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RICI HEALTHCARE HOLDINGS LIMITED

瑞慈醫療服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1526)

DISCLOSEABLE TRANSACTION INVESTMENT AGREEMENT ENTERED INTO WITH EVERBRIGHT (HAIMEN) IN RELATION TO THE INVESTMENT IN NANTONG RICH HOSPITAL

INVESTMENT AGREEMENT ENTERED INTO WITH EVERBRIGHT (HAIMEN) IN RELATION TO THE INVESTMENT IN NANTONG RICH HOSPITAL

The Board is pleased to announce that on August 31, 2018 (after trading hours), Nantong Rich Hospital, Nantong Rich Medical, Dr. Fang Yixin, Dr. Mei Hong and Everbright (Haimen) entered into the Investment Agreement in relation to the investment from Everbright (Haimen) in Nantong Rich Hospital for the purpose of its second-phase renovation and expansion. Pursuant to the Investment Agreement, the total investment of RMB100.0 million from Everbright (Haimen) will be contributed in cash, of which RMB3.0 million will be credited into registered capital, and RMB97.0 million will be credited into capital surplus. Upon completion of the Investment, the registered capital of Nantong Rich Hospital will increase from RMB65.0 million to RMB68.0 million, which will be held by Everbright (Haimen) and Nantong Rich Medical as to 4.41% and 95.59%, respectively.

IMPLICATION OF THE LISTING RULES

(i) As the exercise of the Repurchase Option is at the discretion of Everbright (Haimen), the grant of the Repurchase Option would be classified under the Listing Rules as if the Repurchase Option had been exercised on the grant; (ii) as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Investment and the Repurchase Option are more than 5% but less than 25%, the Investment and the Repurchase Option constitute discloseable transactions of the Company under the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules; and (iii) the undertaking from Dr. Fang Yixin and Dr. Mei Hong to be jointly

repurchase is a financial assistance provided to the Group and constitutes a connected transaction under the Listing Rules. As the relevant undertaking is provided on normal business terms or better terms and no asset of the Group is secured, the connected transaction is in compliance with the requirements of Rule 14A.90 of the Listing Rules, and therefore is fully exempt from the Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on August 31, 2018 (after trading hours), Nantong Rich Hospital, Nantong Rich Medical, Dr. Fang Yixin, Dr. Mei Hong and Everbright (Haimen) entered into the Investment Agreement in relation to the investment in Nantong Rich Hospital for the purpose of its second-phase renovation and expansion. Pursuant to the Investment Agreement, the total investment of RMB100.0 million from Everbright (Haimen) will be contributed in cash, of which RMB3.0 million will be credited into registered capital, and RMB97.0 million will be credited into capital surplus. Upon completion of the Investment, the registered capital of Nantong Rich Hospital will increase from RMB65.0 million to RMB68.0 million, which will be held by Everbright (Haimen) and Nantong Rich Medical as to 4.41% and 95.59%, respectively.

THE INVESTMENT AGREEMENT

The principal terms of the Investment Agreement are summarized as below:

Date

August 31, 2018

Parties

- (1) Nantong Rich Hospital
- (2) Nantong Rich Medical
- (3) Dr. Fang Yixin
- (4) Dr. Mei Hong
- (5) Everbright (Haimen)

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, Everbright (Haimen) and its respective ultimate beneficial owners are all third parties independent from the Company and its connected persons.

Consideration

Everbright (Haimen) agreed to make cash contribution of RMB100.0 million to Nantong Rich Hospital, of which RMB3.0 million will be credited into registered capital and RMB97.0 million will be credited into capital surplus of Nantong Rich Hospital. The amount of the capital contribution to be made by Everbright (Haimen) was reached after arm's length negotiations among the Parties having taken into account the historical financial position and business performance of Nantong Rich Hospital using market multiples of the revenue of Nantong Rich Hospital.

Conditions Precedent

The fulfillment of settlement obligation of Everbright (Haimen) to Nantong Rich Hospital is subject to the fulfillment of the following conditions, among others:

- (1) each of the legal documents, including but not limited to the Investment Agreement, share pledge agreement and the representations and warranties made by Nantong Rich Hospital and Nantong Rich Medical, is completed and subscribed by all Parties;
- (2) with the assistance from Nantong Rich Hospital, the due diligence work conducted by Everbright (Haimen) reaches to a satisfactory outcome to Everbright (Haimen), and the outcome of due diligence work is regarded as satisfactory upon execution of the Investment Agreement; and
- (3) all necessary internal and external authorizations and approvals with respect of the Investment are obtained by all Parties.

Everbright (Haimen) will make payments in one lump sum within 20 business days upon the satisfaction of all the conditions precedent, unless all or part of such conditions precedent are waived in writing by Everbright (Haimen).

