弘和仁愛
HOSPITAL CORPORATION

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)

(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTERESTS OF HANGZHOU JINGYOUZHI; AND (2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTRY OF THE NEW VIE CONTRACTS

THE ACQUISITION

Reference is made to the 2017 Announcements in relation to, among other things, the acquisition by New Pride of the entire equity interests in Jiande Hexu. As at the date of this announcement, the Company, through Jiande Hexu, indirectly holds 70% equity interests in Jiande Hospital, DJ Medicines and DJ Pharmaceutical Technology.

Given the Company wants to fully manage and control the operations of and the supply of medicines and pharmaceutical supplies to designated hospitals managed by the Group, and consolidate the values generated from the general hospital services of Jiande Hospital, the Group intends to obtain the control over the 30% equity interests in the Onshore Target Companies. On February 16, 2022, the Purchaser and the Vendors entered into the Onshore Equity Transfer Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire equity interests of Hangzhou Jingyouzhi, at a Consideration of RMB120 million, which will be satisfied by cash in three instalments.

As at the date of this announcement, Hangzhou Jingyouzhi directly holds 30% of the equity interests in DJ Medicines and DJ Pharmaceutical Technology and indirectly controls 30% of the equity interests in Jiande Hospital through the Existing VIE Contracts. For more information of both the Existing VIE Contracts and the New VIE Contracts, please refer to the section headed "Information of the Existing VIE Contracts and the New VIE Contracts" in this announcement. For more information of Hangzhou Jingyouzhi, Hangzhou Jinhoupu and the Onshore Target Companies, please refer to the section headed "Information of Hangzhou Jingyouzhi, Hangzhou Jinhoupu and the Onshore Target Companies" in this announcement.

IMPLICATIONS UNDER THE LISTING RULES

Discloseable and Connected Transaction

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition and the proposed entry into the New VIE Contracts exceeds 5% but all of them are below 25%, the Acquisition and the proposed entry into the New VIE Contracts constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and are therefore subject to the reporting and announcement requirements.

As at the date of the announcement, one of the Vendors, Mr. Hong Jiangxin is a connected person of the Company at the subsidiary level by virtue of indirectly controlling 30% of the equity interests in Jiande Hospital, DJ Medicines and DJ Pharmaceutical Technology. Therefore, the transaction contemplated under the Onshore Equity Transfer Agreement will constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

The Company has obtained approval from the Board (including the independent non-executive Directors) regarding the Acquisition contemplated under the Onshore Equity Transfer Agreement, and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Onshore Equity Transfer Agreement are fair and reasonable and the Acquisition contemplated thereunder is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Acquisition is subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

Immediately after the Completion, each of the PRC Equity Owners and the OPCO will become a connected person of the Company at the subsidiary level. Therefore, the transactions contemplated under the New VIE Contracts will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company has obtained approval from the Board (including the independent non-executive Directors) regarding transactions contemplated under the New VIE Contracts and the waiver application relating to the New VIE Contracts and the Directors (including the independent non-executive Directors) have confirmed that the terms of the New VIE Contracts are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the entry into the New VIE Contracts are subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Directors or any of their respective associates have any material interest in the Acquisition and the proposed entry into the New VIE Contracts.

APPLICATION FOR WAIVER

The Company will apply for a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) fixing the term of the New VIE Contracts for a period of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules, and (ii) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the service fees payable by the OPCO to Jiande Heyue under the Exclusive Operation Service Agreement.

Completion is subject to the fulfillment (or waiver) of the conditions precedent set out in the Onshore Equity Transfer Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

BACKGROUND

Reference is made to the 2017 Announcements in relation to, among other things, the acquisition by New Pride (an indirect wholly-owned subsidiary of the Company) of the entire equity interests in Jiande Hexu. As at the date of this announcement, the Company, through Jiande Hexu, indirectly holds 70% equity interests in Jiande Hospital, DJ Medicines and DJ Pharmaceutical Technology.

Given the Company wants to fully manage and control the operations of and the supply of medicines and pharmaceutical supplies to designated hospitals managed by the Group, and consolidate the values generated from the general hospital services of Jiande Hospital, the Group intends to obtain the control over the 30% equity interests in the Onshore Target Companies. On February 16, 2022, the Purchaser and the Vendors entered into the Onshore Equity Transfer Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell all the equity interests of Hangzhou Jingyouzhi, at a Consideration of RMB120 million, which will be satisfied by cash in three instalments.

As at the date of this announcement, Hangzhou Jingyouzhi directly holds 30% of the equity interests in DJ Medicines and DJ Pharmaceutical Technology and indirectly controls 30% of the equity interests in Jiande Hospital through the Existing VIE Contracts. For more information of both the Existing VIE Contracts and the New VIE Contracts, please refer to the section headed "Information of the Existing VIE Contracts and the New VIE Contracts" in this announcement. For more information of Hangzhou Jingyouzhi, Hangzhou Jinhoupu and the Onshore Target Companies, please refer to the section headed "Information of Hangzhou Jingyouzhi, Hangzhou Jinhoupu and the Onshore Target Companies" in this announcement.

THE ONSHORE EQUITY TRANSFER AGREEMENT

The principal terms of the Onshore Equity Transfer Agreement are summarized as below:

Date : February 16, 2022

Parties :

(1) the Purchaser, an indirect wholly-owned subsidiary of the Company; and

(2) the Vendors.

Subject matter : The Purchaser has conditionally agreed to acquire and the Vendors has conditionally agreed to sell all the equity interests of Hangzhou Jingyouzhi, which directly holds 30% of the equity interests in DJ Medicines and DJ Pharmaceutical Technology and indirectly controls 30% of the equity interests in Jiande Hospital through the Existing VIE Contracts.

Consideration : The Consideration payable by the Purchaser to the Vendors under the Onshore Equity Transfer Agreement is an aggregate amount of RMB120 million, which represents the full consideration amount for the Acquisition, and shall be payable in three instalments in the following manner:

(1) the first instalment of RMB48.72 million ("**First Instalment Payment**") shall be payable within twenty (20) business days to the co-managed account upon signing of the Onshore Equity Transfer Agreement, subject to the following payment conditions being fulfilled or waived by the Purchaser:

(i) the Vendors (or his associate(s)) having communicated with relevant Chinese government agencies on matters relating to the Existing VIE Contracts and the New VIE Contracts and obtained confirmation from these government agencies that they have no objection to the Existing VIE Contracts and the New VIE Contracts in a manner approved by the Purchaser and fulfils the requirements under the Listing Rules; and

(ii) the Associated Equity Transfer Agreement having been formally executed, valid and in full force and the acquisition of the entire equity interests in the OPCO by the PRC Equity Owners is completed;

Upon the fulfilment or waiver of the following conditions to the First Instalment Payment, the Purchaser shall make the First Instalment Payment and the Vendors shall transfer the authority of the co-managed account and unwind the co-management arrangement pursuant the Purchaser's request:

(i) the Existing VIE Contracts having been completely terminated, and there being no existing or potential disputes and litigation; and

(ii) the New VIE Contracts having been duly executed, valid and in full force, such that the Purchaser can effectively obtain control of 30% of the equity interests in Jiande Hospital;

(2) the second instalment of RMB35.28 million ("**Second Instalment Payment**") shall be payable within two (2) business days from the Completion Date upon fulfillment or waiver of the Conditions Precedent listed under the paragraph headed "Conditions Precedents" below; and

(3) the third instalment of RMB36 million shall be payable on June 30, 2022 or such later date as may be agreed by the Vendors and the Purchaser, conditional upon the Vendors' representations and warranties under the Onshore Equity Transfer Agreement remain true, complete and accurate.

The Consideration shall be paid to the Vendors in accordance with their respective ownership of equity interests in Hangzhou Jingyouzhi (i.e. 90% of the Consideration shall be paid to Mr. Hong Jiangxin and 10% of the Consideration shall be paid to Mr. Hong Yang).

If the Onshore Equity Transfer Agreement is terminated in accordance with its terms:

(1) the Vendors shall refund the Consideration amount already paid by the Purchaser and the accrued interest thereon to the bank account designated by the Purchaser in writing within ten (10) business days after receipt of the Purchaser's written notice;

(2) the Vendors shall return the authority relating to the co-managed bank account to the Purchaser and cooperate with the Purchaser to unwind the co-management arrangement pursuant to the Purchasers' request; and

(3) the New VIE Contracts shall be completely terminated, and all parties shall cooperate in re-executing the Existing VIE Contracts pursuant to the Vendors' request.

The Consideration will be satisfied by the internal resources of the Group.

Basis of Consideration : The Consideration was determined after arm's length negotiations between the Vendors and the Purchaser after taking into account: (i) the commercial substance of the Acquisition, which is for the purpose of exercising full control over the Onshore Target Companies as stated in the sections headed "Background" and "Reasons for and Benefits of the Acquisition" in this announcement; and (ii) the appraised total fair value of the Onshore Target Companies to be approximately RMB400 million pursuant to the Valuation Report.

