terms contemplated thereunder and the Specific Mandate; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Deed of Amendment, the Alteration of Terms contemplated thereunder and the Specific Mandate; and (v) a notice of the EGM.

### **2. PROPOSED ALTERATION OF TERMS OF THE CONVERTIBLE BONDS**

#### **Background**

Reference is made to the announcement of the Company dated January 25, 2018 and the circular of the Company dated February 13, 2018. On January 25, 2018 the Company and Vanguard Glory entered into the Subscription Agreement pursuant to which, among other things, the Company agreed to issue and Vanguard Glory agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$468,000,000 for a total consideration equal to the aggregate principal amount of the Convertible Bonds. The Convertible Bonds were issued to Vanguard Glory on March 5, 2018.

As at the Latest Practicable Date, the Convertible Bonds remain outstanding in full and will mature on March 5, 2021 pursuant to the existing terms and conditions of the Convertible Bonds.

#### **Deed of Amendment**

On December 17, 2020 (after trading hours of the Stock Exchange), in accordance with the terms and conditions of the Convertible Bonds, the Company and Vanguard Glory entered into the Deed of Amendment to alter certain terms of the Convertible Bonds subject to and effective from fulfilment of the Conditions Precedent.

Pursuant to the Alteration of Terms:

- (i) the maturity date of the Convertible Bonds shall be extended from March 5, 2021 to December 29, 2023 (i.e. the Extended CB Maturity Date); and
- (ii) in the event that the Shares cease to be listed or admitted to trading on the Stock Exchange, each Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem, in whole or in part (i.e. rather than in whole only), such Bondholder's Convertible Bonds.

Save as revised by the Alteration of Terms, all of the terms and conditions of the Convertible Bonds remain unchanged and in full force.

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## LETTER FROM THE BOARD

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### Condition Precedent

The Alteration of Terms pursuant to the Deed of Amendment will only become effective upon all of the following conditions having been fulfilled:

- (i) the Company having obtained from the Independent Shareholders all necessary approvals required under the Articles, applicable laws and the Listing Rules in respect of the Alteration of Terms;
- (ii) the Stock Exchange having approved the Alteration of Terms; and
- (iii) the Stock Exchange granting its approval for the listing of, and permission to deal in, the Conversion Shares fall to be issued upon exercise of the Conversion Rights attached to the Convertible Bonds as amended by the Deed of Amendment.

If any of the Conditions Precedent shall not have been fulfilled by March 5, 2021 or such later date as the parties to the Deed of Amendment may agree, the Deed of Amendment shall automatically terminate and (without prejudice to the rights and/or obligations of any party in respect of any antecedent breach) the parties thereto shall be released and discharged from their respective obligations under the Deed of Amendment.

### Principal terms of the Convertible Bonds immediately after the Alteration of Terms

The principal terms of the Convertible Bonds (as revised by the Alteration of Terms) are as follows:

Issuer	:	the Company
Principal Amount	:	HK\$468,000,000
Issue Price	:	100% of the principal amount
Form and Denomination	:	Convertible Bonds are issued in registered form in the denomination of HK\$1,000,000 each.
Maturity Date	:	The Extended CB Maturity Date
		The Company has no right to extend the maturity date of the Convertible Bonds unless consent is obtained from the Bondholder(s) to amend the Convertible Bonds Instrument in accordance with the terms therein.
Interest	:	The Convertible Bonds do not bear any interest.

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## LETTER FROM THE BOARD

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Conversion Rights : Subject to the restrictions set out below, Bondholder shall have the right to convert the Convertible Bonds into Shares at any time on or after the Closing Date up to the Extended CB Maturity Date at the discretion of such Bondholder.

Restriction on Conversion : No conversion of the Convertible Bonds shall take place if and to the extent that, immediately following such conversion, the Company would be in breach of its obligations under the minimum Public Float requirement under the Listing Rules.

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) If and whenever there shall be an alteration of the nominal amount of the Shares by reason of consolidation, sub-division or re-classification of Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

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## LETTER FROM THE BOARD

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- (b) If and whenever the Company shall issue any Shares credited as fully paid (other than in lieu of cash dividend) by way of capitalization of profits or reserves of the Company and which would not have constituted a capital distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (c) If and whenever the Company shall pay or make any capital distribution to the Shareholders (except where the Conversion Price falls to be adjusted under (b) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such capital distribution by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the current market price of one Share on the last Trading Day preceding the date on which the capital distribution is publicly announced; and

B is the fair market value on the date of such announcement of the portion of the capital distribution attributable to one Share.

Such adjustment shall become effective on the date that such capital distribution is made.

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## LETTER FROM THE BOARD

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- (d) If and whenever the Company shall pay or make any dividend or distribution, whether of cash, assets or other property to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such dividend by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the current market price of one Share on the last Trading Day preceding the date on which the dividend is publicly announced; and

B is the fair market value on the date of such announcement of the portion of the cash distribution attributable to one Share.

Such adjustment shall become effective on the date that such dividend is paid.

- (e) If and whenever the Company shall issue Shares by way of rights, or issue or grant any options, warrants or other rights to subscribe for or purchase any Shares by way of rights, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Shares in issue immediately before such announcement;

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## LETTER FROM THE BOARD

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B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would purchase at such current market price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

- (f) If and whenever the Company shall issue other securities by way of rights, or issue or grant any options, warrants or other rights to subscribe for or purchase or otherwise acquire any securities by way of rights, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the current market price of one Share on the last Trading Day preceding the date on which the issue or grant is publicly announced; and

B is the fair market value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

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## LETTER FROM THE BOARD

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- (g) If and whenever there is any modification of rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities arising from a conversion or exchange of other existing securities so that the consideration per Share is less than 95% of the current market price, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into, or rights of exchange or subscription for, or purchase or acquisition of, Shares which have been issued by the Company for the purposes of, or in connection with, such issue, less the number of Shares so issued);

B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at such current market price per Share or, if lower, the existing conversion, exchange, subscription or purchase price of such securities; and

C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription or purchase price or rate but giving credit in such manner as one leading investment bank of international repute (acting as expert), selected by the Company and approved by an ordinary resolution of the Bondholders, consider appropriate (if at all) for any previous adjustment under this paragraph (g).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such securities.



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## LETTER FROM THE BOARD

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- (h) If and whenever there is an issue, sale or distribution of any securities in connection with an offer by or on behalf of 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 (except where the Conversion Price falls to be adjusted under paragraphs (e) and (f) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the current market price of one Share on the last Trading Day preceding the date on which such issue is publicly announced; and

B is the fair market value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities.

- (i) If either (i) the rights of conversion, exchange, purchase or subscription attaching to any options, rights or warrants to subscribe for or purchase Shares or any securities convertible into or exchangeable for Shares or the rights carried by such securities to subscribe for or purchase Shares are modified (other than pursuant to the existing terms and conditions of such options, rights, warrants or securities); or (ii) there are circumstances that in the Company's view would have an effect on the position of the Bondholders as a class compared with the position of the holders of all other securities of the Company. In any such case, the Company shall at its own expense request one leading investment bank of international repute (acting as expert, selected by the Company and approved by an ordinary resolution of the Bondholders) to determine as soon as practicable matters such as what adjustment (if any) to the Conversion Price is fair and reasonable and the date on which such adjustment (if any) should take effect.

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## LETTER FROM THE BOARD

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

In the event that the Shares cease to be listed or admitted to trading on the Stock Exchange, each Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem, in whole or in part, such Bondholder's Convertible Bonds.

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

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

Transferability : The Convertible Bonds shall be assigned or transferred with prior written consent of the Company, save where such transfer is made to an Affiliate of the Bondholder. 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, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with the Bondholder.

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

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

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## LETTER FROM THE BOARD

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### Conversion Price

The initial Conversion Price is HK\$18.00 per Conversion Share (subject to adjustments as set out above in the paragraph headed “**Adjustments to Conversion Price**”). This represents:

- (a) a premium of approximately 68.54% over the closing price of HK\$10.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 65.14% over the closing price of HK\$10.90 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 63.64% over the average closing price of approximately HK\$11.00 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;
- (d) a premium of approximately 63.49% over the average closing price of approximately HK\$11.01 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; and
- (e) a premium of approximately 63.34% over the average closing price of approximately HK\$11.02 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.

