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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)

PROPOSED ALTERATION OF TERMS OF THE CONVERTIBLE BONDS

BACKGROUND

Reference is made to the Announcements of the Company dated December 21, 2018, January 16, 2019 and February 27, 2019 and the Circular of the Company dated January 16, 2019 in relation to, among other things, the issuance by the Company of the Convertible Bonds in the aggregate principal amount of HK\$800,000,000 to the Subscriber, Leap Wave Limited (立濤有限公司).

PROPOSED ALTERATION OF TERMS OF THE CONVERTIBLE BONDS

On August 12, 2021 (after trading hours), in accordance with the terms and conditions of the Convertible Bonds, upon approval of the Subscriber (as the sole Bondholder), the Company executed the Deed of Amendment to amend certain terms of the Convertible Bonds in relation to early redemption, subject to and effective from the fulfilment of certain conditions precedent.

Pursuant to the Deed of Amendment, the terms of the Convertible Bonds shall be amended as follows:

- (i) The existing arrangements with respect to early redemption shall be replaced in entirety with the following:**

With prior written consent of the Company and the Bondholder, the outstanding Convertible Bonds may be redeemed in whole by the Company prior to the Maturity Date at a mutually agreed Early Redemption Amount calculated in accordance with the following formula:

Early Redemption Amount = Principal amount of the outstanding Convertible Bonds as of the redemption date x 98%.

(ii) The following payment arrangements with respect to early redemption shall be added:

With prior written consent of the Company and the Bondholder, in the event of an early redemption, the Company may pay the Early Redemption Amount to the Bondholder in instalments. The detailed instalment schedules shall be agreed between the Company and the Bondholder and set out in the redemption notice to be served by the Company to the Bondholder. No interest shall accrue on any unpaid Early Redemption Amount during the instalment period, unless where the Company fails to pay the agreed instalments on the corresponding payment dates, default interest (i.e. 5% per annum) shall accrue on the overdue amount in accordance with the existing terms of the Convertible Bonds.

Save for the above Alteration of Terms, all of the other terms and conditions of the Convertible Bonds remain unchanged and in full force and effect.

LISTING RULES IMPLICATIONS

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, the Company will apply to the Stock Exchange for approval of the Alteration of Terms contemplated under the Deed of Amendment.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Deed of Amendment and the Alteration of Terms contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to approve the Deed of Amendment and the Alteration of Terms contemplated thereunder at the EGM.

A circular containing, *inter alia*, (i) further details of the Deed of Amendment and the Alteration of Terms contemplated thereunder; and (ii) a notice of the EGM, is expected to be despatched to the Shareholders on or before September 15, 2021.

BACKGROUND

Reference is made to the announcements of the Company dated December 21, 2018, January 16, 2019 and February 27, 2019 (the “**Announcements**”) and the circular of the Company dated January 16, 2019 (the “**Circular**”) in relation to, among other things, the issuance by the Company of the Convertible Bonds in the aggregate principal amount of HK\$800,000,000 to the Subscriber, Leap Wave Limited (立濤有限公司).

Unless otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the Announcements and the Circular.

As at the date of this announcement, the Convertible Bonds remain outstanding in full and will mature on February 27, 2024, being the Maturity Date.

PROPOSED ALTERATION OF TERMS OF THE CONVERTIBLE BONDS

As disclosed in the Announcements and the Circular, the outstanding Convertible Bonds may be redeemed in whole by the Company prior to the Maturity Date at the principal amount of such outstanding Convertible Bonds plus 6% per annum simple interest accrued, if both the Company and the Bondholder have mutual prior written consent to do so.

For details of the principal terms of the Convertible Bonds, please refer to the section headed “3. Principal Terms of the Convertible Bonds” on pages 12 to 19 of the Circular.

Deed of Amendment and Alteration of Terms

On August 12, 2021 (after trading hours), in accordance with the terms and conditions of the Convertible Bonds, upon approval of the Subscriber (as the sole Bondholder), the Company executed a deed of amendment (the “**Deed of Amendment**”) to amend certain terms of the Convertible Bonds in relation to early redemption, subject to and effective from the fulfilment of certain conditions precedent as set out below.

Pursuant to the Deed of Amendment, the terms of the Convertible Bonds shall be amended as follows (collectively, the “**Alteration of Terms**”):

- (i) **The existing arrangements with respect to early redemption shall be replaced in entirety with the following:**

With prior written consent of the Company and the Bondholder, the outstanding Convertible Bonds may be redeemed in whole by the Company prior to the Maturity Date at an amount mutually agreed between the parties (the “**Early Redemption Amount**”), which shall be calculated in accordance with the following formula:

Early Redemption Amount = Principal amount of the outstanding Convertible Bonds as of the redemption date x 98%.