In order to assess the fairness of the consideration, the Company has engaged an experienced independent valuation institution as its financial advisor (the "**Financial Advisor**") to carry out an analysis based on the Comparable Companies identified on the basis of fulfilment of selection criteria including (i) primarily engaged in the healthcare or medical services and/or facilities industry, (ii) has its primary operations in China, and (iii) principal business being similar to the Onshore Target Companies. In particular, as advised by the Financial Advisor, the Company has identified and reviewed, to the best of its knowledge and ability, the Price-to-Sales ratio represented by the Comparable Companies, as adjusted by factors including differences between the Comparable Companies on one hand and the Onshore Target Companies on the other hand in terms of scale of operation, operational performance and effectiveness, growth capability, solvency, etc. (the "**Adjusted Price-to-Sales Ratio(s)**").

Details of the Comparable Companies are set out as below:

Name	Stock code/stock ticker	Exchange where the stock is listed	Principal business activities	Adjusted Price-to-Sales Ratios
UMP Healthcare Holdings Limited	0722	Hong Kong	provides corporate healthcare solutions through the design and administration of tailored healthcare benefits plans for its contract customers which comprise (i) insurance companies and (ii) corporations	0.78
Water Oasis Group Limited	1161	Hong Kong	offers a full selection of general, specialist and medical beauty services and related wellness services for high-end, mid-range and mass market customers, both male and female	1.44
New Century Healthcare Holding Co. Limited	1518	Hong Kong	provides (i) medical services, including pediatric services and obstetric and gynecologic services, and (ii) hospital consulting services	0.60

Name	Stock code/stock ticker	Exchange where the stock is listed	Principal business activities	Adjusted Price-to-Sales Ratios
Rici Healthcare Holdings Limited	1526	Hong Kong	operates general hospital business, medical examination business and specialty hospital business	0.48
Miricor Enterprises Holdings Limited	1827	Hong Kong	provides medical aesthetic services, including treatment services, consultation services, as well as the prescription and dispensing of medical products. In addition, it sells skin care products to clients	5.25
Wenzhou Kangning Hospital Co., Ltd.	2120	Hong Kong	operates a network of healthcare facilities that primarily focuses on providing psychiatric specialty care across various regions in China	1.27
EC healthcare	2138	Hong Kong	provides medical aesthetic services which include a full spectrum of medical and healthcare services and related services to create sustainable value to clients	6.26
C-MER Eye Care Holdings Limited	3309	Hong Kong	provides ophthalmic services, which include consultation and other medical services, and surgeries as well as the sales of vision aid products, with specialty in the fields of cataract, glaucoma, strabismus and refractive surgeries and external eye diseases	7.76
Guangdong Kanghua Healthcare Co., Ltd.* (廣東康華醫療股份有限公司)	3689	Hong Kong	provides hospital services, VIP services, rehabilitation and other related healthcare services, hospital management services, elderly healthcare services and operates sale of pharmaceutical products	0.10
MediNet Group Ltd	8161	Hong Kong	provides medical and dental solutions to corporates and insurance companies	0.41

The Board believes that the Comparable Companies share a similar business model with the Onshore Target Companies, and correctly reflect the current market consideration of companies operating in the same domain. The Board considers the above analysis sufficient and meaningful for the Board to form an observation and meaningful comparison with the valuation of the Onshore Target Companies. The Board is aware that the Comparable Companies are all listed companies whose shares are traded on the Stock Exchange. The Onshore Target Companies are not public companies, and thus their shares would not enjoy the benefit of marketability similar to the above Comparable Companies, yet there is no public and direct assessment of the fair market value of the Onshore Target Companies themselves. The Board understands that (i) it is a market practice to derive a fair market value of a private company based on the Price-to-Sales ratio of a comparable group of listed companies, and (ii) the analysis by the Financial Advisor has taken into account the above-mentioned differences in terms of marketability of shares in the Onshore Target Companies and the Comparable Companies. To the best knowledge and information of the Directors, the Price-to-Sales ratios of the Comparable Companies serve as fair and representative samples for the purpose of the Acquisition. The range of the Adjusted Price-to-Sales Ratios are between 0.10 times to 7.76 times, calculated with reference to the market price of the Comparable Companies as at November 30, 2021. The average Adjusted Price-to-Sales Ratio of the Comparable Companies is 2.44 times and the discounted average Adjusted Price-to-Sales Ratio (after taking into account the difference in terms of marketability of shares) is 1.86 times. The Consideration (being 30% of RMB400 million) reflects a Price-to-Sales ratio of 1.86 times, which is the discounted average Adjusted Price-to-Sales ratio of the Comparable Companies and within the Comparable Companies' range of Adjusted Price-to-Sales Ratios between 0.10 times and 7.76 times.

In carrying out the analysis, the Company has verified the valuation by adopting an alternative method to carry out the analysis based on four comparable acquisitions in the healthcare industry conducted in 2019 to 2021 and their EV-to-Sales ratio, which led to a valuation amount of RMB402 million (being rounded to approximately RMB400 million).

Having considered the above factors, in particular the consideration of the Acquisition as compared with the valuation pursuant to the Valuation Report, the Directors consider that the consideration for the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent : Completion shall be conditional upon fulfillment or waiver (as applicable) of each of the following Conditions Precedent:

The Vendors' Conditions Precedent

(a) all representations and warranties made by the Purchaser under the Onshore Equity Transfer Agreement remaining true, accurate and complete on the Completion Date; and

(b) if applicable, all government agencies or regulatory consents and/or approvals related to the Onshore Equity Transfer Agreement and the transactions contemplated thereunder have been obtained.

The Purchaser's Conditions Precedent

(c) Hangzhou Jingyouzhi having obtained all necessary internal authorizations and approvals for the sale of its equity interests, in particular its shareholders having approved the sale of its equity interests and the register of the Purchaser (or its designated nominee) in the register of members of Hangzhou Jingyouzhi as the sole shareholder;

(d) the Purchaser having obtained all necessary internal authorizations and approvals for the purchase of the equity interests of Hangzhou Jingyouzhi, including but not limited to the approval of Directors and independent non-executive Directors in accordance with the requirements of the Listing Rules;

(e) all government agencies or regulatory consents and/or approvals related to the Onshore Equity Transfer Agreement and the transactions contemplated thereunder having been obtained;

(f) all representations and warranties made by the Vendors under the Onshore Equity Transfer Agreement remaining true, accurate and complete on the Completion Date;

(g) the New VIE Contracts having been officially executed and are still valid and existing;

(h) the related parties having completed the registration for the transfer of the entire equity interests of Hangzhou Jingyouzhi and Hangzhou Jinhoupu with the local branch of State Administration for Market Regulation (SAMR);

(i) the transactions contemplated under the Onshore Equity Transfer Agreement and its proposed VIE structure fulfill all applicable requirements of the Listing Rules and the guidance letter HKEx-GL-77-14 (including but not limited to (i) the Vendors (or his associate(s)) having communicated with relevant Chinese government agencies on matters relating to the Existing VIE Contracts and the New VIE Contracts, and having obtained the confirmation of no objection to such contracts; and (ii) the Purchaser having obtained a legal opinion issued by the PRC legal adviser regarding the legality of the New VIE Contracts, and the Stock Exchange granting the waiver pursuant to Rule 14A.102 of the Listing Rules from (x) fixing the term of the New VIE Contracts for a period of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules, and (y) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the service fees payable by the OPCO to Jiande Heyue under the Exclusive Operation Service Agreement;

(j) All conditions precedent under the Associated Equity Transfer Agreement having been satisfied or waived (if applicable); and

(k) no government agency having promulgated, issued or executed any laws, regulations, administrative orders, decrees, judgments, intermediate or permanent injunctions or other orders that may prohibit or otherwise interfere with the Completion.

The Purchaser may, at its own discretion, waive any one or all of the Conditions Precedents (j) and (k) by issuance of a written notice to the Vendors.

Long Stop Date : In the event that any of the Conditions Precedent is not fulfilled (or waived) on or before the Long Stop Date, being March 31, 2022, or such later date as mutually agreed in writing by the Purchaser and the Vendors, the parties to the Onshore Equity Transfer Agreement shall not be bound to proceed with the Acquisition and the Onshore Equity Transfer Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach of the Onshore Equity Transfer Agreement.

Completion : Upon fulfillment (or waiver, if applicable) of all of the Conditions Precedent, Completion shall take place on the fifth (5^{th}) Business Day thereafter or such other date as mutually agreed between the Purchaser and the Vendors.

Indemnity : The Vendors undertake to be jointly liable for indemnifying the Purchaser, Hangzhou Jingyouzhi and/or Hangzhou Jinhoupu against all liabilities or actual losses, including but not limited to the undisclosed third-party liabilities and reasonable expenses such as legal fees and notarization fees, suffered or incurred by the Purchaser as a consequence of or which would not have arisen but for:

(a) any breach or proven untruth, inaccuracy, incompleteness or misleadingness of any representation or warranty made by the Vendors in the transaction documents in relation to the Acquisition;

(b) any proven untruth, inaccuracy, incompleteness or misleadingness of any certification or transaction documents required thereunder in relation to the Acquisition; and

(c) any failure by the Vendors to perform any of its obligations under the Onshore Equity Transfer Agreement.

