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新世紀醫療控股有限公司

New Century Healthcare Holding Co. Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1518)

CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 12.47% EQUITY INTEREST OF JIAHUA YONGSHENG

ACQUISITION

The Board is pleased to announce that on 29 January 2022, Jiahua Yihe (a wholly-owned subsidiary of the Company) and Jiahua Likang entered into the Sale and Purchase Agreement, pursuant to which Jiahua Yihe has conditionally agreed to purchase, and Jiahua Likang has conditionally agreed to sell, the Sale Shares representing 12.47% equity interest of the Target Company, Jiahua Yongsheng, for a cash consideration of RMB18.7 million.

Upon Completion, the Company will indirectly hold 12.47% equity interest of the Target Company.

LISTING RULES IMPLICATIONS

Mr. Zhou is a connected person of the Group by virtue of him being a controlling Shareholder and executive Director of the Company.

As at the date of this announcement, Jiahua Likang is held as to 37.67% by Jiahua Kangyong, which is held as to 90.0% by Mr. Zhou and 10.0% by Ms. Zhao and therefore is an associate of Mr. Zhou pursuant to Rule 14A.12(1) of the Listing Rules. Therefore Jiahua Likang is a connected person of the Group by virtue of it being an associate of Mr. Zhou pursuant to Rule 14A.12(1) of the Listing Rules. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under the Listing Rules.

THE ACQUISITION

Date

29 January 2022

Parties

- (1) Jiahua Yihe as the purchaser
- (2) Jiahua Likang as the seller

As at the date of this announcement, Mr. Zhou, an executive Director and a controlling Shareholder of the Company, who is a connected person of the Company, holds (together with his spouse) approximately 37.67% equity interest of Jiahua Likang. As such, Jiahua Likang is an associate of Mr. Zhou and a connected person of the Company pursuant to the Listing Rules.

Subject of the Acquisition

Subject to the terms and conditions of the Sale and Purchase Agreement, Jiahua Yihe has conditionally agreed to purchase, and Jiahua Likang has conditionally agreed to sell, the Sale Shares for a cash consideration of RMB18.7 million.

Consideration

The Consideration of RMB18.7 million was determined after arm's length negotiation between Jiahua Yihe and Jiahua Likang and on normal commercial terms with reference to the valuation of the entire equity interest of Qingdao New Century as appraised by a reputable qualified independent valuer. Qingdao New Century is wholly owned by the Target Company.

The Consideration shall be payable in accordance with the terms and conditions of the Sale and Purchase Agreement and will be satisfied by the internal funding of the Group.

Conditions Precedent

Completion is conditional upon the satisfaction or the receipt of recognition or waiver by the parties in reasonable form of, among others, the following conditions precedent:

- (1) the shareholders' meeting of the Target Company having passed a resolution to approve the Acquisition; and
- (2) the change of industrial and commercial registration having been completed pursuant to the laws, regulations, and other relevant provisions of the PRC, while the Target Company continuing to operate normally after the change.

Effectiveness

The Sale and Purchase Agreement shall become effective upon being duly executed and sealed by the parties thereto.

Payment

Jiahua Yihe shall remit 85% of the Consideration in cash to the bank account designated by Jiahua Likang within three business days from the Sale and Purchase Agreement becoming effective. The remaining 15% of the Consideration shall be payable in the same manner on a date agreed by all parties within 60 business days from all the conditions precedent being satisfied and the Target Company having issued to Jiahua Yihe a capital contribution certificate, which shall specify, among others, the Target Company's registered capital, shareholders' name, their subscribed capital contributions and the proportion of their equity interests.

Completion

The Completion shall take place upon the completion of registration for the Acquisition with the relevant Administration for Market Regulation in the PRC which shall take place before 28 February 2022, failing which Jiahua Yihe shall be entitled to terminate the Sale and Purchase Agreement or extend such period for a reasonable period of time. After the Completion, the Target Company will be held as to 67.53% by Jiahua Likang, 12.47% by Jiahua Yihe and 20.00% by Beijing Qiaonaisen Star. According to the Sale and Purchase Agreement, Jiahua Yihe may elect to assign or transfer its rights, interests and obligations under the Agreement to its wholly-owned subsidiary or a wholly-owned subsidiary of its holding company or to nominate one such company to take up the Sale Shares.

