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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)**

### **DISCLOSABLE TRANSACTION ACQUISITION OF THE ENTIRE EQUITY INTEREST OF CIXI HONGHE PROPERTY MANAGEMENT COMPANY LIMITED**

#### **THE EQUITY TRANSFER AGREEMENT**

The Board is pleased to announce that on 20 May 2025 (after the trading hours of the Stock Exchange), the Purchaser, an indirect non-wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Seller in respect of the Acquisition. Pursuant to the Equity Transfer Agreement, the Seller agreed to sell, and the Purchaser agreed to acquire, the entire equity interest in the Target Company at the Consideration of RMB49.47 million.

Upon completion of the Acquisition, the Target Company will become a subsidiary of the Company, the financial results of which will be consolidated into the consolidated financial statements of the Group.

#### **LISTING RULES IMPLICATION**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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The principal terms of the Equity Transfer Agreement are as follows:

<b>Date</b>	20 May 2025
<b>Parties</b>	(i) the Seller; and  (ii) the Purchaser
<b>Subject Matter</b>	<p>Pursuant to the Equity Transfer Agreement, the Seller has agreed to sell, and the Purchaser has agreed to acquire, the entire equity interest in the Target Company at the Consideration of RMB49.47 million.</p> <p>Upon completion of the Acquisition, the Target Company will become a subsidiary of the Company, the financial results of which will be consolidated into the consolidated financial statements of the Group.</p>
<b>Consideration</b>	<p>Pursuant to the Equity Transfer Agreement, the Consideration for the Acquisition is RMB49.47 million.</p> <p>The Consideration shall be paid in three installments, i.e. (i) 20% of the Consideration (RMB9.894 million) shall be paid upon the execution and effectiveness of the Equity Transfer Agreement; (ii) 40% of the Consideration (RMB19.788 million) shall be paid after the Purchaser confirms the successful handover of the Target Company's financial records, seals and administrative files; and (iii) the remaining 40% of the Consideration (RMB19.788 million) shall be paid upon completion of the equity transfer registration procedures with the relevant authorities.</p>
<b>Basis of the Consideration</b>	<p>The Consideration was determined after arm's length negotiations between the parties to the Equity Transfer Agreement, with reference to, among other things, the appraised value of the entire shareholders' equity interest in the Target Company as evaluated by the Independent Valuer, being RMB49,469,676.08, as of the Valuation Reference Date (the "<b>Valuation</b>"). Details of the Valuation are set out in the Appendix to this announcement.</p>
<b>Effectiveness</b>	<p>The Equity Transfer Agreement shall become effective upon being sealed by the parties.</p>

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Relevant Property (as defined below) was leased out from the Target Company to the hospital held by the Group since March 2025. Through the Acquisition, the Group will acquire the entire equity interest of the Target Company and, in turn, secure ownership of the Relevant Property and the land use right of the land owned by the Target Company, thereby ensuring stability in the business and long-term operation of the hospital held by the Group. In addition, the Acquisition will also enable the Group to acquire additional valuable and appreciating properties, including the buildings and land for medical and healthcare purpose, thus enhancing the Group's asset portfolio. Accordingly, by acquiring the entire equity interest of the Target Company, the Group will not only secure essential assets for its healthcare operations but also enhance asset value. The Acquisition aligns with the Group's long-term goals of sustainable growth and operational excellence in the healthcare sector.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are fair and reasonable and on normal commercial terms, and that entering into the Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

## INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC on 15 January 2025 with limited liability, which is principally engaged in property management. As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Seller.

As the Target Company was established on 15 January 2025, the profits before and after tax for the two financial years preceding to the signing of the Equity Transfer Agreement are not available. The net asset value of the Target Company was RMB49,222,066.74 as at 31 March 2025. As at the date of this announcement, the major assets of the Target Company is the property located at No. 299, Mingzhou West Road, Zonghan Street, Cixi City (the **"Relevant Property"**) which is currently leased to the Group. After completion of the Acquisition, the Target Company will become a subsidiary of the Company, and the financial results of which will be consolidated into the consolidated financial statements of the Group.

## INFORMATION ON THE PARTIES

### 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 16 March 2017. The Group principally engages in hospital management business and general hospital business in the PRC.