THE ASSOCIATED EQUITY TRANSFER AGREEMENT

Pursuant to the Onshore Equity Transfer Agreement and as part of the conditions for the payment of the First Installment Payment, the Vendors and the PRC Equity Owners have entered into the Associated Equity Transfer Agreement in respect of the sale and purchase of the entire equity interests in the OPCO by the PRC Equity Owners from the Vendors on February 16, 2022.

REASONS FOR AND BENEFITS OF THE ACQUISITION

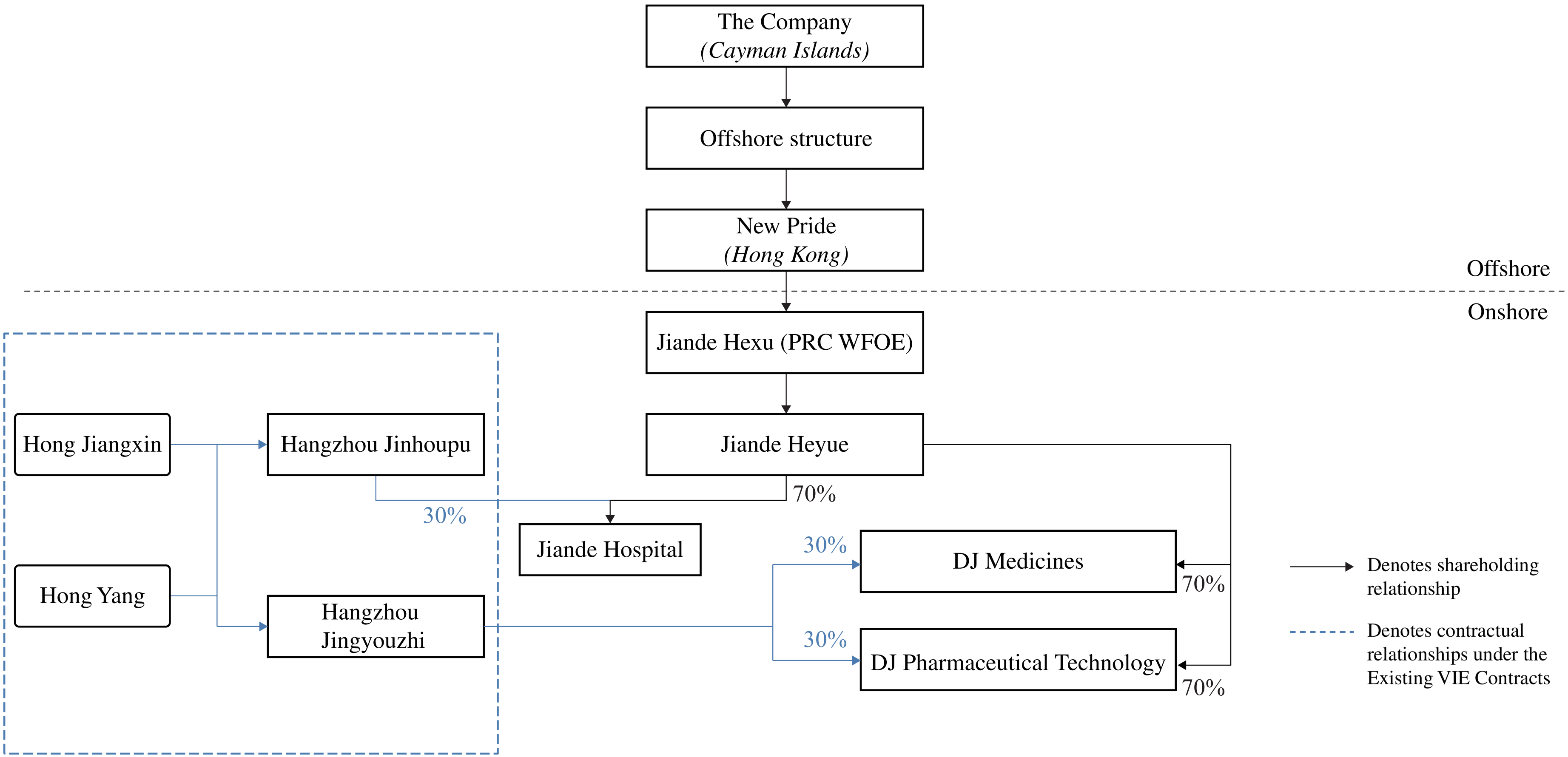
The Onshore Target Companies are of financial and strategic importance to the Group. The Onshore Target Companies play a vital role behind the growth of our Group. The Group is principally engaged in three different segments, being general hospital services; hospital management services; and sale of pharmaceutical products. The wholesale and retail sales of pharmaceutical products of DJ Medicines and its subsidiaries contributes to revenues for sale of pharmaceutical products whereas Jiande Hospital contributes to revenue for general hospital services. In particular, during the six months ended June 30, 2021, our revenue from the general hospital services segment increased by approximately 17.5% as compared to the corresponding period of previous year mainly due to an increase in the amount of revenue from the provision of general hospital services by Jiande Hospital to individual patients.

The Directors consider that the Acquisition will enable the Company, through Hangzhou Jingyouzhi to fully manage and control the operations of and the supply of medicines and pharmaceutical supplies to designated hospitals managed by the Group, and consolidate the values generated from the general hospital services of Jiande Hospital and to obtain the control over the 30% equity interests in the Onshore Target Companies.

The Directors (including the independent non-executive Directors) consider that the terms of the Onshore Equity Transfer Agreement are fair and reasonable, the Acquisition contemplated thereunder is on normal commercial terms or better and is in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE

(i) Shareholding structure of the Group and contractual arrangements as at the date of the announcement



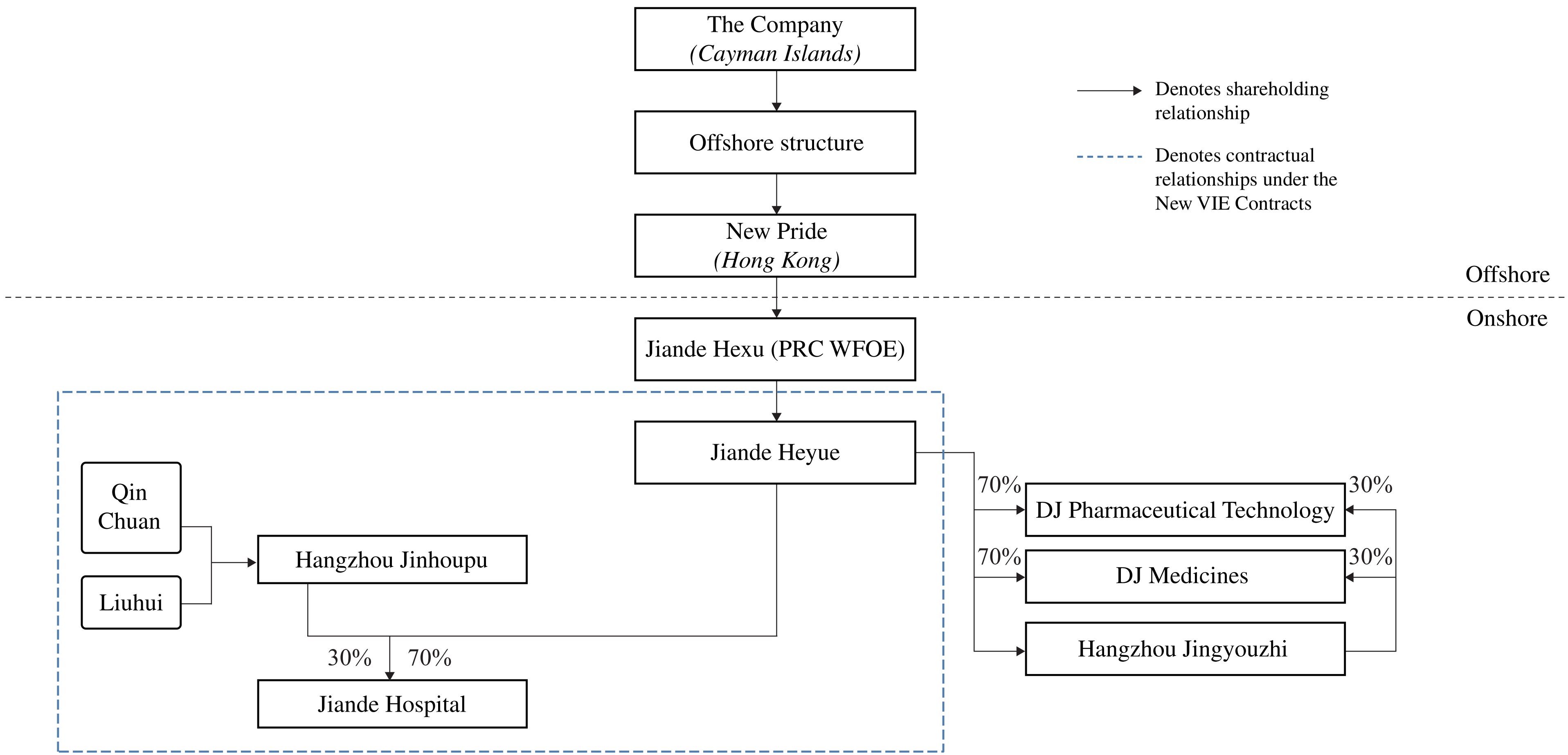
Notes:

1. Where not explicitly stated, the shareholding ratio in the above structure chart is 100%.

2. Mr. Hong Jiangxin and Mr. Hong Yang respectively holds 90% and 10% equity interests in both Hangzhou Jinhoupu and Hangzhou Jingyouzhi.