Corporate Governance

The board of directors of Nantong Rich Hospital will consist of five directors, one of which will be appointed by Everbright (Haimen).

Investor's Special Rights

Everbright (Haimen) will be entitled to customary right of first refusal, tag-along right and pre-emptive right in respect of Nantong Rich Hospital. If Nantong Rich Hospital is put into liquidation, upon the settlement of the legal debts of Nantong Rich Hospital, Everbright (Haimen) is entitled to obtain, with priority, its portion equivalent to the aggregation of its contribution in the Investment and the investment gains calculated based on annual compound investment return rate of 12% deducting the dividends paid to Everbright (Haimen) (if any) from the remaining assets of Nantong Rich Hospital.

Repurchase Option

- (1) Repurchase Option of Everbright (Haimen). Everbright (Haimen) is granted the repurchase option to require Nantong Rich Medical or its designated third party(ies) to repurchase all of Everbright (Haimen)'s equity interest in Nantong Rich Hospital at the repurchase price set below. Everbright (Haimen) may exercise the Repurchase Option under any of the following circumstances: (i) the failure of Nantong Rich Hospital to achieve a net profit of no less than RMB100.0 million for the year ending December 31, 2022; and (ii) the occurrence of any material adverse event, including but not limited to (a) Nantong Rich Medical loses its position as a controlling shareholder of Nantong Rich Hospital due to a merger with other entity(ies); (b) Nantong Rich Hospital is acquired by other entity(ies); (c) Nantong Rich Hospital disposes of its core assets; and (d) breach of the Investment Agreement and material impediment of operation occur, which has a material adverse effect on Nantong Rich Hospital. Dr. Fang Yixin and Dr. Mei Hong undertook to jointly and severally responsible for the repurchase.
- (2) Repurchase Procedures. The Repurchase Option of Everbright (Haimen) will expire on December 31, 2023. Where Everbright (Haimen) decides to exercise the Repurchase Option, it should issue a repurchase notice in writing to Nantong Rich Medical and inform details including the proportion of repurchase. The repurchase should be fully made upon the receipt of such notice or otherwise the deferral interest or a late fee will be incurred.
- (3) Repurchase Price. The repurchase price will be the aggregation of the amount equivalent to the capital contribution made by Everbright (Haimen) in the Investment and accumulated annual returns calculated on an annual compound investment return rate of 12% (the relevant period for calculating the accumulated annual returns starts from the date when Everbright (Haimen) makes the cash contribution to the date when Everbright (Haimen) sends a repurchase notice), deducting the dividend paid to Everbright (Haimen) (if any).
- (4) Repurchase Guarantee. To guarantee the exercise of the Repurchase Option, Nantong Rich Medical agreed to pledge its equity interest in Nantong Rich Hospital equivalent to 22.06% of the enlarged registered capital after the completion of the Investment to Everbright (Haimen).
- (5) Repurchase Option of Nantong Rich Medical. All Parties agreed that after the expiration of three years from the date of actual payment of the capital contribution by Everbright (Haimen), Nantong Rich Medical may repurchase part or all of the equity interest held by Everbright (Haimen) in Nantong Rich Hospital, upon obtaining the prior written consent from Everbright (Haimen). The repurchase price will be calculated based on the same mechanism as stated above.

Termination

The Investment Agreement may be terminated upon the occurrence of any of the following circumstances, among others:

- (1) each of the Parties agrees in writing to terminate the Investment Agreement;

- (2) Everbright (Haimen) may terminate the Investment Agreement in the event that: (i) within 20 business days after the date of the Investment Agreement, the conditions precedent are not fully satisfied or waived by Everbright (Haimen); or (ii) within 30 business days after Everbright (Haimen) makes the cash contribution, Nantong Rich Hospital fails to complete relevant registration and filing procedures and obtain a renewed business license, unless the failure is caused by the relevant authority; and
- (3) where any Party other than Everbright (Haimen) breaches or fails to realize the representations, warranties or undertakings under the Investment Agreement and fails to remedy within 45 days after Everbright (Haimen) issues a written request of remediation, all Parties should commence a negotiation; and if no consensus on remedy is reached during such 90-day negotiation period, Everbright (Haimen) may terminate the Investment Agreement.

REASONS AND BENEFITS FOR THE INVESTMENT

Considering the current business scale and market share of medical service in the local market, the Group is optimistic about the development prospect of Nantong Rich Hospital. The Investment will help fund the business expansion of Nantong Rich Hospital to capture potential market opportunities. The Group also believes that in view of Everbright (Haimen)'s expertise in healthcare industry, Everbright (Haimen) will bring synergy effect to the Group, especially to the business of Nantong Rich Hospital. Meanwhile, the Investment will become the foundation of future cooperation between the Group and Everbright (Haimen).