## **The Purchaser**

The Purchaser is a company established in the PRC with limited liability, which is principally engaged in providing management and consulting services to medical institutions. As at the date of this announcement, the Purchaser is owned as to 70% by Cixi Hongai Medical Management Co., Ltd.\* (慈溪弘愛醫療管理有限公司) (“**Cixi Hongai**”) and 30% by Ms. Mi Yuehua (宓月華) (“**Ms. Mi**”). As at the date of this announcement, Cixi Hongai is an indirect wholly-owned subsidiary of the Company, and the Purchaser is a significant subsidiary of the Company.

## **The Seller**

The Seller is a not-for-profit general hospital in Zhejiang province established in 2003 and a Class IIB hospital. The Seller is managed by the Purchaser under a hospital management framework agreement.

The sole sponsor of the Seller is recorded as the Purchaser. As at the date of this announcement, the Purchaser is owned as to 70% by Cixi Hongai and 30% by Ms. Mi. The Seller, as a not-for-profit hospital, is different from for profit hospitals. The sponsor of the Seller is not entitled to the rights to dividend or the remaining assets after liquidation available under the laws and regulations of the PRC. The remaining assets shall be used for public welfare purposes in accordance with its articles of association or under the decision of its governing body. Where the remaining assets is unable to be used in accordance with its articles of association or under the decision of its governing body, the remaining assets shall be transferred to legal entities with the same or similar purposes under the auspices of the competent governmental authority and announced to the public.

In view of the nature of the Seller as a not-for-profit hospital and its existing articles of association, the Purchaser does not control the voting right of the Seller and therefore, the Company is not deemed to be the ultimate beneficial owner of the Seller. In addition, notwithstanding that Ms. Mi is a connected person of the Company at the subsidiary level, the Seller is not a 30%-controlled company of Ms. Mi. Accordingly, the Seller is a third party independent of the Company and connected persons of the Company.

## **LISTING RULES IMPLICATION**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a disclosable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest in the Target Company and the transactions contemplated under the Equity Transfer Agreement
“Board”	the board of Directors
“Business Day(s)”	a day other than a Saturday, Sunday or public holiday in the PRC
“Company”	Hospital Corporation of China Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3869)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“30%-controlled company”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Seller pursuant to the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Purchaser and the Seller on 20 May 2025 in relation to the sale and purchase of the entire equity interest in the Target Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and connected person(s) of the Company
“Independent Valuer”	Shanghai Jilian Assets Appraisal Co., Ltd.* (上海集聯資產評估有限公司), an independent valuer
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Cixi Honghe Medical Management Company Limited* (慈溪弘和醫療管理有限公司)
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Cixi Honghe Hospital* (慈溪弘和醫院)
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Cixi Honghe Property Management Company Limited* (慈溪弘和物業管理有限公司)
“Valuation Reference Date”	31 March 2025
“%”	per cent.

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

Beijing, China, 20 May 2025

*As at the date of this announcement, the Directors of the Company are Mr. Chen Shuai, Mr. Pu Chengchuan and Ms. Pan Jianli being the executive Directors; Ms. Liu Lu and Ms. Wang Nan being the non-executive Directors; Mr. Dang Jinxue, Mr. Shi Luwen and Mr. Zhou Xiangliang being the independent non-executive Directors.*

\* for identification purpose only

## APPENDIX – DETAILS OF THE VALUATION

### I. Valuation Methodology

The valuation of the entire shareholders' equity interest in the Target Company is based on asset-based approach. The asset-based approach refers to the valuation method of determining the value of valuation subject by reasonably assessing the value of on-balance sheet and identifiable off-balance sheet assets and liabilities, based on the balance sheet of the valuation entity as at the Valuation Reference Date. Given that the assets of the Target Company have clear property rights and complete financial information, all assets and liabilities can be identified. The appraised assets can be quantified based on the financial information and purchase and construction information. The quantity can also be verified through on-site surveys and the value can be ascertained in accordance with the way the assets are re-acquired. As such, the asset-based approach was adopted in this Valuation.