3. Hangzhou Jingyouzhi has entered into the Existing VIE Contracts with the Vendors and Hangzhou Jinhoupu. Jiande Hospital is not a party to any contract of the Existing VIE Contracts.

(ii) Shareholding structure and contractual arrangements of the Group immediately after the Completion



Notes:

1. Where not explicitly stated, the shareholding ratio in the above structure chart is 100%.

2. Following the termination of the Existing VIE contracts, Jiande Heyue will have entered into the New VIE Contracts with the PRC Equity Owners, the OPCO and Jiande Hospital.

3. The PRC Equity Owners, being Qin Chuan and Liu Hui, each hold 52% and 48% equity interests in the OPCO respectively.

INFORMATION OF THE EXISTING VIE CONTRACTS AND THE NEW VIE CONTRACTS

On February 7, 2022, Hangzhou Jingyouzhi, Hangzhou Jinhoupu and the Vendors have entered into the Existing VIE Contracts.

Immediately after the execution of the Termination Agreements, Jiande Heyue, the OPCO, Jiande Hospital and the PRC Equity Owners will enter into the New VIE Contracts.

Background and reasons for use of the New VIE Contracts

The Group is principally engaged in hospital management business and general hospital business in China. Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (the "**Negative List**") and the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (the "**Encouraging Catalog**"), which were promulgated and are amended from time to time jointly by MOFCOM and the National Development and Reform Commission (NDRC). The Negative List and the Encouraging Catalog divide industries into four categories in terms of foreign investment, namely, "encouraged", "restricted", "prohibited" and "permitted" (the last category of which includes all industries not listed under the "encouraged", "restricted" and "prohibited" categories).

According to the Negative List, medical institutions fall within the "restricted" investment category, and therefore cannot be held 100% by foreign investments and foreign investments are restricted to the form of sino-foreign equity joint venture. Furthermore, as advised by our PRC legal adviser, Bureau of Commerce of Jiande City, as the competent authority for foreign investment administration in Jiande City, and Health Commission of Jiande City, as the competent authority of medical institutions in Jiande City, are of the view that the Company, as a foreign entity, shall not hold, directly or indirectly, more than 70% of the equity interests in any medical institution in Jiande City (the "**Foreign Ownership Restriction**"). As such, the Company, through Jiande Heyue, currently holds 70% equity interests in Jiande Hospital and Hangzhou Jinhoupu holds the remaining 30% equity interests in Jiande Hospital.

In light of the Foreign Ownership Restriction, in order to control Jiande Hospital and to prevent leakages of equity and values to the minority shareholders of Jiande Hospital, and to obtain 30% economic benefits of this medical institution attributable to the OPCO, Jiande Heyue shall enter into the New VIE Contracts with the PRC Equity Owners and the OPCO Group. Upon Completion, the New VIE Contracts will allow the Group to control and consolidate the OPCO and to obtain 30% economic benefits of Jiande Hospital attributable to the OPCO.

The New VIE Contracts are narrowly tailored because they are only used to address the Foreign Ownership Restriction as set forth in this section. The New VIE Contracts are also narrowly tailored to achieve the business purposes of the Company and minimize the potential for conflict with relevant PRC laws and regulations.

TERMINATION AGREEMENTS

Parties	:	(1) Hangzhou Jingyouzhi; (2) Hangzhou Jinhoupu; and (3) the Vendors. each being one of the parties to the Existing VIE Contracts.
Subject Matter	:	After the execution of the Onshore Equity Transfer Agreement, the parties thereto will enter into the Termination Agreements with respect to all of the Existing VIE Contracts and agreed that the Existing VIE Contracts shall be terminated upon the New VIE Contracts becoming effective.

The New VIE Contracts

After the execution of the Onshore Equity Transfer Agreement, as part of the conditions for the payment of the Second Installment Payment, the PRC Equity Owners, the OPCO, Jiande Heyue and Jiande Hospital will enter into the New VIE Contracts as follows to establish the new VIE structure. The New VIE Contracts to be entered into will be in the same form as at the date of this announcement and will take effect at the same time when the Existing VIE Contracts are terminated.

The New VIE Contracts, comprise the following:

(i). Exclusive Operation Service Agreement;

(ii). Exclusive Option Agreements;

(iii). Entrustment Agreements and Powers of Attorney; and

(iv). Equity Pledge Agreements.

The New VIE Contracts are reproduced from the Existing VIE Contracts and are on substantially the same terms as those currently in place under the Existing VIE Contracts, save for the following amendments:

(i). relevant parties will be changed and thus, relevant provisions are modified or inserted where applicable to reflect the new shareholding structure under the section headed "Shareholding structure and contractual arrangements of the Group immediately after the Completion" above;

(ii). in case of breach of the New VIE Contracts, the liability of the PRC Equity Owners is limited to their equity interests held in the OPCO and all assets and income of the OPCO (including but not limited to the income that should have been received by the OPCO but for the breach);

(iii). the New VIE Contracts will include the Equity Pledge Agreements. Equity pledge arrangements are not required for the Existing VIE Contracts as the Vendors are the ultimate beneficial owner of both Hangzhou Jingyouzhi and Hangzhou Jinhoupu; and

(iv). adding relevant provisions that the New VIE Contracts are subject to the requirements under the Listing Rules and the guidance letters issued by the Stock Exchange, and in the event of any changes in the Listing Rules or relevant requirements relating to the New VIE Contracts, the parties shall revise the terms therein accordingly to ensure compliance with the Listing Rules and relevant requirements.

Principal terms of each of the New VIE Contracts are set out as follows:

Exclusive Operation Service Agreement

Parties

Jiande Heyue, the OPCO and the PRC Equity Owners will enter into an exclusive operation service agreement (the "**Exclusive Operation Service Agreement**").

Subject matter

Pursuant to the Exclusive Operation Service Agreement, Jiande Heyue agrees to provide to the OPCO and its affiliated medical institution, being Jiande Hospital, on an exclusive basis, shareholder's rights and investment management related services and medical institution operation services based on their actual business demand. Accordingly, Jiande Heyue agrees to provide services to the OPCO and its affiliated medical institution, including but not limited to, (i) asset and business operational plan formulation and execution, (ii) human resources and operation technology related consultation and management, (iii) technical and commercial market research, (iv) strategies for marketing and business expansion, (v) technical personnel support, (vi) internal management, (vii) provision of comprehensive solution including medical resources sharing and technical consultation, (viii) medical appliances sourcing, (ix) quality control, and (x) other services relating to management and operation of medical institutions and maintenance of appliances and facilities.

Jiande Heyue has proprietary rights to all the intellectual properties developed or created by Jiande Heyue from the performance of these services. During the term of the Exclusive Operation Service Agreement, Jiande Heyue may use the intellectual property rights owned by the OPCO free of charge and without any conditions. The OPCO may also use the intellectual property work created by Jiande Heyue from the services performed by Jiande Heyue in accordance with the Exclusive Operation Service Agreement.

Pursuant to the Exclusive Operation Service Agreement, Jiande Heyue has the right to request for an annual service fee in an amount equivalent to 30% of the annual distributable profits of Jiande Hospital after deducting any loss in the prior year and the statutory provident fund (if applicable) from the OPCO.

In addition, pursuant to the Exclusive Operation Service Agreement, without the prior written approval from Jiande Heyue, the OPCO and the PRC Equity Owners shall not enter into any transactions that may materially affect their assets, obligations, equity interests, rights or operation, including but not limited to (i) the disposal, transfer or acquisition of any assets, (ii) the disposal or transfer of the shares in its affiliated medical institution, and (iii) the entering into of any contracts or arrangements which may conflict with the New VIE Contracts or adversely affect the interests of Jiande Heyue under the New VIE Contracts.

Term of the Exclusive Operation Service Agreement and termination

The Exclusive Operation Service Agreement shall become effective from the Effective Date and shall remain valid for three years from the Effective Date and shall, subject to compliance with the Listing Rules, be automatically renewed for three years each time when its term ends, unless being terminated in accordance with the terms therein.

Pursuant to the Exclusive Operation Service Agreement, each of the OPCO and the PRC Equity Owners further undertakes to use his/its best endeavors to assist Jiande Heyue in complying with the Listing Rules (including but not limited to agreeing to any amendments to the Exclusive Operation Service Agreement as required by Jiande Heyue) and maintaining the validity of the Exclusive Operation Service Agreement in accordance with the terms therein.