The Conversion Price was determined when the Subscription Agreement was entered into on January 25, 2018, after arm’s length negotiations between the Company and the Bondholder with reference to a number of factors, including, among other things, the then trading price and trading volume of the Shares on the Stock Exchange, and the then assets, liabilities, financial performance, business condition and future prospects of the Company.

### Conversion Shares

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

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

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.

## LETTER FROM THE BOARD

### Specific Mandate

The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the EGM. Vanguard Glory will abstain from voting on the resolutions in respect of the Specific Mandate. The Specific Mandate will be valid from the date of passing of the relevant resolutions at the EGM and will cease to be effective if any Conditions Precedent has not been satisfied on or prior to March 5, 2021 or such later date as the parties to the Deed of Amendment may agree. In such case, the Company will comply with the applicable Listing Rules, and seek approval from its Shareholders or Independent Shareholders where required.

### Listing

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

### 3. CHANGES IN SHAREHOLDING STRUCTURE

Assuming there being no change in the share capital and shareholding structure of the Company before the exercise of the Conversion Rights attached to the Convertible Bonds other than the allotment and issue of the Conversion Shares issuable under the Convertible Bonds, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon full conversion of the Convertible Bonds only at the initial Conversion Price; and (iii) immediately upon full conversion of the Convertible Bonds, the Hony Fund VIII Convertible Bonds and the LW Convertible Bonds at their respective initial conversion price, is as follows:

Shareholders	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bonds only at the initial Conversion Price		Immediately upon full conversion of the Convertible Bonds, the Hony Fund VIII Convertible Bonds and the LW Convertible Bonds at their respective initial conversion price <sup>1</sup>	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Vanguard Glory <sup>2</sup>	97,000,000	70.19	123,000,000	74.91	123,000,000	50.64
Hony Fund VIII <sup>2</sup>	0	0.00	0	0.00	38,693,985	15.93
Leap Wave <sup>3</sup>	0	0.00	0	0.00	40,000,000	16.47
Public Shareholders <sup>4</sup>	41,194,000	29.81	41,194,000	25.09	41,194,000	16.96
Total	<u>138,194,000</u>	<u>100.00</u>	<u>164,194,000</u>	<u>100.00</u>	<u>242,887,985</u>	<u>100.00</u>

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## LETTER FROM THE BOARD

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### *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, the Hony Fund VIII Convertible Bonds and the LW Convertible Bonds, their respective conversion rights may only be exercised to the extent that, immediately after such conversion, the Company will continue to be able to satisfy the Public Float requirement under the Listing Rules.
2. As at the Latest Practicable Date, the Company is held as to approximately 70.19% by Vanguard Glory, a wholly-owned subsidiary of Hony Fund V, which is ultimately managed by Hony Capital Fund V GP Limited. Hony Fund VIII is ultimately 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 wholly-owned by Hony Group Management Limited and are investment management companies of Hony Capital.
3. As at the Latest Practicable Date, Leap Wave is wholly-owned by Legend Holdings and is not a connected person of the Company under Chapter 14A of the Listing Rules.
4. Ms. Liu Lu, a Director, is deemed to be, through Hefei Kangyang and Anhui Zhong'an, interested in 9,098,800 Shares (the **"Deemed Interest"**) held by Anhui Zhong'an LP as at the Latest Practicable Date for the purpose of Part XV of the SFO. For further details, please refer to the section headed "General Information – 2. Disclosure of Interests of Directors" in this circular. Notwithstanding the Deemed Interest, to the Company's knowledge, Ms. Liu Lu (i) is not directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at a meeting of the investment committee of Anhui Zhong'an (the **"Investment Committee"**), which is the governance body that makes investment decisions in respect of Anhui Zhong'an LP; (ii) is not able to control the composition of a majority of the Investment Committee; (iii) does not have actual control over the investment decisions of Anhui Zhong'an LP; and (iv) is only effectively entitled to the economic interest in respect of an insignificant percentage (below 1%) of the Company's total issued share capital (the **"Effective Interest"**). For these reasons, Anhui Zhong'an LP does not fall within the meaning of "close associate" of Ms. Liu Lu under the Listing Rules and is therefore not a "core connected person" of the Company. Accordingly, all of the Shares held by Anhui Zhong'an LP have been counted towards the Public Float of the Company. Even if the Effective Interest is not counted towards the Public Float of the Company, the Company is still able to meet the Public Float requirement under the Listing Rules, (a) as at the Latest Practicable Date and (b) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (assuming there being no change in the share capital and shareholding structure of the Company before the exercise of the Conversion Rights attached to the Convertible Bonds other than the allotment and issue of the Conversion Shares issuable under the Convertible Bonds).

## 4. INFORMATION ON 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 is principally engaged in the hospital management business and general hospital business in China.

## 5. INFORMATION ON VANGUARD GLORY

Vanguard Glory was incorporated in the British Virgin Islands as a limited liability company. Vanguard Glory is a direct wholly-owned subsidiary of Hony Fund V, an exempted limited partnership. The general partner of Hony Fund V is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited. Hony Capital Fund V GP Limited is wholly-owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited and 20% equity interest of which is held by Right Lane Limited, a wholly-owned subsidiary of Legend Holdings. Hony Managing Partners Limited is

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## LETTER FROM THE BOARD

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wholly-owned by Exponential Fortune Group Limited, which in turn is held as to 49% by Mr. Zhao John Huan, as to 25.50% each by Mr. Cao Yonggang and Mr. Xu Minsheng, respectively. Vanguard Glory is an investment vehicle and has not conducted any operating activities since incorporation. Each of Mr. Zhao John Huan, Mr. Cao Yonggang and Mr. Xu Minsheng is a managing partner of Hony Capital. Hony Capital is an investment and management firm whose main businesses include private equity, venture capital and other investments relating to China.

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

### **6. REASONS FOR AND BENEFITS OF THE PROPOSED ALTERATION OF TERMS**

The Convertible Bonds will mature on March 5, 2021 unless further extended. In the event that Vanguard Glory does not exercise its conversion rights, the Company would be expected to have a substantial cash outflow amounting to HK\$468,000,000 (being the principal amount of the Convertible Bonds) in order to redeem the Convertible Bonds.

The extension of the maturity date of the Convertible Bonds to the Extended CB Maturity Date pursuant to the Alteration of Terms will enable the Company to postpone such substantial cash outflow and allow the Group to have more financial flexibility in the deployment of its working capital for its hospital business operations and development, without having to incur additional financing costs to effect immediate repayment. In addition, given the continued impact of the COVID-19 pandemic and the large degree of uncertainty in the economic environment, the holding of sufficient funds will safeguard the Company's ability to cope with such complex environment and satisfy its potential investment needs.

The Company has explored other financing alternatives to raise funds required for redemption of the Convertible Bonds, including but not limited to, bank borrowing and equity financing. However, the Board is of the view that bank borrowings will not improve the financial position of the Company but will incur high financial cost each year. In addition, equity financing alternatives (such as placing of new shares and rights issue) would be time-consuming and result in a dilution on the shareholding of the existing Shareholders.

Further, the existing terms of the Convertible Bonds provide that upon delisting of the Shares, each Bondholder has an option to require the Company to redeem its Convertible Bonds in whole only (i.e. partial redemption is not possible). Pursuant to the Alteration of Terms, each Bondholder will have an additional option to require the Company to redeem part (but not all) of its Convertible Bonds, which could potentially minimize the cash outflow of the Group in those circumstances.

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## LETTER FROM THE BOARD

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Having considered all the relevant factors (in particular, the terms of the Convertible Bonds which do not bear any interest) and in light of the reasons and benefits as set out above, the Directors (including the independent non-executive Directors whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular) consider that the terms and conditions of the Deed of Amendment and the Alteration of Terms contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **7. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company did not conduct any fund raising activities from the issue of equity securities in the twelve-month period immediately preceding the Latest Practicable Date.