Having considered the above, the Directors are of the view that the terms of the Investment Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE COMPANY AND THE PARTIES

The Company

The Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on July 11, 2014. The principal activity of the Company is investment holding. The Group is principally engaged in the operation of general hospital, specialty hospitals, medical examination centers and clinics.

Nantong Rich Hospital

Nantong Rich Hospital is a company established in the PRC with limited liability on August 14, 2000, which is an indirectly wholly-owned subsidiary of the Company before the completion of the Investment. The principal activity of Nantong Rich Hospital is operation of a general hospital. Nantong Rich Hospital recorded (i) a net profit before taxation of RMB51,328,268 and RMB52,259,805 for the year ended December 31, 2016 and 2017, respectively, and (ii) a net profit after taxation of RMB36,033,798 and RMB38,828,737 for the year ended December 31, 2016 and 2017, respectively. As of June 30, 2018, the net assets of Nantong Rich Hospital were RMB343,530,596, as extracted from its unaudited management accounts for the six months ended June 30, 2018.

Nantong Rich Medical

Nantong Rich Medical is a company established in the PRC with limited liability on July 14, 2014. The principal activity of Nantong Rich Medical is investment holding.

Dr. Fang Yixin and Dr. Mei Hong

Dr. Fang Yixin is the chairman of the Board and an executive Director. Dr. Mei Hong is the ultimate controlling Shareholder and an executive Director. Dr. Fang Yixin is the spouse of Dr. Mei Hong.

Everbright (Haimen)

Everbright (Haimen) is a limited partnership established in the PRC on August 16, 2017, and an affiliate of China Everbright Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 165). The principle activity of Everbright (Haimen) is equity investment.

IMPLICATION OF THE LISTING RULES

(i) As the exercise of the Repurchase Option is at the discretion of Everbright (Haimen), the grant of the Repurchase Option would be classified under the Listing Rules as if the Repurchase Option had been exercised on the grant; (ii) as one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Investment and the Repurchase Option are more than 5% but less than 25%, the Investment and the Repurchase Option constitute discloseable transactions of the Company under the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules; and (iii) the undertaking from Dr. Fang Yixin and Dr. Mei Hong to be jointly and severally responsible for the repurchase is a financial assistance provided to the Group and constitutes a connected transaction under the Listing Rules. As the relevant undertaking is provided on normal business terms or better terms and no asset of the Group is secured, the connected transaction is in compliance with the requirements of Rule 14A.90 of the Listing Rules, and therefore is fully exempt from the Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“Company”	Rici Healthcare Holdings Limited (瑞慈醫療服務控股有限公司), a company incorporated in the Cayman Islands with limited liability on July 11, 2014 and the Shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“Director(s)”	the director(s) of the Company

“Everbright (Haimen)”	Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership) (海門光控健康養老產業投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 16, 2017
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Investment”	the investment from Everbright (Haimen) in Nantong Rich Hospital under the Investment Agreement
“Investment Agreement”	The investment agreement dated August 31, 2018 entered into among Nantong Rich Hospital, Nantong Rich Medical, Dr. Fang Yixin, Dr. Mei Hong and Everbright (Haimen) in relation to, among others, the investment in Nantong Rich Hospital from Everbright (Haimen)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Nantong Rich Hospital”	Nantong Rich Hospital Co., Ltd. (南通瑞慈醫院有限公司), a company established in the PRC with limited liability on August 14, 2000, which is an indirectly wholly-owned subsidiary of the Company before the completion of the Investment
“Nantong Rich Medical”	Nantong Rich Medical Management Group Co., Ltd. (南通瑞慈醫療管理集團有限公司), a company established in the PRC with limited liability on July 14, 2014, which is an indirectly wholly-owned subsidiary of the Company
“Party(ies)”	the party(ies) to the Investment Agreement
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan, unless otherwise specified
“Repurchase Option”	the repurchase option granted to Everbright (Haimen) by Nantong Rich Medical under the Investment Agreement
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	shareholder(s) of the Company
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent

By Order of the Board
Rici Healthcare Holdings Limited
Fang Yixin
Chairman

Shanghai, PRC, September 3, 2018

As at the date of this announcement, Dr. Fang Yixin, Dr. Mei Hong, Mr. Lu Zhenyu and Dr. Wang Weiping are the executive Directors; Ms. Jiao Yan and Mr. Yao Qiyong are the non-executive Directors; and Dr. Wang Yong, Ms. Wong Sze Wing and Mr. Jiang Peixing are the independent non-executive Directors.