The principal asset of the Target Company is the property located at No. 299, Mingzhou West Road, Zonghan Street, Cixi City. For the purpose of property valuation, the appraised value of property = appraised value of building + appraised value of land use right. Appraised value of building = (construction cost + expenses incurred during the preliminary and interim period + capital cost) x comprehensive newness rate. Comprehensive newness rate = newness rate under on-site survey, measurement, comparison and grading method x 60% + newness rate under useful life method x 40%. The appraised value of land use right is assessed by using the benchmark land value method, i.e., using the appraisal results such as urban benchmark land value and correction coefficient of benchmark land value. The regional and specific conditions applicable to the land parcel to be valued are compared with the average conditions of the region where it is situated in accordance with the principle of substitution, and the benchmark land value is adjusted by applying the appropriate correction coefficient with reference to the table of correction coefficients.

### II. Valuation Assumptions

#### (A) *Basic assumptions*

1. Transaction assumption: it is assumed that all assets to be valued are already in the process of transaction and the valuer conducts the valuation according to the transaction conditions of the assets to be valued under a simulated market. The transaction assumption is the basic assumption for conducting the Valuation.
2. Open market assumption: a hypothesis of the conditions under which assets are intended to enter the market and the impact on the assets under such market conditions. An open market is a competitive market with well developed and sound market conditions, and willing buyers and sellers are on an equal footing and have the opportunity and time to obtain sufficient market information, and transactions between the buyers and sellers are conducted voluntarily and rationally without compulsion or restrictions. Open market assumption is based on the fact that assets can be traded publicly in the market.

3. Going concern assumption: it is assumed that the entity to be valued can, under the condition of existing asset resources, legally continue its production and operations as it is for the foreseeable future operating period and there will be no major adverse changes in the operating conditions.
4. Assumption that assets will be used for their current purpose: a hypothesis of the conditions under which assets are intended to enter the market and the purpose of use under such market conditions. Firstly, it is assumed that the assets within the scope of valuation are in use. Secondly, the assets will continue to be used in the manner and for the purpose which they are currently being used, without regard to conversion of assets to other uses or conditions of optimal utilisation.

***(B) General assumptions***

1. In this Valuation, it is assumed that there will be no unforeseeable significant adverse changes in the external economic environment such as the relevant laws, macroeconomic, financial and industrial policies prevailing in China, and there will be no significant impact caused by other human force majeure and unforeseeable factors after the Valuation Reference Date.
2. In this Valuation, the impact of any mortgage or security that the equity interest of the Target Company and its assets may be subject to, or any additional price that may be paid as a result of special transaction method, has not been taken into consideration.
3. In this Valuation, it is assumed that there will be no significant changes in the socio-economic environment or the fiscal and taxation policies in effect, such as tax levies and tax rates, of the place where the Target Company is located and the credit policy, interest rate, exchange rate and other monetary policies are generally stable.
4. In this Valuation, all the assets are valued on the premises of the actual stocks of assets as at the Valuation Reference Date, and the current market value of the assets in question is based on the effective price of the valuation subject in the place where it is located as at the Valuation Reference Date.
5. The current and future business operations of the Target Company are and will be lawful and in compliance with the relevant provisions of its business license and articles of association.
6. This Valuation is subject to the specific purposes of valuation as set out in the asset valuation report; the scope of valuation is based solely on the asset valuation declaration form provided by the client or the valuation entity.



### III. Valuation Conclusion

As at the Valuation Reference Date, the carrying amount of the total assets of the Target Company was RMB45,333,084.67; the carrying amount of liabilities was RMB-3,888,982.07 and the carrying amount of owner's equity was RMB49,222,066.74.

On the basis of the valuation assumptions and as at the Valuation Reference Date, the appraised value of the total assets of the Target Company was RMB45,580,694.01; the appraised value of the liabilities was RMB-3,888,982.07 and the appraised value of total shareholders' equity interest was RMB49,469,676.08, representing an appreciation in value of RMB247,609.34 or 0.50%. The principal assets of the Target Company are the properties invested by the shareholders (which are accounted for as fixed assets and have a carrying amount of RMB45.0572 million as at the Valuation Reference Date). Such portion of properties were valued at RMB45.3049 million based on the cost method, an appreciation in value of RMB247,609.34 or 0.55% when compared with the carrying amount. The difference between the appraised value and carrying amount is relatively small, which is mainly due to the fact that the date of recording the properties in the accounts were accounted was close to the Valuation Reference Date, and the absence of significant fluctuations in the real estate market.