### **8. LISTING RULES IMPLICATIONS**

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

The Alteration of Terms constitutes a connected transaction of the Company which is subject to the reporting, announcement, and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Company will comply with the requirements under Chapter 14A of the Listing Rules in respect of the Alteration of Terms, including but not limited to seeking Independent Shareholders’ approval of the Deed of Amendment and Alteration of Terms contemplated thereunder at the EGM.

In addition, pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. Accordingly, an application has been made by the Company to the Stock Exchange for the approval of the Alteration of Terms.

Mr. Chen Shuai is an executive Director, the chairman of the Board and acting chief executive officer of the Company. He has also served as a managing director of Hony Capital since 2011 and currently serves as the deputy general manager of the private equity investment department and a member of the private equity business steering committee of Hony Capital, as well as general manager of Hony Capital’s Shanghai platform. Mr. Chen Shuai, who is deemed to have material interest in the Alteration of Terms by virtue of his positions at Hony Capital, has abstained from voting on the board resolutions passed to approve the Deed of Amendment, the Alteration of Terms contemplated thereunder and the Specific Mandate.



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## LETTER FROM THE BOARD

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### 9. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to give recommendations to the Independent Shareholders on the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of 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.

### 10. EGM

The EGM will be held at 1602, Tower B, Jin Qiu International Building, No. 6, Zhichun Road, Haidian District, Beijing, PRC on February 22, 2021 at 2:00 p.m., during which resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the Specific Mandate. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, except Vanguard Glory (the direct Shareholder of 97,000,000 Shares, representing approximately 70.19% of the issued share capital of the Company as at the Latest Practicable Date), which has material interest in the Deed of Amendment, no Shareholder is required to abstain from voting on the resolutions to approve the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the Specific Mandate at the EGM.

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.hcclhealthcare.com>). Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions stated thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish. In such event, the form of proxy should be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the Company will procure the chairman of the EGM to demand for voting by poll in respect of the ordinary resolutions to be proposed at the EGM in accordance with the Articles. Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, will serve as the scrutineer for the vote-taking.



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## LETTER FROM THE BOARD

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### 11. RECOMMENDATION

Taking into account the reasons set out above, the Board (including the independent non-executive Directors whose views are set out in the section headed “Letter from the Independent Board Committee” in this circular), considers that the terms and conditions of the Deed of Amendment, the Alteration of Terms contemplated thereunder and the Specific Mandate are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the proposed resolutions as set out in the notice of the EGM to approve the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the Specific Mandate.

### 12. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 of this circular; and (ii) the letter of advice from the Independent Financial Adviser set out on pages IFA-1 to IFA-17 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Deed of Amendment and the Alteration of Terms contemplated thereunder and the Specific Mandate, as well as the principal factors considered by it in arriving at its recommendation.

**By order of the Board**  
**Hospital Corporation of China Limited**  
**Chen Shuai**  
*Chairman*



**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)**

January 29, 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION**  
**PROPOSED ALTERATION OF TERMS OF THE CONVERTIBLE BONDS**

We refer to the circular dated January 29, 2021 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to give a recommendation to the Independent Shareholders in respect of the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the Specific Mandate. Alliance Capital has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages IFA-1 to IFA-17 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the Specific Mandate and taking into account the advice from Alliance Capital and the relevant information contained in the letter from the Board, we are of the view that (a) the terms and conditions of the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the Specific Mandate are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and (b) although the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the Specific Mandate are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be presented at the EGM to approve the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the Specific Mandate.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Dang Jinxue**  
*Independent non-executive*  
*Director*

**Mr. Shi Luwen**  
*Independent non-executive*  
*Director*

**Mr. Zhou Xiangliang**  
*Independent non-executive*  
*Director*

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## LETTER FROM ALLIANCE CAPITAL

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*The following is the text of a letter of advice from Alliance Capital Partners Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, prepared for the purpose of inclusion in this circular.*



**Alliance Capital Partners Limited**  
同人融資有限公司

Room 1502-03A, Wing On House  
71 Des Voeux Road Central, Central  
Hong Kong

29 January 2021

*To: The Independent Board Committee and the Independent Shareholders of  
Hospital Corporation of China Limited*

### **CONNECTED TRANSACTION**

### **PROPOSED ALTERATION OF TERMS OF THE CONVERTIBLE BONDS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the Specific Mandate, details of which are set out in the letter from the Board contained in the circular dated 29 January 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 25 January 2018, the Company and Vanguard Glory entered into the Subscription Agreement pursuant to which, among other things, the Company agreed to issue and Vanguard Glory agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$468,000,000 for a total consideration equal to the aggregate principal amount of the Convertible Bonds. The Convertible Bonds were issued to Vanguard Glory on 5 March 2018.

On 17 December, 2020 (after trading hours of the Stock Exchange), in accordance with the terms and conditions of the Convertible Bonds, the Company and Vanguard Glory entered into the Deed of Amendment to alter certain terms of the Convertible Bonds, subject to and effective from fulfilment of the Conditions Precedent. Pursuant to the Alteration of Terms: (i) the maturity date of the Convertible Bonds shall be extended from 5 March 2021 to 29 December 2023 (i.e. the Extended CB Maturity Date); and (ii) in the event that the Shares cease to be listed or admitted to trading on the Stock Exchange, each Bondholder shall have the right, at such Bondholder’s option, to require the Company to redeem, in whole or in part (i.e., rather than in whole only), such Bondholder’s Convertible Bonds. Save as revised by the Alteration of Terms, all the terms of the Convertible Bonds remain unchanged and in full force.

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

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## LETTER FROM ALLIANCE CAPITAL

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of the Listing Rules. The Alteration of Terms constitutes a connected transaction of the Company which is subject to the reporting, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. Accordingly, an application has been made by the Company to the Stock Exchange for the approval of the Alteration of Terms.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Dang Jinxue, Mr. Shi Luwen and Mr. Zhou Xiangliang, has been established to give recommendations to the Independent Shareholders on (i) whether the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the Specific Mandate are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Deed of Amendment is in the ordinary and usual course of Business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the Specific Mandate. We, Alliance Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, we did not have any interests or relationships with the Company that could be reasonably regarded as relevant to the independence of us, and hence are independent from the Company pursuant to Rule 13.84 of the Listing Rules. There was no engagement between the Group and us in the last two years and we are not aware of change in any circumstances that would affect our independence. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we have received or will receive any fees or benefits from the Company or any of its subsidiaries. Accordingly, we consider ourselves eligible to give independent advice in respect of the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the Specific Mandate.

### **BASIS OF OUR ADVICE**

In formulating our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and senior management (collectively, the “**Management**”) of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Management of the Company are true and accurate at the time they were made and will continue to be true and accurate as at the date of the despatch of the Circular.

The Management of the Company collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement contained in

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## LETTER FROM ALLIANCE CAPITAL

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the Circular misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management of the Company. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided to us so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, opinion expressed or representations made by the Management of the Company, nor have we conducted an independent investigation into the business and affairs or the prospects of the Company or the Group.

This letter is issued as our opinion and recommendation to the Independent Board Committee and the Independent Shareholders solely for their consideration of whether the Deed of Amendment, the Alteration of Terms contemplated thereunder, and the grant of the Specific Mandate are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. Save for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our opinion to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors:

#### 1. Background of the Group

##### *Information of the Group*

The Group is principally engaged in the hospital management business and general hospital business in China.