GENERAL INFORMATION

Information on Qingdao New Century and the Target Company

Qingdao New Century is a Class II women's and children's specialty hospital located in Qingdao, Shandong Province, the PRC which provides comprehensive pediatrics and obstetrics and gynecology services. Its major healthcare disciplines include children's healthcare, children's physical examination, children's psychological counseling, general pediatrics, neonatal pediatrics, pediatric neurology, pediatric respirology, pediatric endocrinology, pediatric vasculocardiology, pediatric general surgery, pediatric urology, pediatric orthopedics, otorhinolaryngology, stomatology, ophthalmology, dermatology, oral and maxillofacial surgery, gynecology and obstetrics. Qingdao New Century has a gross floor area of 23,000 sq.m. and 102 registered beds, including seven LDR (labor, delivery and recovery) beds. Through the Acquisition, the Company will indirectly hold 12.47% equity interests of Qingdao New Century.

The Target Company is a company incorporated in the PRC with limited liability. It is principally engaged in investment holding. As at the date of this announcement, (i) the Target Company is held as to 80% by Jiahua Likang and 20% by Beijing Qiaonaisen Star, an Independent Third Party; and (ii) the Target Company is interested in 100% in Qingdao New Century. Beijing Qiaonaisen Star is ultimately wholly owned by Mr. Li Wei (李維), an Independent Third Party.

Set out below is certain financial information of Qingdao New Century and the Target Company prepared in accordance with the PRC Accounting Standards for Business Enterprises:

Qingdao New Century:

	Year ended 31 December 2021 RMB (million) (unaudited) approximately	Year ended 31 December 2020 RMB (million) (audited) approximately	Year ended 31 December 2019 RMB (million) (audited) approximately
Revenue	100.5	81.7	39.6
Net loss before taxation	16.1	21.2	46.2
Net loss after taxation	<u>11.4</u>	<u>0.9</u>	<u>46.2</u>

	Year ended 31 December 2021 RMB (million) (unaudited) approximately	Year ended 31 December 2020 RMB (million) (unaudited) approximately	Year ended 31 December 2019 RMB (million) (unaudited) approximately
EBITDA ¹	<u>(1.0)</u>	<u>(6.4)</u>	<u>(32.3)</u>

Target Company:

	Year ended 31 December 2020 RMB (audited)	Year ended 31 December 2019 RMB (audited)
Net loss before and after taxation	<u>4,992.65</u>	<u>23,779.01</u>

The audited total assets and net assets of Qingdao New Century as of 31 December 2020, prepared under the PRC Accounting Standards for Business Enterprises, were RMB230,616,071.78 and RMB-75,621,116.9, respectively. The audited total assets and net assets of the Target Company as of 31 December 2020, prepared under the PRC Accounting Standards for Business Enterprises, were RMB17,052,628.79 and RMB9,950,632.92, respectively.

There was no original acquisition cost incurred by connected persons of the Company for acquiring the Target Company or Qingdao New Century since the Target Company was founded by Jiahua Likang and Qingdao New Century was founded by the Target Company.

Information on the Group and Jiahua Yihe

The Group is principally engaged in provision of pediatrics, obstetrics and gynecology specialty services in the PRC. Jiahua Yihe is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

Information on Jiahua Likang

Jiahua Likang is a limited liability company incorporated in the PRC. Jiahua Likang is an investment holding company focusing on investments in medical institutions in the PRC. As at the date of this announcement, Jiahua Likang is held by (i) Jiahua Kangyong as to 37.67%; (ii) Zhonghe Qingrun as

¹ EBITDA = profit before income tax + interest expense + depreciation and amortization.

to 20.27%; (iii) Tianjin CDH Asana Equity Investment Partnership L.P. (天津鼎暉嘉尚股權投資合夥企業(有限合夥)) (“**CDH Asana**”) as to 5.99%; (iv) Beijing CDH Weixin Venture Investment Center L.P. (北京鼎暉維鑫創業投資中心(有限合夥)) (“**CDH Weixin**”) as to 3.54%; (v) Beijing CDH Weisen Venture Investment Center L.P. (北京鼎暉維森創業投資中心(有限合夥)) (“**CDH Weisen**”) as to 2.46%; and (vi) six other shareholders as to 30.08% (none of them is interested in 10% or more equity interest in Jiahua Likang).

Zhonghe Qingrun, a company principally engaged in investment in real estate and healthcare entity, is ultimately owned by (i) Ms. Liang Yanqing (梁艷清) (“**Ms. Liang**”) as to 51.0%, (ii) Mr. Liang Yanmin (梁燕民) (“**Mr. Liang**”) as to 39.0%, and (iii) two other individuals, both of whom are Independent Third Parties), each as to 5.0%. Ms. Liang is a substantial Shareholder (as defined under the Listing Rules) of the Company who indirectly holds 11.78% interests in the Company through Victor Gains Limited as of the date of this announcement. Pursuant to a voting agreement, Ms. Liang agreed to follow Mr. Zhou’s voting directions when exercising the voting rights attached to the Shares beneficially owned by her during the term of such agreement. For details, please refer to the 2020 annual report of the Company published on 28 April 2021. Mr. Liang is the brother of Ms. Liang and thus is a connected person of the Company.