According to the Exclusive Operation Service Agreement, unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Jiande Heyue) is entitled to unilaterally terminate it. Furthermore, pursuant to the Exclusive Operation Service Agreement, it may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) all of the OPCO's 30% equity interests in Jiande Hospital and the assets held by Jiande Hospital or all of the PRC Equity Owners' equity interests in the OPCO and the assets of the OPCO is transferred to Jiande Heyue or its designated person pursuant to applicable PRC laws and regulations, or (iii) Jiande Heyue unilaterally terminates the agreement.

Exclusive Option Agreements

Parties

Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital will enter into exclusive option agreements (the "**Exclusive Option Agreements**").

Subject matter

Pursuant to the Exclusive Option Agreements, (i) each of the PRC Equity Owners irrevocably and unconditionally grants an exclusive option to Jiande Heyue which entitles Jiande Heyue to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interests in the OPCO itself or through its designated person(s), (ii) the OPCO irrevocably and unconditionally grants an exclusive option to Jiande Heyue which entitles Jiande Heyue to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of the OPCO itself or through its designated person(s), (iii) the OPCO irrevocably and unconditionally grants an exclusive option to Jiande Heyue which entitles Jiande Heyue to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the 30% of equity interests in Jiande Hospital from the OPCO itself or through its designated person(s), and (iv) Jiande Hospital irrevocably and unconditionally grants an exclusive option to Jiande Heyue which entitles Jiande Heyue to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of Jiande Hospital attributable to the OPCO from Jiande Hospital itself or through its designated person(s). Jiande Heyue may appoint designated person(s) when exercising its option. The transfer price of the relevant equity interests and assets shall be the minimum purchase price permitted under PRC law, and each of the PRC Equity Owners, the OPCO and Jiande Hospital will undertake that they/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer of equity interests or assets to Jiande Heyue.

The PRC Equity Owners and the OPCO undertake to endeavor to develop the business of the OPCO and Jiande Hospital and not to take any action or fail to take any action which may affect their asset value, goodwill and effectiveness of business licenses. Furthermore, in the absence of prior written consent of Jiande Heyue, the PRC Equity Owners and the OPCO shall not transfer or otherwise dispose of any option under the Exclusive Option Agreements, or create any encumbrances thereon and Jiande Hospital shall not assist in transferring or otherwise disposing of any option or assets under the Exclusive Option Agreements, or creating any encumbrances thereon.

In addition, the PRC Equity Owners, the OPCO and Jiande Hospital undertake that, upon Jiande Heyue issuing the notice to exercise the option in accordance with the Exclusive Option Agreements, they will implement necessary actions to effect the transfer and to ensure there is no defects, security rights or any restrictions imposed by third-party in the legal title of the option or transferred assets, as the case may be. Each of the parties to the Exclusive Option Agreements confirms and agrees that (i) in the event of a dissolution or liquidation of the OPCO and Jiande Hospital (as applicable) under the PRC laws, all the residual assets which are attributable to the PRC Equity Owners and the OPCO (as applicable) shall be transferred to Jiande Heyue or its designated person(s) at the minimum purchase price permitted under PRC law, and each of the PRC Equity Owners and the OPCO undertakes that he/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer to Jiande Heyue or its designated person(s), (ii) in the event of bankruptcy, reorganization or merger of the OPCO, death or incapacity of the PRC Equity Owners or any other event which causes changes to their shareholding in the OPCO, or the OPCO's shareholding in Jiande Hospital (as applicable), the successor of the PRC Equity Owners' equity interests in the OPCO, or the OPCO's equity interests in Jiande Hospital shall be bound by the New VIE Contracts, and (iii) any disposal of shareholding in the OPCO and Jiande Hospital shall be governed by the New VIE Contracts unless Jiande Heyue consents otherwise in writing.

Term of the Exclusive Option Agreements and termination

Each of the Exclusive Option Agreements shall become effective from the Effective Date. Each of the Exclusive Option Agreements has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Jiande Heyue) is entitled to unilaterally terminate it.

Each of the Exclusive Option Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) all of the PRC Equity Owners' equity interests in the OPCO and all of the OPCO's equity interests in Jiande Hospital are transferred to Jiande Heyue or its designated person pursuant to applicable PRC laws and regulations, (iii) all of the assets of the OPCO attributable to the PRC Equity Owners and all of the assets of Jiande Hospital attributable to the OPCO are transferred to Jiande Heyue or its designated person pursuant to applicable PRC laws and regulations, or (iv) Jiande Heyue unilaterally terminates the agreement.

Entrustment Agreements and Powers of Attorney

Parties

Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital will enter into entrustment agreements (the "**Entrustment Agreements**") with an annexure of the powers of attorney to be executed by the PRC Equity Owners and the OPCO (the "**Powers of Attorney**") in favor of Jiande Heyue (and its successors or liquidators) or a natural person designated by Jiande Heyue (the "**Attorney**").

Subject matter

Pursuant to the Entrustment Agreements and the Powers of Attorney annexed thereto, (i) the PRC Equity Owners irrevocably agree to authorize the Attorney to exercise all of its rights and powers as a shareholder of the OPCO and Jiande Hospital (as applicable), including the rights to vote in a shareholders' meeting, sign minutes, and file documents with the relevant companies registry; and (ii) the OPCO irrevocably agrees to authorize the Attorney to exercise all of its rights and powers as a shareholder of Jiande Hospital (as applicable), including the rights to vote in a shareholders' meeting, sign minutes, and file documents with the relevant companies registry. As Jiande Heyue is a wholly-owned subsidiary of the Company, the terms of the Entrustment Agreements and the Powers of Attorney will give the Company full control over all corporate decisions made by such Attorney and exercise management control over the OPCO, and the 30% equity interests in Jiande Hospital.

Furthermore, since the Exclusive Option Agreements, the Entrustment Agreements and the Powers of Attorney encompass dealing with the assets of the OPCO and Jiande Hospital, the liquidator can seize their assets in a winding up situation for the benefit of Jiande Heyue's shareholders or creditors.

Term of the Entrustment Agreements and Powers of Attorney and termination

Each of the Entrustment Agreements and Powers of Attorney shall become effective from the Effective Date. Each of the Entrustment Agreements and Powers of Attorney has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Jiande Heyue) is entitled to unilaterally terminate it.

Each of the Entrustment Agreements and Powers of Attorney may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) all of the PRC Equity Owners' equity interests in the OPCO and all of the OPCO's equity interests in Jiande Hospital are transferred to Jiande Heyue or its designated person pursuant to applicable PRC laws and regulations, (iii) all of the assets of the OPCO and all of the assets of Jiande Hospital attributable to the OPCO are transferred to Jiande Heyue or its designated person pursuant to applicable PRC laws and regulations, or (iv) Jiande Heyue unilaterally terminates the agreement.

Equity Pledge Agreements

Parties

Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital will enter into equity pledge agreements (the "**Equity Pledge Agreements**").

Subject matter

Pursuant to the Equity Pledge Agreements, the PRC Equity Owners and the OPCO agree to pledge all of his/its respective equity interests in the OPCO and Jiande Hospital to Jiande Heyue to secure performance of all their obligations and the obligations of Jiande Hospital under the New VIE Contracts.

To the extent permitted by the PRC laws and best knowledge of the PRC Equity Owners, if the OPCO and Jiande Hospital declare any dividend during the term of the pledge, Jiande Heyue is entitled to receive all dividends or other income arising from the pledged equity interests, if any. In case of any breach of obligations by the PRC Equity Owners, the OPCO or Jiande Hospital, upon issuing a written notice to the PRC Equity Owners and the OPCO, Jiande Heyue will be entitled to all remedies available in the New VIE Contracts including but not limited to disposing of the pledged equity interests.

In addition, pursuant to the Equity Pledge Agreements, the PRC Equity Owners and the OPCO undertake to Jiande Heyue, among other things, not to transfer their equity interests in the OPCO and Jiande Hospital and not to create or allow any pledge or encumbrance thereon that may affect the rights and interest of Jiande Heyue without its prior written consent. The OPCO and Jiande Hospital undertake to Jiande Heyue, among other things, not to assist to transfer the equity interests in the OPCO and Jiande Hospital held by the PRC Equity Owners and the OPCO (as applicable) or to create or allow any pledge or encumbrance thereon without Jiande Heyue's prior written consent.

Term of the Equity Pledge Agreements and termination

Each of the Equity Pledge Agreements shall become effective from the Effective Date. Each of the Equity Pledge Agreements has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Jiande Heyue) is entitled to unilaterally terminate it.

Each of the Equity Pledge Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) all of the PRC Equity Owners' equity interests in the OPCO and all of the OPCO's equity interests in Jiande Hospital are transferred to Jiande Heyue or its designated person pursuant to applicable PRC laws and regulations, (iii) all of the assets of the OPCO and all of the assets of Jiande Hospital attributable to the OPCO are transferred to Jiande Heyue or its designated person pursuant to applicable PRC laws and regulations, or (iv) Jiande Heyue unilaterally terminates the agreement.