The following tables summarise the financial results of the Group for each of the three financial years ended 31 December 2019 and for the six months ended 30 June 2019 and 2020 as extracted from the Company's respective annual and interim reports:

	Financial year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	("FY2017")	("FY2018")	("FY2019")	("6M2019")	("6M2020")
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
<b>Continuing operations</b>					
Revenue	149,158	383,610	410,883	208,531	180,679
Gross profit	87,838	152,132	173,866	84,443	80,702

## LETTER FROM ALLIANCE CAPITAL

	Financial year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	(“FY2017”)	(“FY2018”)	(“FY2019”)	(“6M2019”)	(“6M2020”)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Profit/(loss) for the year/ period from continuing operations	(3,684)	(23,421)	169,446	94,925	(566,992)
Profit/(loss) for the year/period from discontinued operations	12,882	N/A	N/A	N/A	N/A
Profit/(loss) for the year/period*	9,198	(23,421)	169,446	94,925	(566,992)

\* Profit/(loss) for the year/period representing the profit/(loss) from continuing operations and discontinued operations.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
Cash and cash equivalents	260,787	195,521	836,624	922,493
<i>Borrowings</i>				
– Non-current portion	214,618	173,923	99,658	69,462
– Current portion	23,846	89,692	114,744	145,580
Total borrowings	<u>238,464</u>	<u>263,615</u>	<u>214,402</u>	<u>215,042</u>

### *FY2018 compared to FY2017*

The revenue from continuing operations of the Group increased by approximately 157.2% from approximately RMB149.2 million for FY2017 to approximately RMB383.6 million for FY2018. As disclosed in the annual report for FY2018 (“**Annual Report 2018**”), the increase in the revenue was attributable to (a) revenue and management fees generated or received from the hospitals and hospital management companies acquired by the Group in 2018; and (b) increase in the management service fees received from Shanghai Yangsi Hospital, which is a not-for-profit hospital founded by Shanghai Weikang Investment Management Co., Ltd., a subsidiary of the Company.

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## LETTER FROM ALLIANCE CAPITAL

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In spite of the increase in revenue, according to the Annual Report 2018, the Group recorded a net loss of approximately RMB23.4 million for FY2018, representing a decrease of approximately RMB32.6 million from approximately RMB9.2 million net profit for FY2017. The decrease in net profit was mainly due to (a) amortization charges for management share-based awards; (b) exchange losses and related losses on fair value change due to the translation into Renminbi of the HKD-denominated convertible bonds issued by the Company; (c) amortization arising from acquisition of identified identifiable intangible assets; and (d) expenses and accrued professional service fees resulting from acquisition and potential acquisition of hospitals and hospital management companies and issuance of convertible bonds.

### *FY2019 compared to FY2018*

The revenue of the Group increased by approximately 7.1% from approximately RMB383.6 million for FY2018 to approximately RMB410.9 million for FY2019. According to the annual report for FY2019 (“**Annual Report 2019**”), the increase in revenue was mainly due to (a) increase in management service fees received for providing services to the hospitals acquired in 2018; and (b) increase in revenue resulting from the increase in out-patient and in-patient visits of Jiande Hospital of Traditional Chinese Medicine Co., Ltd., which has been an indirect non-wholly owned subsidiary of the Company since 2018.

The Group recorded an increase in net profit of approximately RMB169.4 million for FY2019, representing an increase of approximately RMB192.8 million from approximately RMB23.4 million net loss for FY2018. As disclosed in the Annual Report 2019, the increase in net profit was as a result of the increase in the revenue as abovementioned and the increase in fair value gains resulting from the change of fair value of convertible bonds of approximately RMB127.8 million.

### *6M2020 compared to 6M2019*

The revenue of the Group decreased by approximately 13.4% from approximately RMB208.5 million for 6M2019 to approximately RMB180.7 million for 6M2020. With reference to the interim report for the six months ended 30 June 2020 (the “**Interim Report 2020**”), the decrease in revenue was mainly attributable to the impact of COVID-19 pandemic, which led to the decrease in the number of out-patient and in-patient visits and the decrease in the management service fees received.

The Group recorded a net loss of approximately RMB567.0 million for 6M2020, representing a decrease of approximately RMB661.9 million from approximately RMB94.9 million net profit for 6M2019. With reference to the Interim Report 2020, the decrease in net profit was mainly as a result of the decrease in revenue as abovementioned and the recognition of impairment losses on intangible assets of approximately



## LETTER FROM ALLIANCE CAPITAL

RMB668.2 million during 6M2020, which was due to the drastic change in macroeconomic conditions as a result of the COVID-19 pandemic. The Group's financial results has been impacted by the COVID-19 pandemic as abovementioned.

### *The unutilised net proceeds from the issuance of convertible bonds*

According to the annual reports of the Group, the Group had the following amounts of unutilised net proceeds from the issuance of convertible bonds with the respective subscribers, Vanguard Glory and Leap Wave Limited (“**Vanguard Convertible Bonds**” and “**LW Convertible Bonds**”):

	As at 31 December			As at
	2017	2018	2019	30 June
	HK\$'000	HK\$'000	HK\$'000	2020
				HK\$'000
<b>Unutilised net proceeds</b>				
Vanguard Convertible				
Bonds	–	62,000	62,000	62,000
LW Convertible Bonds <sup>1</sup>	–	–	800,000	800,000
<i>Total</i>	<u>–</u>	<u>62,000</u>	<u>862,000</u>	<u>862,000</u>

*Note 1:* LW Convertible Bonds were issued on 27 February 2019.

As shown in the above table, the Group had approximately HK\$862 million of unutilised net proceeds as at 30 June 2020 (“**Unutilised Net Proceeds**”), which were deposited in the bank accounts of the Group. As disclosed in the Annual Report 2019 and Interim Report 2020 and as confirmed by the Management, the Unutilised Net Proceeds will be used for acquisition of other hospitals or hospital management businesses by the Group.

### ***Information on the Vanguard Glory***

Vanguard Glory was incorporated in the British Virgin Islands as a limited liability company. Vanguard Glory is an investment vehicle and has not conducted any operating activities since incorporation. As at the Latest Practicable Date, Vanguard Glory, being the direct Shareholder of 97,000,000 Shares (representing approximately 70.19% of the issued share capital of the Company as at the Latest Practicable Date), is a substantial shareholder of the Company. Accordingly, Vanguard Glory is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

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## LETTER FROM ALLIANCE CAPITAL

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### *Reasons for and benefits of the proposed Alteration of Terms*

With reference to the letter from the Board, the Convertible Bonds will mature on 5 March 2021 unless further extended. In the event that Vanguard Glory does not exercise its conversion rights, the Company would be expected to have a substantial cash outflow amounting to HK\$468,000,000 (being the principal amount of the Convertible Bonds) in order to redeem the Convertible Bonds.

The extension of the maturity date of the Convertible Bonds to the Extended CB Maturity Date pursuant to the Alteration of Terms will enable the Company to postpone such substantial cash outflow and allow the Group to have more financial flexibility in the deployment of its working capital for its hospital business operations and development, without having to incur additional financing costs to effect immediate repayment. In addition, given the continued impact of the COVID-19 pandemic and the large degree of uncertainty in the economic environment, the holding of sufficient funds will safeguard the Company's ability to cope with such complex environment and satisfy its potential investment needs.

According to the Interim Report 2020, the Group had approximately HK\$862 million of Unutilised Net Proceeds as at 30 June 2020 which were resulted from the issuance of Vanguard Convertible Bonds and LW Convertible Bonds. Since the Unutilised Net Proceeds will be used for future acquisition of other hospitals and hospital management business, and it will not be used for other purposes, the amount of cash and cash equivalents as at 30 June 2020 (after deducting the Unutilised Net Proceeds) ("**Adjusted Cash and Cash Equivalents**") available for the Group to use for other purposes, such as working capital and repayment of borrowings, would be approximately RMB 134.6 million (assuming the exchange rate of HK\$1= RMB0.914).

The Adjusted Cash and Cash Equivalents of approximately RMB 134.6 million is far from sufficient for the redemption of the Convertible Bonds with the principal amount of HK\$468,000,000. Given that there is a significant cash shortfall of the principal amount of the Convertible Bonds over the Group's Adjusted Cash and Cash Equivalent, the Convertible Bonds bear no interest, and in view of the uncertainty of the economic environment due to impact of COVID-19, the Group is expected to retain available cash and working capital in order to maintain the business operations and development of the Company, we concur with the view of the Directors of the Company that it may not be beneficial to the Group to use the cash on hand to redeem the Convertible Bonds in the short run. We also concur with the view of the Directors of the Company that the extension of the maturity date of the Convertible Bonds to the Extended CB Maturity Date would enable the Group to postpone a substantial cash outflow and allow the Group to maintain financial resources and liquidity in surviving the difficult economic environment due to the impact of COVID-19.