CDH Asana, CDH Weixin and CDH Weisen are limited liability partnerships organised and existing under the laws of the PRC and private equity funds filed with the Asset Management Association of China (respective filing number: SD1384, SD3224 and SD3678). The general partner of CDH Asana is CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司). The general partner of CDH Weixin and CDH Weisen is CDH Huatai Investment Management (Beijing) Co., Ltd. (鼎暉華泰投資管理(北京)有限公司), which is owned directly as to 63.0% by CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司). CDH Equity Investment Management (Tianjin) Co., Ltd. (鼎暉股權投資管理(天津)有限公司) is owned directly as to 85.4% by Tianjin Taiding Investment Company Limited (天津泰鼎投資有限公司), whose ultimate beneficial owners are Mr. Wu Shangzhi (吳尚志) and Mr. Jiao Shuge (焦樹閣), both of whom are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a leading private mid-to high-end pediatric and obstetric and gynecologic healthcare service provider in the PRC. The Directors believe that the Acquisition will benefit the Group in the following aspects:

1. Since commencement of operation in July 2018, the business of Qingdao New Century has developed rapidly. Its revenue exceeded RMB 100 million in 2021, among which revenue from pediatric services increased from approximately RMB17.4 million in 2019 to approximately RMB50.8 million in 2021 with a CAGR of 70.9%. It had 63,964 outpatient visits for the year ended 31 December 2021, representing an increase rate of approximately 37% as compared with 46,698 outpatient visits for the year ended 31 December 2020, and an increase rate of approximately 139% as compared with 26,777 outpatient visits for the year ended 31 December 2019, which demonstrated the outstanding and continuously improving operating performance

of Qingdao New Century. Our Directors believe that Qingdao New Century possesses a strong business growth potential and the Acquisition is expected to contribute to the overall operating performance and revenue of the Group.

2. Qingdao has a large population base, leading urban competitiveness and strong consumption capability. Pursuant to the results of the Seventh National Population Census of the PRC, the ordinary resident population of Qingdao was 10.07 million in 2020, representing an increase of approximately 1.36 million and a growth rate of approximately 16% as compared with the results of the Sixth National Population Census of the PRC. Among them, the number of children aged 0-14 was 1.55 million, accounting for 15.4% of the total population. In addition, Qingdao is backed by Shandong Province, the country's second most populous province with a population of over 100 million. According to the research on the top 100 cities with the most comprehensive competitiveness in 2021 released by CCID Consulting Urban Economic Research Center under the Ministry of Industry and Information Technology in 2021, Qingdao's urban competitiveness ranked the 8th in the PRC. In addition, in the first half of 2021, Qingdao's GDP reached over RMB650 billion, ranking the 13th in the PRC. The total retail sales of consumer goods reached over RMB250 billion, with a strong YOY increase of 23.5%. The Group's business positioning is the provision of private healthcare services of high quality for women and children's families in the PRC. The Acquisition provides the Group with a larger target market for the development of its business, and is in line with the Group's development strategies.
3. The Acquisition is of strategic importance for further enhancing the Group's competitive advantages of cooperation from multiple disciplines in pediatrics, strengthening the building of pediatric subspecialties, enhancing the Group's capability advantages of offering integrated medical services of obstetrics and pediatrics, improving the Group's medical service system and expanding the scale of medical service supply in Shandong Province. The Group has been providing consulting services relating to the operation and management of Qingdao New Century to Jiahua Likang. Qingdao New Century has accumulated market influence and trained a high-caliber professional medical and management team and has built a good reputation. Through the Acquisition, the Group would further facilitate the brand building of Qingdao New Century, satisfy the increasing demand of the local market and unleash its potential for further business expansion.

In light of the above, the Directors are optimistic on the business prospects of Qingdao New Century and are of the view that the Acquisition is in line with the Company's long-term development objectives and strategies and is in the interest of the Shareholders as a whole.

In view of the above, the Directors (excluding the Directors who are required to abstain from voting but including the independent non-executive Directors) are of the view that the Acquisition is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Mr. Zhou, being an executive Director, and taking into account his deemed interest in the Target Company, has abstained from voting on the Board resolution with respect to the Acquisition. Ms. Xin Hong and Mr. Xu Han have also abstained from voting on such Board resolution due to their managerial positions. In addition, Mr. Guo Qizhi, Mr. Wang Siye, Dr. Cheng Chi-Kong, Adrian, and Mr. Xie Qiang, are Directors nominated by shareholders of Jiahua Likang (or the group to which such shareholders belong) which also hold Shares in the Company, and also hold positions in such shareholders of Jiahua Likang (or the group to which such shareholders belong). As such, they have abstained from voting on the Board resolution with respect to the Acquisition. Save as disclosed above, none of the Directors has any material interest in the Acquisition and therefore none of the other Directors has abstained from voting on such Board resolution.