Dispute Resolutions

Each of the New VIE Contracts contains a dispute resolution provision, which stipulates that in the event of any dispute relating to the interpretation and performance of the New VIE Contracts, the parties shall negotiate in good faith to resolve such disputes. If the parties fail to reach an agreement on the resolution of such a dispute within 30 days, the relevant dispute may be submitted to the CIETAC for arbitration in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used in the arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties.

The dispute resolution provisions contained in the New VIE Contracts also provide that the arbitral tribunal may award remedies over the shares or assets (including land assets) of the OPCO or Jiande Hospital or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the OPCO and Jiande Hospital; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and the PRC (the place where the main assets are located) shall be deemed to have jurisdiction to grant and/or enforce arbitral awards and interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate case. However, our PRC legal adviser is of the opinion that such provisions may not be enforceable under the PRC law. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of the OPCO pursuant to the current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC, and Jiande Heyue may only seek interim remedies or enforcement from competent PRC courts. As a result, in the event that the PRC Equity Owners, the OPCO or Jiande Hospital breaches any of the New VIE Contracts, the Group may not be able to obtain sufficient remedies in a timely manner, and its ability to exert control over the OPCO and the 30% equity interests in Jiande Hospital as well as its financial conditions and the results of operations could be negatively affected.

Succession

As advised by our PRC legal adviser, the provisions set out in the New VIE Contracts will be also binding on any successor of the PRC Equity Owners and the OPCO as if such successors were a signing party to the New VIE Contracts. As such, any breach by the successors would be deemed to be a breach of the New VIE Contracts. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents. In case of a breach, Jiande Heyue can enforce its rights against the successors. Pursuant to the New VIE Contracts, in the event of changes in the shareholding of the OPCO, any successor of the OPCO shall assume any and all rights and obligations of the OPCO under the New VIE Contracts as if such successor were a signing party to the relevant contract.

Loss sharing

As advised by our PRC legal adviser, none of the New VIE Contracts contains the provisions that the Group is obligated to share the losses of the OPCO or provide financial support to the OPCO. Further, the OPCO is a limited liability company and will be solely liable for its own debts and losses with assets and properties owned by it. Under the PRC laws, Jiande Heyue is not required to share the losses of the OPCO or provide financial support to the OPCO.

Liquidation, bankruptcy or death

Pursuant to the Exclusive Option Agreements, (i) in the event of a dissolution or liquidation of the OPCO or Jiande Hospital (as applicable) under the PRC laws, all the residual assets which are attributable to the PRC Equity Owners or the OPCO (as applicable) shall be transferred to Jiande Heyue or its designated person(s) at the minimum purchase price permitted under PRC law, and each of the PRC Equity Owners, the OPCO and Jiande Hospital undertakes that he/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer to Jiande Heyue or its designated person(s), (ii) in the event of bankruptcy, reorganization, merger of the OPCO, death or incapacity of the PRC Equity Owners or any other event which causes changes to the PRC Equity Owner's shareholding in the OPCO or the OPCO's shareholding in Jiande Hospital, the successor of the PRC Equity Owners' equity interests in the OPCO and the successor of the OPCO's equity interests in Jiande Hospital shall be bound by the New VIE Contracts, and (iii) any disposal of shareholding in the OPCO or the OPCO's shareholding in Jiande Hospital shall be governed by the New VIE Contracts unless Jiande Heyue consents otherwise in writing.

Conflict of interests

The Company confirms that appropriate arrangements have been made to address the potential conflict of interests between the PRC Equity Owners and the Group. Each of the PRC Equity Owners has made certain consents, confirmations and the undertakings, details of which are set out in the paragraph headed "Entrustment Agreements and Powers of Attorney" in this announcement.

The PRC Equity Owners have undertaken under the Exclusive Option Agreements that, during the period that the New VIE Contracts remain effective, they shall not take or omit to take any action which may lead to a conflict of interest with Jiande Heyue or Jiande Heyue's direct or indirect shareholders. If there is any conflict of interest, Jiande Heyue shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws. The PRC Equity Owners and the OPCO will unconditionally follow the instructions of Jiande Heyue to take any action to eliminate such conflict of interest.

Unwinding the New VIE Contracts

The Group will unwind the New VIE Contracts as soon as the law allows the restricted business to be operated without them, and Jiande Heyue and/or its designated person may acquire the equity interest in the OPCO held by the PRC Equity Owners and/or the assets of the OPCO may be transferred to Jiande Heyue and/or its designated person. In the event Jiande Heyue exercises the right under the Exclusive Option Agreements to acquire the equity interest in the OPCO held by the PRC Equity Owners and/or the assets of the OPCO to unwind the New VIE Contracts, each of the PRC Equity Owners and the OPCO has undertaken to return to the Jiande Heyue any consideration he/it shall receive.

Insurance

The Group did not purchase any insurance to cover the risks relating to the New VIE Contracts.

INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

The Group will adopt the following measures to ensure legal and regulatory compliance of the New VIE Contracts:

- as part of the internal control measures, major issues arising from the implementation of the New VIE Contracts with the PRC Equity Owners and the OPCO Group will be regularly reviewed, at least on an annual basis, by the Board. The Board will determine, as part of its periodic review process, whether legal advisers and/or other professionals will be retained to assist the Group to deal with specific issues arising from the New VIE Contracts;

- the independent non-executive Directors will review the implementation and compliance of the New VIE Contracts;

- matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at regular meetings by the Board no less frequently than on a quarterly basis;

- the relevant business units and operation divisions of the Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of the Company in relation to compliance and performance conditions under the New VIE Contracts and other related matters;

- the PRC Equity Owners and the OPCO will undertake that they will not carry on, own or acquire any business which is in competition with or is likely to be in competition with the business carried on by Jiande Hospital without our prior written consent; and

- the Group will unwind the VIE Contracts as soon as the law allows the business to be operated without them.

As of the date of this announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, the Directors are not aware of any factors that would lead to any interference from or restrictions imposed by any PRC governing bodies on the Group's operating the businesses through Jiande Hospital under the Existing VIE Contracts.

Effect and legality of the New VIE Contracts

As advised by our PRC legal adviser, based on the interviews conducted on November 29,2021 and the supplementary interviews conducted on January 24, 2022 with officers from Bureau of Commerce of Jiande City and Health Bureau of Jiande City (together the "**Interviews**") respectively, Health Bureau of Jiande City is of the view and the Bureau of Commerce of Jiande City agrees, that the Company, as a foreign entity, shall not hold more than 70% shares in the medical institution in Jiande City. Further, according to the result of such interviews, (i) no approval from the authority is required for the execution of the Existing VIE Contracts and New VIE Contracts (together, the "**VIE Contracts**"); (ii) the execution of the VIE Contracts did not and will not lead to the administrative penalty by Bureau of Commerce of Jiande City or Health Bureau of Jiande City; and (iii) there is no prohibitive or restrictive requirement with respect to VIE Contracts under current PRC law. Our PRC legal adviser is of the view that Bureau of Commerce of Jiande City and Health Bureau of Jiande City are the competent authorities to give such confirmation in respect of foreign investments in medical institutions in Jiande city as of the date of this announcement.

Assuming (i) the New VIE Contracts are in the same form as at the date of this announcement and (ii) there is no PRC government authorities or PRC laws, regulations, rules, guidelines and policies come into effect after the date of this announcement that restricting the execution or validity of the New VIE Contracts, our PRC legal adviser, after taking reasonable actions and steps to reach its legal conclusions, is of the following legal opinion:

- the New VIE Contracts, as confirmed by the parties thereto, would be entered into for the purpose of realizing the commercial purpose of the parties, and are narrowly tailored to the extent possible to minimize potential conflict with applicable existing PRC laws and regulations. Each of the agreements under the Contractual Arrangements does not, individually or collectively, violate the mandatory provisions of the PRC Civil Code (《中華人民共和國民法典》). Furthermore, the PRC Civil Code came into effect on January 1, 2021, which no longer specifies "concealing illegal intentions with a lawful form" as the statutory circumstances of a void contract but stipulates certain circumstances which will lead to the invalidation of civil juristic acts, including but not limited to a civil juristic act performed by a person having no capacity for civil conducts, a civil juristic act performed by the actor and the counterparty based on false expression of intention, a civil juristic act violates the mandatory provisions of laws and administrative regulations, a civil juristic act violates of public order and morals, etc. The provisions on the validity of civil juristic acts also apply to the validity of contracts. As such, the New VIE Contracts would not fall within the above circumstances which will result in the invalidity of the New VIE Contracts;

- each of Jiande Heyue, the OPCO and Jiande Hospital is validly existing under the PRC laws as of the date of this announcement;

- each of Jiande Heyue, Hangzhou Jinhoupu, the PRC Equity Owners and Jiande Hospital has the legal and civil capacity to enter into the New VIE Contracts as of the date of this announcement;