As discussed with the Management of the Company, we understand that the Company has considered other financing alternatives to raise funds required for redemption of the Convertible Bonds, including but not limited to, bank borrowings and

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## LETTER FROM ALLIANCE CAPITAL

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equity financing. However, the bank borrowings will not improve the financial position of the Company and may incur additional interest burden and finance costs on the Group, while the Convertible Bonds bear nil interest which allows the Company to keep the financial resources and liquidity to maintain its business operation. Therefore, it may not be a favourable option for the Group to obtain new debt financing in order to repay the Convertible Bonds.

As stated in the Letter from the Board, the existing terms of the Convertible Bonds provide that upon delisting of the Shares, each Bondholder has an option to require the Company to redeem its Convertible Bonds in whole only (i.e., partial redemption is not possible). Pursuant to the Alteration of Terms, each Bondholder will have an additional option to require the Company to redeem part (but not all) of its Convertible Bonds. We concur with the view of the Directors of the Company that this could potentially minimize the cash outflow of the Group in those circumstances.

We have reviewed the average daily trading volume of the Shares of the Company and noted that the liquidity of Shares has been at a relatively low level over a prolonged period of time, with an average daily trading volume of 138 Shares, 148 Shares, and 1,062 Shares, for the 6 months period, 12 months period, and 24 months period up to and including the Last Trading Day. Given the low liquidity of Shares of the Company as abovementioned and the current volatile market condition under the impact of COVID-19, the procurement of any equity financing is likely to be difficult. In addition, equity financing would be time-consuming, and leading to a dilution on the shareholding of the existing Shareholders. The extension of maturity date of the Convertible Bonds has no immediate dilution effect on the shareholding of the existing Shareholders and the initial Conversion Price represents a premium over the closing price on the Last Trading Day. Furthermore, the initial Conversion Price is above the closing price of the Shares for the past one year prior to and including the Last Trading Day. Therefore, we concur with the view of the Directors of the Company that the extension of the maturity date of the Convertible Bonds to the Extended CB Maturity Date is the most appropriate means.

Having considered the above, we are of the view that although the Deed of Amendment is not in the ordinary and usual course of business of the Company, it is in the interest of the Company and the Shareholders as a whole.

### **2. Principal terms of the Convertible Bonds immediately after the Alteration of Terms**

On 17 December, 2020 (after trading hours of the Stock Exchange), in accordance with the terms and conditions of the Convertible Bonds, the Company and Vanguard Glory entered into the Deed of Amendment to alter certain terms of the Convertible Bonds, subject to and effective from fulfilment of the Conditions Precedent. Pursuant to the Alteration of Terms: (i) the maturity date of the Convertible Bonds shall be extended from 5 March 2021 to 29 December 2023 (i.e. the Extended CB Maturity Date); and (ii) in the event that the Shares cease to be listed or admitted to trading on the Stock Exchange, each Bondholder shall have the right,

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## LETTER FROM ALLIANCE CAPITAL

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at such Bondholder's option, to require the Company to redeem, in whole or in part (i.e., rather than in whole only), such Bondholder's Convertible Bonds. Save as revised by the Alteration of Terms, all of the terms and conditions of the Convertible Bonds remain unchanged and in full force.

Set out below are the principal terms of the Convertible Bonds (as revised by the Alteration of Terms):

Principal Amount: HK\$468,000,000

Issue Price: 100% of the principal amount.

Maturity Date: The Extended CB Maturity Date

The Company has no right to extend the maturity date of the Convertible Bonds unless consent is obtained from the Bondholder(s) to amend the Convertible Bonds Instrument in accordance with the terms therein.

Interest: The Convertible Bonds do not bear any interest.

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

In the event that the Shares cease to be listed or admitted to trading on the Stock Exchange, each Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem, in whole or in part, such Bondholder's Convertible Bonds.

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

For further details of the principal terms of the Convertible Bonds, please refer to "Letter from the Board" in the Circular.

### ***Comparison of Conversion Price with historical Share prices***

The initial Conversion Price is HK\$18.00 per Conversion Share (subject to adjustments). This represents:

- (a) premium of approximately 68.54% over the closing price of HK\$10.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

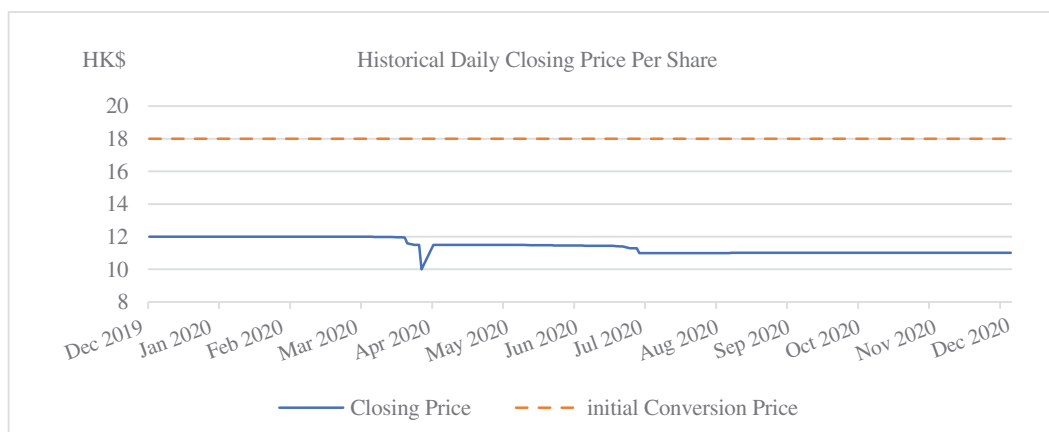
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## LETTER FROM ALLIANCE CAPITAL

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- (b) a premium of approximately 65.14% over the closing price of HK\$10.90 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 63.64% over the average closing price of approximately HK\$11.00 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;
- (d) a premium of approximately 63.49% over the average closing price of approximately HK\$11.01 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; and
- (e) a premium of approximately 63.34% over the average closing price of approximately HK\$11.02 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.

In order to assess the fairness and reasonableness of the initial Conversion Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 17 December 2019 up to and including 16 December 2020 (i.e. the Last Trading Day) (the “**Share Price Review Period**”), being a period of approximately one year prior to and including the Last Trading Day, which we consider such period allows the Independent Shareholders to have a general understanding of recent share price performance of the Shares. The comparison of daily closing prices of the Shares and the Conversion Price is illustrated as follows:



Source: the Stock Exchange's website

During the Share Price Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$12.00 recorded on each of the trading day during the period from 17 December 2019 to 19 March 2020 and HK\$10.00 per Share recorded on 9 April 2020. From July 2020 to the Last Trading Day, the closing prices of the Shares had been relatively stable.

The initial Conversion Price of HK\$18.00 is above the daily closing prices of the Shares as quoted on the Stock Exchange during the entire Share Price Review Period.