(ii) The following payment arrangements with respect to early redemption shall be added:

With prior written consent of the Company and the Bondholder, in the event of an early redemption, the Company may pay the Early Redemption Amount to the Bondholder in instalments. The detailed instalment schedules shall be agreed between the Company and the Bondholder and set out in the redemption notice to be served by the Company to the Bondholder. No interest shall accrue on any unpaid Early Redemption Amount during the instalment period, unless where the Company fails to pay the agreed instalments on the corresponding payment dates, default interest (i.e. 5% per annum) shall accrue on the overdue amount in accordance with the existing terms of the Convertible Bonds.

For the avoidance of doubt, the rights of the Bondholder to require the Company to redeem in whole the Convertible Bonds (1) on the Maturity Date and (2) upon occurrence of the following events: (a) there is a change of control in the Company (except for a change of control in the Company due to conversion of the Convertible Bonds or the subscription of issued Shares of the Company by the Bondholder and/or any person acting in concert with such Bondholder) or (b) the Shares cease to be listed or admitted for trading on the Stock Exchange (as set out in the last three paragraphs on page 17 of the Circular) shall remain unchanged and in full force and effect.

Conditions Precedent

The Deed of Amendment and the Alteration of Terms contemplated thereunder will only become effective upon all of the following conditions having been fulfilled:

- (i) the Company having obtained from the Shareholders all necessary approvals required under the Articles, applicable laws and the Listing Rules in respect of the Alteration of Terms; and
- (ii) the Stock Exchange having approved the Alteration of Terms.

If any of the above conditions cannot be fulfilled, the Deed of Amendment shall automatically terminate and (without prejudice to the rights and/or obligations occurred prior to the termination) the Company and the Bondholder shall be released and discharged from their respective obligations under the Deed of Amendment.

Save for the above Alteration of Terms, all of the other terms and conditions of the Convertible Bonds remain unchanged and in full force and effect.

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.

INFORMATION ON THE SUBSCRIBER AND LEGEND HOLDINGS

The Subscriber is a company incorporated in the British Virgin Islands limited by shares and is a wholly-owned subsidiary of Legend Holdings. Its principal business activities are investment holdings.

Legend Holdings was incorporated in the People's Republic of China as a joint-stock company with limited liability, the H shares of which have been listed on the Stock Exchange since June 29, 2015 (stock code: 3396). Legend Holdings is a leading industrial investments and operations company in China. It builds up a unique two-wheel-drive business model of "strategic investments + financial investments" and focuses on the real economy and scientific & technological innovation areas. Through values creation and values discovery, the Company cultivates and manages outstanding asset portfolios with high growth potentials, driving sustainable value growth. Strategic investments aim at holding over a long term and focus on strategic sectors to build and optimize the portfolios while fostering pillar businesses. Financial investments are driven by financial returns with a proper mix of products or target portfolios. As at the date of this announcement, the single largest shareholder of Legend Holdings, Chinese Academy of Science Holdings Co., Ltd, holds approximately 29.04% equity interest in Legend Holdings.

REASONS FOR AND BENEFITS OF THE PROPOSED ALTERATION OF TERMS

Under the existing terms of the Convertible Bonds, if the Subscriber does not exercise its Conversion Rights, a simple interest of 6% per annum would accrue on the principal amount of HK\$800,000,000 of the outstanding Convertible Bonds and payable by the Company when it subsequently redeems the Convertible Bonds (whether on or prior to the Maturity Date) from the Subscriber.

After having considered the early redemption proposal of the Subscriber and the current financial position and capital expenditure plan of the Company, the parties intended to effect an early redemption of the Convertible Bonds and had agreed to reduce the Early Redemption Amount to 98% of the principal amount of the outstanding Convertible Bonds and without any interest, which is favorable to the Company and reduces the Company's financing costs. The Early Redemption Amount is expected to be satisfied by internal resources of the Company.

Further, pursuant to the Deed of Amendment, the Early Redemption Amount may be payable by the Company in instalments. The Company considers that there will be no material adverse impact on working capital of the Company as a result of early redemption, given this agreed instalment settlement arrangement provides more flexibility to the Company for utilization of financial resources.

In light of the reasons and benefits as set out above, the Directors 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.

LISTING RULES IMPLICATIONS

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, the Company will apply to the Stock Exchange for approval of the Alteration of Terms contemplated under the Deed of Amendment.

GENERAL

An extraordinary general meeting (the “EGM”) will be convened and held for the Shareholders to consider and, if thought fit, approve the Deed of Amendment and the Alteration of Terms contemplated thereunder. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to approve the Deed of Amendment and the Alteration of Terms contemplated thereunder at the EGM.

A circular containing, *inter alia*, (i) further details of the Deed of Amendment and the Alteration of Terms contemplated thereunder; and (ii) a notice of the EGM, is expected to be despatched to the Shareholders on or before September 15, 2021.

By order of the Board
Hospital Corporation of China Limited
Chen Shuai
Chairman and Acting Chief Executive Officer

Beijing, China, August 12, 2021

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