- each of the New VIE Contracts after being duly executed, taken individually and collectively, constitutes legal, valid and binding obligations of the parties thereto and will be enforceable under applicable PRC laws and regulations except that (a) the CIETAC has no power to grant injunctive relief, nor will it be able to order the winding up of the OPCO and Jiande Hospital pursuant to the current PRC laws; and (b) interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC;

- none of the New VIE Contracts violates any provisions of the existing articles of association of each of Jiande Heyue, the OPCO and Jiande Hospital as of the date of this announcement;

- based on the interviews conducted with the Health Bureau in Jiande City and/or the Bureau of Commerce in Jiande City, as of the date of the Interviews, the execution and performance of the New VIE Contracts do not require their approvals, registration or permits, except that the Equity Pledge Agreements are subject to registration requirements with the local SAMR and the exercising of the exclusive options by Jiande Heyue according to the Exclusive Option Agreements shall be subject to the then effective PRC laws and regulations and relevant approval procedures (if applicable); and

- pursuant to the PRC Civil Code (《中華人民共和國民法典》) and the Equity Pledge Agreements, Jiande Heyue (as the pledgee) shall have the right to receive all yields accrued from the equity interests of the OPCO and Jiande Hospital pledged by the PRC Equity Owners or the OPCO (which include dividends or other distributions declared to the PRC Equity Owners or the OPCO) to Jiande Heyue.

BOARD'S VIEW ON THE ACQUISITION AND THE NEW VIE CONTRACTS

Based on the above, the Board (including the independent non-executive Directors) is of the view that the New VIE Contracts are narrowly tailored because they are only used to address the Foreign Ownership Restriction. The New VIE Contracts are also narrowly tailored to achieve the business purposes of the Company and minimize the potential for conflict with relevant PRC laws and regulations and are enforceable under the relevant PRC laws. The Board confirms that appropriate arrangements have been made to protect the Company's interests in the Onshore Target Companies in the event of bankruptcy of Hangzhou Jingyouzhi and death, bankruptcy or divorce of the PRC Equity Owners to avoid any practical difficulties in enforcing the New VIE Contracts. By entering into the New VIE Contracts, the Company, through Jiande Heyue, will be able to control and consolidate the OPCO and to obtain the 30% economic benefits of Jiande Hospital attributable to the OPCO. The Onshore Equity Transfer Agreement and the New VIE Contracts, the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

RISK FACTORS IN RELATION TO THE NEW VIE CONTRACTS

If the PRC government finds that the New VIE Contracts do not comply with PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, the Company could be subject to severe penalties or be forced to relinquish our interests received through the New VIE Contracts.

The Company is incorporated in the Cayman Islands and its indirect wholly-owned PRC subsidiary, Jiande Heyue is considered as a foreign-invested enterprise. In light of the Foreign Ownership Restriction, in order to control Jiande Hospital and to prevent leakages of equity and values to the minority shareholders of Jiande Hospital, and to obtain the 30% economic benefits of this medical institution attributable to Hangzhou Jinhoupu currently, Jiande Heyue shall enter into the New VIE Contracts with the PRC Equity Owners and the OPCO Group. Upon Completion, the New VIE Contracts will allow the Group to control and consolidate the OPCO and to obtain the 30% economic benefits of Jiande Hospital attributable to the OPCO.

As advised by our PRC legal adviser, (i) the Group's corporate structure formed under the Existing VIE Contracts and New VIE Contracts is not in violation of any existing PRC laws and regulations, and (ii) the Existing VIE Contracts and New VIE Contracts as a whole and each of the Existing VIE Contracts and the New VIE Contracts constitute legal, valid and binding obligations on the parties thereto, except that (a) the CIETAC has no power to grant injunctive relief, nor will it be able to order the winding up of the OPCO or Jiande Hospital pursuant to the current PRC laws; and (b) interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC.

However, due to a lack of interpretations from the PRC governmental authorities, there is no assurance that the MOFCOM will not in the future consider the New VIE Contracts as an unpermitted form of foreign investment in medical institutions, in which case the Group may be found in violation of the Negative List and as a result may be subject to various penalties, including fines and the discontinuation of or restrictions on our operations. In addition, certain PRC court rulings invalidated certain contractual agreements which were considered to be in contravention of the mandatory provisions of the PRC laws and regulations. Accordingly, there can be no definite assurance that the PRC regulatory authorities, in particular the MOFCOM, Bureau of Commerce of Jiande City, Health Bureau in Jiande City and the PRC courts or arbitration panels, will ultimately take a view that is consistent with the opinion of our PRC legal adviser.

The relevant PRC regulatory authorities have broad discretion in determining whether a particular VIE structure violates PRC laws and regulations. If the Group's corporate and contractual structures were deemed by the MOFCOM or other competent authorities to be illegal, either in whole or in part, we may have to modify such structures to comply with regulatory requirements. There is no definite assurance that the Group will be able to continue to prevent leakages of equity and values to the minority shareholders of Jiande Hospital and to obtain the full economic benefits of these medical institutions after the Group modifies its corporate and contractual structures to comply with the regulatory requirements. Further, if the Group's corporate and contractual structure were found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, which may include:

- requiring termination of the New VIE Contracts;
- imposing fines on the Group;
- confiscating any of the Group's income that they deem to have been obtained through illegal operations;
- discontinuing or restricting the Group's operations;
- imposing conditions or requirements with which we may not be able to comply; and
- taking other regulatory or enforcement actions that could be harmful to the Group's business.

The imposition of any of these penalties would result in an adverse effect on the ability of the Company to conduct the business through the OPCO Group. In addition, it is unclear what impact the PRC government actions would have on the Company and on our ability to consolidate the financial results of the OPCO Group in the combined financial statements, if the PRC government authorities were to find the legal structure and the New VIE Contracts to be in violation of PRC laws and regulations. If the imposition of any of these government actions causes the Group to lose our right to direct the activities of the OPCO Group or our right to receive substantially all the economic benefits and residual returns from the OPCO Group and the Group is unable to restructure the ownership structure and operations in a satisfactory manner, it would no longer be able to consolidate the financial results of the OPCO Group in its combined financial statements. Either of these results, or any other significant penalties that might be imposed on the Group in this event, would have an adverse effect on the financial condition and results of our operations.

Furthermore, if any equity interests held by the PRC Equity Owners in the OPCO or any equity interests held by the OPCO in Jiande Hospital is held in the court custody in connection with its litigation, arbitration or other judicial or dispute resolution proceedings, there is no assurance that the equity interests will be disposed of to the Group in such proceedings in accordance with the New VIE Contracts. The occurrence of any of these events could adversely affect the Group's business, financial condition and results of operations.

The New VIE Contracts may not be as effective in providing operational control as direct ownership and any member of the OPCO Group or the PRC Equity Owners may fail to perform their obligations under the New VIE Contracts.

The Group has 70% equity ownership interests in Jiande Hospital and will rely on the New VIE Contracts to control the remaining 30% equity interests in it. The New VIE Contracts may not be as effective as direct ownership in providing the Group with control over the OPCO and Jiande Hospital. Direct ownership would allow the Group, for example, to directly or indirectly exercise its rights as a shareholder to effect changes in the board of directors of the OPCO and Jiande Hospital, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level.

If any member of the OPCO Group or the PRC Equity Owners fail to perform their respective obligations under the New VIE Contracts, we may not prevent leakages of equity and values to the minority shareholders of Jiande Hospital or obtain the full economic benefits of this medical institution. In addition, in that case the Group may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws which may be limited. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. For example, if any members of the OPCO Group or the PRC Equity Owners were to refuse to transfer their equity interests in Jiande Hospital or the OPCO to Jiande Heyue or its designee when Jiande Heyue exercises the option pursuant to the New VIE Contracts, or if it were otherwise to act in bad faith towards the Group, the Group might have to take legal actions to compel it to perform its respective contractual obligations. Furthermore, uncertainties of the PRC legal system could impede the Group's ability to exercise the option to acquire ownership and subject us to substantial costs.

The Group may lose control over any member of the OPCO Group and may not enjoy the full economic benefits of Jiande Hospital if the OPCO declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

The OPCO holds 30% equity interests in Jiande Hospital. The New VIE Contracts contain terms to the effect that the OPCO may not be voluntarily liquidated without the consent of Jiande Heyue. However, if the shareholders of OPCO breach this obligation and voluntarily liquidate the OPCO, as the case may be, or if the OPCO declares bankruptcy, all or part of its assets may become subject to liens or rights of third-party creditors and the Group may be unable to continue control the OPCO and may not enjoy the 30% economic benefits of Jiande Hospital attributable to the OPCO, which could adversely affect our business, financial condition and results of operations.

The New VIE Contracts may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce the Group's net income.

Under applicable PRC laws and regulations, transactions among related parties may be subject to audit or challenge by the PRC tax authorities. If the PRC tax authorities deem the transactions between Jiande Heyue and the OPCO Group in China, and their respective shareholders were not entered into on an arm's-length basis and resulted in deferral or underpayment in taxes, they are entitled to make special tax adjustments which might result in the increase of the OPCO Group's tax liabilities. If the tax authorities conduct special tax adjustments, they might impose interest charges for the underpaid taxes. Our financial position could be adversely affected if our consolidated affiliated entities' tax liabilities increase or if they are required to pay interest charge.