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## *Comparison with convertible bonds with extension of maturity date*

We have reviewed the announcements on extension of convertible bonds for their respective maturity for the six months prior and including 16 December 2020, being the date of the Last Trading Day, by companies listed on the Stock Exchange. We consider such period represented recent structure of the extension of convertible bonds in the capital market in Hong Kong and allows the Independent Shareholders to have a general understanding of recent extension of convertible bonds being conducted. On a best effort basis, we identified a list of 11 comparable companies (the “**Extension Comparables**”) and it is exhaustive as far as we are aware of. Summary of the Extension Comparables are set out as below:

No.	Company Name	Stock Code	Date of relevant announcement	Month(s) of extension for the term of maturity	% changes in interest rate	% changes in conversion price
1	Dreameast Group Limited	593	19-Jun-20	12	No	No
2	Suncity Group Holdings Limited	1383	3-Jul-20	24	No	No
3	EJE (Hong Kong) Holdings Limited	8101	3-Jul-20	24	No	No
4	China Fortune Financial Group Limited	290	8-Jul-20	24	No	No
5	China Touyun Tech Group Limited	1332	21-Jul-20	24	71.4	(59.3)
6	China Healthwise Holdings Limited	348	28-Aug-20	24	No	No
7	Global Bio-Chem Technology Group Company Limited	809	25-Sep-20	32	No	No
8	Suncity Group Holdings Limited	1383	15-Oct-20	24	No	No
9	Dreameast Group Limited	593	28-Oct-20	60	NA <sup>Note</sup>	(70.6)
10	Lvgem (China) Real Estate Investment Company Limited	95	18-Nov-20	18	No	No
11	Sino Golf Holdings Limited	361	27-Nov-20	60	No	No
			Min	12	71.4	(70.6)
			Max	60	71.4	(59.3)
			Mean	29.6	71.4	(65.0)
			Median	24	71.4	(65.0)
			The Company	33	No	No

*Source: the announcement of relevant companies published on Stock Exchange’s website*

*Note:* The interest rate of the convertible bond was agreed to increase from 0% to 5% per annum as disclosed in the announcement dated 28 October 2020.

## LETTER FROM ALLIANCE CAPITAL

*(i) Year of extension*

For the Extension Comparables, the extension of maturity ranged from 12 months up to 60 months. The proposed extension of the maturity of the Convertible Bonds of about two years and nine months is within the range of the Extension Comparables.

*(ii) Conversion Price*

As shown in the above table, approximately 81.8% of the Extension Comparables did not have any changes in the conversion price.

*(iii) Interest rate*

As shown in the above table, approximately 81.8% of the Extension Comparables did not have any changes in the interest rate.

Taking into account the principal terms of the Convertible Bonds as highlighted above, we are of the view that the terms of the Deed of Amendment are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

***Comparison with convertible bonds newly issued***

We have reviewed issues of new convertible bonds announced by companies listed on the Stock Exchange for six months prior and including 16 December 2020 (the “**Review Period**”), being the Last Trading Day. We consider such period represented recent structure of the convertible bonds newly issued in the capital market in Hong Kong and allows the Independent Shareholders to have a general understanding of recent issues of convertible bonds being conducted. On a best effort basis, we identified a list of comparables (the “**Comparables**”) which met the said criteria and it is exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparables.

No	Company Name	Stock Code	Date of relevant announcement	Conversion Price	Conversion Price	Interest rate	Term to maturity (Number of months)
				premium over/ (discount to) the closing price on the last trading day prior to the date of agreement	premium over/ (discount to) the closing price on the last five trading day prior to the date of agreement		
				(Approx. %)	(Approx. %)	(% p.a)	
1	3SBio Inc.	1530	17-Jun-20	25.0	31.7	–	60
2	China Automotive Interior Decoration Holdings Limited	48	18-Jun-20	31.6	30.7	0.5	24
3	Link Holdings Limited	8237	21-Jun-20	2.9	1.7	–	60

# LETTER FROM ALLIANCE CAPITAL

No	Company Name	Stock Code	Date of relevant announcement	Conversion Price premium over/ (discount to) the closing price on the last trading day prior to the date of agreement  (Approx. %)	Conversion Price premium over/ (discount to) the closing price on the last five trading day prior to the date of agreement  (Approx. %)	Interest rate  (% p.a)	Term to maturity (Number of months)
4	Polyard Petroleum International Group Limited	8011	28-Jun-20	29.5	31.4	–	12
5	Vobile Group Limited	3738	29-Jun-20	–	15.6	5.0	36
6	Vobile Group Limited	3738	29-Jun-20	8.5	25.5	5.0	36
7	China Logistics Property Holdings Co., Ltd	1589	29-Jun-20	(3.9)	(4.2)	7.0	60
8	Huajun International Group Limited	377	30-Jun-20	246.7	242.0	–	60
9	Styland Holdings Limited	211	16-Jul-20	–	3.8	6.0	36
10	China Beidahuang Industry Group Holdings Limited	39	20-Jul-20	28.2	27.2	12.0	17
11	Value Convergence Holdings Limited	821	24-Jul-20	(4.3)	(4.8)	–	36
12	Shoucheng Holdings Limited	697	27-Jul-20	4.9	7.8	1.0	36
13	Wai Chun Bio- Technology Limited	660	28-Jul-20	–	(9.1)	4.0	36
14	Changyou Alliance Group Limited	1039	29-Jul-20	7.7	4.7	3.5	36
15	Indigo Star Holdings Limited	8373	11-Aug-20	2.7	–	–	12
16	Asia Television Holdings Limited	707	25-Aug-20	275.0	220.5	10.5	36
17	Capital VC Limited	2324	1-Sep-20	52.4	54.5	1.0	36
18	Hao Tian International Construction Investment Group Limited	1341	4-Sep-20	(6.3)	(7.1)	5.0	36
19	Eagle Ride Investment Holdings Limited	901	10-Sep-20	23.5	70.5	8.0	12
20	ESR Cayman Limited	1821	10-Sep-20	27.5	32.1	1.5	60
21	Chinese Strategic Holdings Limited	8089	14-Sep-20	(14.1)	(14.1)	24.0	12
22	China New Higher Education Group Limited	2001	17-Sep-20	8.8	14.6	1.0	12
23	China Ocean Industry Group Limited	651	18-Sep-20	8.7	5.7	10.0	24
24	Wai Chun Bio- Technology Limited	660	21-Sep-20	–	(6.3)	4.0	36
25	Hao Wen Holdings Limited	8019	25-Sep-20	17.6	9.9	0.5	24



# LETTER FROM ALLIANCE CAPITAL

No	Company Name	Stock Code	Date of relevant announcement	Conversion Price premium over/ (discount to) the closing price on the last trading day prior to the date of agreement  (Approx. %)	Conversion Price premium over/ (discount to) the closing price on the last five trading day prior to the date of agreement  (Approx. %)	Interest rate  (% p.a)	Term to maturity (Number of months)
26	Global Mastermind Holdings Limited	8063	25-Sep-20	61.4	63.6	8.0	24
27	Wai Chun Group Holdings Limited	1013	30-Sep-20	5.9	3.5	4.0	36
28	iDreamSky Technology Holdings Limited	1119	7-Oct-20	–	5.9	3.1	60.0
29	China Beidahuang Industry Group Holdings Limited	39	9-Oct-20	42.9	46.2	12.0	14.0
30	China LotSynergy Holdings Limited	1371	9-Oct-20	(9.6)	(10.1)	8.0	24.0
31	QPL International Holdings Limited	243	16-Oct-20	25.0	20.8	–	24.0
32	China Regenerative Medicine International Limited	8158	20-Oct-20	(1.5)	0.5	–	36.0
33	Xinyang Maojian Group Limited	362	28-Oct-20	12.7	11.7	–	36.0
34	Zhou Hei Ya International Holdings Company Limited	1458	28-Oct-20	22.5	20.7	1.0	60.0
35	Zhonghua Gas Holdings Limited	8246	2-Nov-20	8.0	8.1	8.0	36.0
36	Echo International Holdings Group Limited	8218	6-Nov-20	14.9	–	7.0	60.0
37	Wai Hung Group Holdings Limited	3321	6-Nov-20	1.8	0.1	8.0	12.0
38	Grand Field Group Holdings Limited	115	17-Nov-20	2.6	2.8	5.0	18.0
39	Union Medical Healthcare Limited	2138	18-Nov-20	7.8	11.7	2.5	60.0
40	Union Medical Healthcare Limited	2138	18-Nov-20	7.8	11.7	2.5	60.0
41	Union Medical Healthcare Limited	2138	18-Nov-20	1.3	2.3	2.5	60.0
42	Huazhang Technology Holding Limited	1673	24-Nov-20	16.4	(17.6)	12.0	10.0
43	Far East Horizon Limited	3360	24-Nov-20	9.0	7.7	–	60.0
44	Elife Holdings Limited	223	27-Nov-20	29.9	37.0	–	36.0
45	Wai Chun Group Holdings Limited	1013	30-Nov-20	2.0	(10.4)	4.0	60.0
46	Huazhang Technology Holding Limited	1673	1-Dec-20	–	(2.8)	12.0	12.0