LISTING RULES IMPLICATIONS

Mr. Zhou is a connected person of the Group by virtue of him being a controlling Shareholder and executive Director of the Company.

As at the date of this announcement, Jiahua Likang is held as to 37.67% by Jiahua Kangyong, which is held as to 90.0% by Mr. Zhou and 10.0% by Ms. Zhao and therefore is an associate of Mr. Zhou pursuant to Rule 14A.12(1) of the Listing Rule. Therefore Jiahua Likang is a connected person of the Group by virtue of it being an associate of Mr. Zhou pursuant to Rule 14A.12(1) of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 0.1% but is less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by Jiahua Yihe;
“Beijing Qiaonaisen Star”	Beijing Qiaonaisen Star Medical Consulting Co., Ltd. (北京喬耐森星醫療諮詢有限公司), a company incorporated in the PRC with limited liability;
“Board”	the board of Directors of the Company;
“Company”	New Century Healthcare Holding Co. Limited (新世紀醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;

“Completion”	the completion of the Acquisition;
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules;
“Consideration”	the consideration for the sale of the Sale Shares payable to Jiahua Likang;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	a third party/third parties independent of the Company and its connected persons;
“Jiahua Kangyong”	Beijing Jiahua Kangyong Investment and Management Co., Ltd. (北京嘉華康永投資管理有限公司), a company incorporated in the PRC with limited liability, which is owned by Mr. Zhou as to 90.0% and Ms. Zhao as to 10.0%, and is a connected person of the Company;
“Jiahua Likang”	Beijing Jiahua Likang Medical Investment and Management Co., Ltd. (北京嘉華麗康醫療投資管理有限公司), a company incorporated in the PRC with limited liability, which is owned by Jiahua Kangyong as to 37.67%, and is a connected person of the Company;
“Jiahua Yihe”	Beijing Jiahua Yihe Management and Consulting Co., Ltd. (北京嘉華怡和管理諮詢有限公司), a company incorporated in the PRC with limited liability and wholly-owned by the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and supplemented from time to time;
“Mr. Zhou”	Mr. Jason ZHOU, Chairman of the Board, chief executive officer, an executive Director and a controlling Shareholder;
“Ms. Zhao”	Ms. ZHAO Juan (趙娟), the spouse of Mr. Zhou;
“percentage ratio(s)”	the percentage ratio(s) set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction;

“PRC”	the People’s Republic of China, for the purpose of this announcement, not including Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Qingdao New Century”	Qingdao New Century Women’s and Children’s Hospital Co., Ltd. (青島新世紀婦兒醫院有限公司), a company incorporated in the PRC with limited liability;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the share transfer agreement dated 29 January 2022 entered into between Jiahua Yihe and Jiahua Likang in respect of the Acquisition;
“Sale Shares”	the shares representing 12.47% equity interest of the Target Company;
“Share(s)”	ordinary share(s) of US\$0.0001 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the same meaning ascribed to it in the Listing Rules;
“Target Company” or “Jiahua Yongsheng”	Beijing Jiahua Yongsheng Medical Investment Management Co., Ltd. (北京嘉華永盛醫療投資管理有限公司), a company incorporated in the PRC with limited liability;
“Zhonghe Qingrun”	Beijing Zhonghe Qingrun Investment Co., Limited (北京眾和清潤投資有限公司), a company incorporated in the PRC with limited liability, which is owned by, among others, Ms. Liang as to 51.0%, and is a connected person of the Company; and
“%”	percent.

The English names of PRC entities are an informal English translation of their respective official Chinese names.

By order of the Board
New Century Healthcare Holding Co. Limited
Mr. Jason ZHOU
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 30 January 2022

As of the date of this announcement, the Board comprises Mr. Jason ZHOU, Ms. XIN Hong and Mr. XU Han, as executive Directors; Mr. GUO Qizhi, Mr. WANG Siye, Dr. CHENG Chi-Kong, Adrian, Mr. YANG Yuelin and Mr. XIE Qiang, as non-executive Directors; and Mr. WU Guanxiong, Mr. SUN Hongbin, Mr. JIANG Yanfu and Dr. MA Jing, as independent non-executive Directors.