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No	Company Name	Stock Code	Date of relevant announcement	Conversion Price premium over/ (discount to) the closing price on the last trading day prior to the date of agreement	Conversion Price premium over/ (discount to) the closing price on the last five trading day prior to the date of agreement	Interest rate (% p.a)	Term to maturity (Number of months)
				(Approx. %)	(Approx. %)		
47	Xiaomi Corporation	1810	2-Dec-20	40.5	39.7	–	84.0
48	Car Inc.	699	3-Dec-20	5.8	6.1	5.0	60.0
49	New Concepts Holdings Limited	2221	14-Dec-20	5.8	11.7	6.0	36.0
			Min	(14.1)	(17.6)	–	10.0
			Max	275.0	242.0	24.0	84.0
			Mean	22.2	21.8	4.5	37.2
			Median	7.8	7.8	4.0	36.0
			The Company	65.14	63.64	–	33.0

*Source: the announcement of relevant companies published on Stock Exchange's website*

### (i) Conversion price

During the Review Period, the conversion prices of the Comparables represent a range of a discount of approximately 14.1% to a premium of approximately 275.0%, with an average and median of premiums of approximately 22.2% and 7.8% over the respective closing price per share on the last trading day prior to the date of the corresponding announcement in relation to the respective issue of Comparables. The initial Conversion Price of HK\$18.00 per Conversion Share, which represents a premium of approximately 65.14% over the closing price of HK\$10.90 per share as quoted on the Stock Exchange on the date of Deed of Amendment, is within the conversion price premium range of the Comparables.

In addition, during the Review Period, the conversion price of the Comparables represent a range of a discount of approximately 17.6% to a premium of approximately 242.0%, with an average and median of premiums of approximately 21.8% and 7.8% over the respective closing price per share on the last five consecutive trading days prior to the date of the corresponding announcement in relation to the respective issue of convertible bonds. The initial Conversion Price of HK\$18.00 per Conversion Share, which represents a premium of approximately 63.64% over the average closing price of HK\$11.00 per share as quoted on the Stock Exchange on the last five consecutive trading days immediately prior to the date of the Deed of Amendment, is within the conversion price premium range of the Comparables.

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## LETTER FROM ALLIANCE CAPITAL

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Given the Conversion Price is within the range of the conversion price of the Comparables over the last trading day and the last five consecutive trading days, we are of the view that the Conversion Price is in line with the prevailing market sentiment. Furthermore, it should be noted that, the above analysis may not be useful as a direct reference to the fairness and reasonableness of the terms of the Convertible Bonds and we have considered the results of the above analysis together with all other factors stated in this letter as a whole in forming our opinion.

*(ii) Interest rate*

As shown in the above table, the interest rates of the Comparables range from nil to approximately 24.0%, with respective average and median of approximately 4.5% and 4.0%. The Convertible Bonds is non-interest bearing.

*(iii) Term to maturity*

The terms to maturity of the Comparables range from 10.0 months to 84.0 months, with respective average and median of approximately 37.2 months and 36.0 months. According to the Deed of Amendment, the Maturity Date is proposed to be extended for two years and nine months, which is within the range of maturity of the Comparables.

Taking into account the principal terms of the Convertible Bonds as highlighted above, we are of the view that the terms of the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the specific mandate are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### 3. Effects of shareholding structure

Assuming there being no change in the share capital and shareholding structure of the Company from the Latest Practicable Date other than the allotment and issue of the Conversion Shares issuable under the Convertible Bonds, the shareholding structure of the Company (i) as at Latest Practicable Date and (ii) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price is as follows:

Shareholders	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Vanguard Glory	97,000,000	70.19	123,000,000	74.91
Public Shareholders	41,194,000	29.81	41,194,000	25.09
Total	<u>138,194,000</u>	<u>100%</u>	<u>164,194,000</u>	<u>100%</u>

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## LETTER FROM ALLIANCE CAPITAL

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As shown in the above table, the the shareholding interests of the existing public Shareholders would be diluted by approximately 4.72 percentage point (the “**Dilution**”) immediately after conversion of the whole of the principal amount of the Convertible Bonds by Vanguard Glory. Taking into account (i) the aforementioned reasons for the Deed of Amendment; and (ii) the terms of the Deed of Amendment being fair and reasonable, we are of the view that the Dilution is justifiable.

### RECOMMENDATION

Having taken into consideration of the factors and reasons as stated above, we are of the opinion that (i) the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the Specific Mandate are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Deed of Amendment is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Deed of Amendment, the Alteration of Terms contemplated thereunder and the grant of the Specific Mandate and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,

For and on behalf of

**Alliance Capital Partners Limited**

**Alyssa Ng**

*Managing Director*

*Ms. Alyssa Ng is licensed person under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and has more than 10 years' experience in participation and advising in various initial public offerings and transactions involving companies listed in Hong Kong, including but not limited to the provision of independent financial advisory services regarding connected transactions.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) to be entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) were as follows:

### Long positions in the Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interests <sup>(2)</sup>
Ms. Liu Lu	Interest in controlled corporation	9,098,800 <sup>(1)</sup>	6.58%

*Notes:*

- (1) Ms. Liu Lu is one of the general partners of Hefei Kangyang, which holds 55% of the equity interest in Anhui Zhong'an. Anhui Zhong'an is the general partner of Anhui Zhong'an LP, which is a limited partnership formed under the laws of the PRC as an investment vehicle and holds approximately 6.58% of the issued share capital of the Company. Ms. Liu Lu is a director of Anhui Zhong'an.
- (2) As at the Latest Practicable Date, the total number of issued shares of the Company was 138,194,000.

Save as disclosed above, as of the Latest Practicable Date, so far as is known to the Directors, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or to be entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### 3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued Shares of the Company:

#### Long positions in the Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of Shares or underlying Shares of the Company	Approximate percentage of shareholding interests <sup>(7)</sup>
Vanguard Glory <sup>(1)</sup>	Beneficial owner	123,000,000	89.01%
Hony Fund V <sup>(2)</sup>	Interest in controlled corporation	123,000,000	89.01%
Hony Capital Fund V GP, L.P. <sup>(2)</sup>	Interest in controlled corporation	123,000,000	89.01%
Hony Capital Fund V GP Limited <sup>(2)</sup>	Interest in controlled corporation	123,000,000	89.01%
Hony Group Management Limited <sup>(2)(3)</sup>	Interest in controlled corporation	161,693,985	117.01%
Hony Managing Partners Limited <sup>(2)(3)</sup>	Interest in controlled corporation	161,693,985	117.01%
Exponential Fortune Group Limited <sup>(2)(3)</sup>	Interest in controlled corporation	161,693,985	117.01%
Hony Fund VIII <sup>(3)</sup>	Beneficial owner	38,693,985	28.00%
Hony Capital Fund VIII GP (Cayman), L.P. <sup>(3)</sup>	Interest in controlled corporation	38,693,985	28.00%
Hony Capital Fund VIII GP (Cayman) Limited <sup>(3)</sup>	Interest in controlled corporation	38,693,985	28.00%

Name of Shareholder	Capacity/Nature of interest	Number of Shares or underlying Shares of the Company	Approximate percentage of shareholding interests <sup>(7)</sup>
Mr. Zhao John Huan <sup>(4)</sup>	Interest in controlled corporation	161,693,985	117.01%
Anhui Zhong'an LP <sup>(5)</sup>	Beneficial owner	9,098,800	6.58%
Anhui Zhong'an <sup>(5)</sup>	Interest in controlled corporation	9,098,800	6.58%
Hefei Kangyang <sup>(5)</sup>	Interest in controlled corporation	9,098,800	6.58%
Anhui Chuanggu Equity Investment Fund Management Co., Ltd. (安徽創谷股權投資基金管理有限公司) <sup>(5)</sup>	Interest in controlled corporation	9,098,800	6.58%
Mr. Niu Yang <sup>(5)</sup>	Interest in controlled corporation	9,098,800	6.58%
Leap Wave <sup>(6)</sup>	Beneficial owner	40,000,000	28.94%
Legend Holdings <sup>(6)</sup>	Interest in controlled corporation	40,000,000	28.94%

## Notes:

- (1) Vanguard Glory is a wholly-owned subsidiary of Hony Fund V, L.P. and holds (a) 97,000,000 shares of the Company and (b) convertible bonds issued by the Company, which can be converted into 26,000,000 shares of the Company and represent approximately 18.81% of the issued share capital of the Company as of the Latest Practicable Date.
- (2) Hony Fund V is an exempted limited partnership formed under the laws of the Cayman Islands as an investment vehicle. The general partner of Hony Fund V is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited. Hony Capital Fund V GP Limited is wholly-owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly-owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan. Mr. Zhao John Huan is a director of Hony Capital Fund V GP Limited, Hony Group Management Limited, Hony Managing Partners Limited and Exponential Fortune Group Limited.
- (3) Hony Fund VIII is an exempted limited partnership formed under the laws of the Cayman Islands as an investment vehicle. The general partner of Hony Fund VIII is Hony Capital Fund VIII GP (Cayman), L.P., whose general partner is Hony Capital Fund VIII GP (Cayman) Limited. Hony Capital Fund VIII GP (Cayman) Limited is wholly-owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly-owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan. Mr. Zhao John Huan is a director of Hony Capital Fund VIII GP (Cayman) Limited, Hony Group Management Limited, Hony Managing Partners Limited and Exponential Fortune Group Limited.

- (4) Mr. Zhao John Huan is deemed to be interested in a total of 161,693,985 shares of the Company that are held by his controlled corporations, Vanguard Glory and Hony Fund VIII. Vanguard Glory holds 97,000,000 shares of the Company and holds convertible bonds issued by the Company that can be converted into 26,000,000 shares of the Company. Hony Fund VIII holds convertible bonds issued by the Company that can be converted into 38,693,985 shares of the Company.
- (5) Anhui Zhong'an LP is a limited partnership formed under the laws of the PRC as an investment vehicle. The general partner of Anhui Zhong'an LP is Anhui Zhong'an, which is jointly held as to 55% by Hefei Kangyang and as to 45% by Anhui Chuanggu Equity Investment Fund Management Co. Ltd. (安徽創谷股權投資基金管理有限公司). Mr. Niu Yang is one of the general partners of Hefei Kangyang. Ms. Liu Lu is a director of Anhui Zhong'an and Anhui Chuanggu Equity Investment Fund Management Co. Ltd. (安徽創谷股權投資基金管理有限公司).
- (6) Leap Wave, which is wholly-owned by Legend Holdings, holds convertible bonds issued by the Company that can be convertible into 40,000,000 shares of the Company, representing approximately 28.94% of the issued share capital of the Company as of the Latest Practicable Date.
- (7) As at Latest Practicable Date, the total number of issued shares of the Company was 138,194,000.

Saved as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any person (other than Directors and chief executives of the Company) who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept under Section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued Shares of the Company.

#### 4. DIRECTORS' INTERESTS

As at the Latest Practicable Date:

- (a) none of the Directors was interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up);
- (b) none of the Directors were materially interested in any contract or arrangement, which was subsisting and was significant in relation to the business of the Group; and
- (c) save as disclosed above, none of the Directors was a director or employee of a company which had an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.



**5. DIRECTORS' SERVICE CONTRACTS**

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

**6. COMPETING INTERESTS**

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

**7. EXPERT'S QUALIFICATIONS AND CONSENT**

The following is the name and qualification of the expert who has given opinions contained in this circular:

<b>Name</b>	<b>Qualification</b>
Alliance Capital Partners Limited	A corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

Alliance Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion as set out in this circular and references to its name in the form and context in which it appears in this circular.

**8. EXPERT'S INTERESTS**

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

- (a) it did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) it did not have any direct or indirect interest in any asset which has been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2019 (being the date up to which the latest published audited consolidated financial statements of the Group were made).

**9. MATERIAL ADVERSE CHANGE**

As disclosed in the Company's interim report for the six months ended June 30, 2020 (the "**Interim Report 2020**"), the Group recorded a net loss of approximately RMB567.0 million during the six months ended June 30, 2020, as compared to the net profit of approximately RMB94.9 million recorded for the six months ended June 30, 2019. Such loss for the six months ended June 30, 2020 was primarily attributable to the outbreak of COVID-19 and the instability of macroeconomic environment, which have had negative impact on the financial performance of the Group and have led to impairment losses on relevant intangible assets and goodwill. Impairment losses are one-off non-cash items recorded during the Current Period, which have no direct impact on the cash flow of the Group.

Save as disclosed in the Interim Report 2020, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

**10. MISCELLANEOUS**

- (a) All references to times in this circular refer to Hong Kong times.
- (b) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the following document will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (except Saturdays, Sundays and public holidays) at 37/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the Deed of Amendment.

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## NOTICE OF THE EGM

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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)**

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of the shareholders (the “**Shareholders**”) of Hospital Corporation of China Limited (the “**Company**”) will be held at 1602, Tower B, Jin Qiu International Building, No. 6, Zhichun Road, Haidian District, Beijing, PRC, on February 22, 2021 at 2:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

#### ORDINARY RESOLUTIONS

**“THAT:**

- (a) the deed of amendment dated December 17, 2020 (the “**Deed of Amendment**”) entered into between the Company and Vanguard Glory Limited (“**Vanguard Glory**”) and the alteration of terms of the convertible bonds in the aggregate principal amount of HK\$468,000,000 issued by the Company to Vanguard Glory (the “**Convertible Bonds**”) contemplated thereunder (the “**Alteration of Terms**”), be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue such number of shares of the Company as may be required to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds; and
- (c) any one or more directors of the Company be and is/are hereby authorized for and on behalf of the Company to execute all such documents and agreements and do all such acts and things, as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of or giving effect to the Deed of Amendment or the Alteration of Terms and all matters incidental thereto or in connection therewith.”

By order of the Board  
**Hospital Corporation of China Limited**  
**Chen Shuai**  
*Chairman*

January 29, 2021

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## NOTICE OF THE EGM

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*Notes:*

1. All resolutions at the EGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote in his stead. A shareholder who is the holder of two or more shares in the Company may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a shareholder of the Company.
3. In the case of joint holders of shares, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders are present at the EGM, personally or by proxy, then one of the said persons so present whose name stands first in the register in respect of such shares shall alone be entitled to vote in respect thereof.
4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Delivery of any instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of the shareholders of the Company to attend and vote at the EGM will be the close of business on February 16, 2021. Shareholders whose names appear on the register of members of the Company at the close of business on February 16, 2021 will be entitled to attend and vote at the EGM. In order to qualify for attending and voting at the EGM, all transfer of shares of the Company accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on February 16, 2021.
6. In view of the ongoing COVID-19 pandemic and the heightened requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect attending shareholders of the Company, staff and other stakeholders from the risk of infection:
  - (a) Compulsory body temperature screening or checks will be carried out on every shareholder of the Company, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37 degrees Celsius or who is exhibiting flu-like symptoms may be denied entry into the EGM venue and be requested to leave the EGM venue.
  - (b) Every attendee will be required to wear a surgical face mask throughout the EGM. Please note that no surgical face masks will be provided at the EGM venue and attendees should bring and wear their own surgical face masks.
  - (c) No refreshments will be served to attendees at the EGM.
  - (d) No corporate gifts will be distributed to attendees at the EGM.
7. To the extent permitted under law, the Company reserves the right to deny any person entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

*As at the date of this notice, 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.*