Furthermore, if Jiande Heyue exercises the option to purchase all or any part of the equity interests in any member of the OPCO Group from the PRC Equity Owners and the OPCO, the equity interests transfer price may be subject to review and tax adjustment by the relevant tax authority. The OPCO will be subject to PRC enterprise income tax on the difference (if any) between the equity interests transfer price and the amount Jiande Heyue has paid to obtain the equity interests in Jiande Hospital and the OPCO. The PRC Equity Owners and the OPCO, as the case may be, will distribute the remaining asset to Jiande Heyue under the New VIE Contracts upon liquidation. The asset amount to be received by Jiande Heyue may also be subject to enterprise income tax. Such tax amounts could be substantial and the Group's financial condition may be adversely affected as a result.

The PRC Equity Owners may have conflicts of interest with the Group, which may materially and adversely affect the Group's business and financial conditions.

The Group's control over the OPCO and the 30% equity interests in Jiande Hospital held by the OPCO is based upon the New VIE Contracts with, among others, Jiande Heyue and the PRC Equity Owners. These shareholders may potentially have a conflict of interest with the Group, and they may breach their agreements with the Group or if they otherwise act in bad faith, if they believe the New VIE Contracts would adversely affect their own interests. There is no assurance that when conflicts of interest arise between the Group and the PRC Equity Owners, the PRC Equity Owners will act completely in the Group's interests or that the conflicts of interest will be resolved in the Group's favor. If the PRC Equity Owners do not act completely in the Group's interests or the conflicts of interest between the Group and them are not resolved in the Group's favor, the Group's business and financial condition may be materially and adversely affected.

In addition, the PRC Equity Owners may breach or cause the OPCO and Jiande Hospital to breach the New VIE Contracts. If they breach their agreements with the Group or otherwise have disputes with the Group, the Group may have to initiate arbitration or other legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly distract the management's attention, adversely affect the Group's ability to control the OPCO and the 30% equity interests in Jiande Hospital and otherwise result in negative publicity and adversely affect the reputation of the Group's medical institutions. There is no assurance that the outcome of any such dispute or proceeding will be in the Group's favor.

Certain terms of the New VIE Contracts may not be enforceable under PRC law and enforcement of certain of the Group's rights under the New VIE Contracts is subject to regulatory approval.

All the agreements which constitute the New VIE Contracts are governed by PRC laws and all disputes will be submitted for arbitration, whose ruling will be final and binding. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. The progress of legislation in the PRC is on-going and uncertainties in the PRC legal system could limit the Group's ability to enforce the New VIE Contracts. In the event that the Group is unable to enforce the New VIE Contracts, or if the Group suffers significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert control over the PRC Equity Owners, the OPCO and the 30% equity interests in Jiande Hospital.

The New VIE Contracts contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the OPCO Group and the PRC Equity Owners, injunctive relief and/or winding up of these entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Therefore, in the event of breach of any of the New VIE Contracts by the OPCO Group and the PRC Equity Owners, and if the Group is unable to enforce the New VIE Contracts, the Group may not be able to exert control over the PRC Equity Owners, the OPCO and the 30% equity interests in Jiande Hospital, which could negatively affect our ability to conduct our business.

Pursuant to the New VIE Contracts, the PRC Equity Owners (or its designee) has the exclusive right to purchase all or any part of the equity interests in the OPCO and all or any part of the 30% equity interests in Jiande Hospital from the PRC Equity Owners and the OPCO by the minimum price permitted under the then applicable PRC laws. The equity interests transfer is subject to the approval from or filings with the MOFCOM and/or their local competent branches, which is outside of the Group's control.

Our current corporate structure and business operations may be affected by the Foreign Investment Law.

On March 15, 2019, the National People's Congress (NPC) promulgated the Foreign Investment Law (the FIL), which has become effective on January 1, 2020 and replaced the outgoing laws regulating foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, as well their implementation rules and ancillary regulations, or the Outgoing Foreign-invested Enterprise Laws.

Meanwhile, the Implementation Rules to the PRC Foreign Investment Law came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the Foreign Investment Law. However, uncertainties still exist in relation to interpretation and implementation of the FIL, especially in regard to, including, among other things, the nature of consolidated affiliated entity contractual arrangements and specific rules regulating the organization form of foreign-invested enterprises within the five-year transition period. While FIL does not define contractual arrangements as a form of foreign investment explicitly, it has a catch-all provision under definition of "foreign investment" that includes investments made by foreign investors in the PRC through other means as provided by laws, administrative regulations or the State Council of the PRC, we cannot assure you that future laws and regulations will not provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over the OPCO Group through New VIE Contracts will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the FIL, any other future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign investment, or if any of our operations through contractual arrangements is classified in the "restricted" or "prohibited" industry in the future "negative list" under the FIL, the New VIE Contracts may be deemed as invalid and illegal, and we may be required to unwind the New VIE Contracts and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to the Existing VIE Contracts, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Furthermore, under the FIL, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. In addition, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within a five-year transition period, which means that we may be required to adjust the structure and corporate governance of certain of our PRC subsidiaries in such transition period. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance, financial condition and business operations.

Measures adopted by the Company to mitigate against any potential risk arising from the Foreign Investment Law

Foreign Investment Law does not contain a concrete guidance to deal with the existing VIE structures. As such, the Board will monitor the implementation of the Foreign Investment Law and discuss with the Company's PRC legal adviser on a regular basis in order to assess any possible impact arising from the implementation of the Foreign Investment Law on the New VIE Contracts and the business operation of the OPCO Group. In case there would be material and adverse effect on the Onshore Target Companies or the business of the OPCO Group arising from the Foreign Investment Law, the Company will timely publish announcements in relation to (i) any amendments to or interpretations of the Foreign Investment Law; and (ii) any material impact of the Foreign Investment Law on the OPCO Group's operations and financial position.

The Group would be adversely affected if OPCO suffers losses

The Group is not required to share the losses of, or provide financial support to the OPCO under the New VIE Contracts. Further, the OPCO is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. However, given that (i) the business operations of the OPCO and Jiande Hospital is an important part of the PRC business conducted by the Group; (ii) the OPCO and Jiande Hospital hold the requisite PRC operational licenses and approvals; and (iii) the financial position and results of operations of the OPCO are consolidated into the Group's financial statements under the applicable accounting principles, the Group's business, financial position and results of operations would be adversely affected if the OPCO suffers losses.

Limitations in acquiring ownership in the equity interest of the OPCO

In case Jiande Heyue exercises its option to acquire all or part of the equity interests in the OPCO under the Exclusive Option Agreements, such acquisition may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under the applicable PRC laws. In addition, the abovementioned acquisitions may be subject to a minimum price limitation (such as an appraised value for the equity interests in the OPCO) or other limitations as imposed by the applicable PRC laws. Further, a substantial amount of taxes, other necessary costs (if any), expenses and time may be involved in transferring the ownership of the OPCO, which may have a material adverse impact on the business, prospects and results of operation of the Group.

The Company does not have any insurance which covers the risks relating to the New VIE Contracts and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the New VIE Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the New VIE Contracts in the future, such as those affecting the enforceability of the New VIE Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of New VIE Contracts, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. The Company will continue evaluating the feasibility, the cost and the benefit of insuring the transactions contemplated under the New VIE Contracts.

INFORMATION OF THE GROUP AND JIANDE HEYUE

The Company was incorporated in 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 hospital management business and general hospital business in the PRC. Jiande Heyue is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company and is principally engaged in investments holding.

INFORMATION OF THE VENDORS

As at the date of this announcement, Mr. Hong Jiangxin and Mr. Hong Yang each holds 90% and 10% equity interests in Hangzhou Jinhoupu and Hangzhou Jingyouzhi, respectively. As Mr. Hong Jiangxin indirectly controls 30% of the equity interests in Jiande Hospital, DJ Medicines and DJ Pharmaceutical Technology, Mr. Hong Jiangxin is a connected person of the Company at the subsidiary level. Therefore, the transactions contemplated under the Onshore Equity Transfer Agreement will constitute connected transactions of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

INFORMATION OF HANGZHOU JINGYOUZHI, HANGZHOU JINHOUPU AND THE ONSHORE TARGET COMPANIES

Hangzhou Jingyouzhi

Hangzhou Jingyouzhi, an investment holding company established under the laws of the PRC with limited liability, which holds 30% of equity interests in DJ Pharmaceutical Technology and DJ Medicines as at the date of this announcement. As at the date of this announcement, Hangzhou Jingyouzhi controls Jiande Hospital via the Existing VIE Contracts. Jiande Hospital is a for-profit Traditional Chinese Medicines (TCM) general hospital in Zhejiang that features the use of traditional Chinese medicines and provides comprehensive medical services.

Hangzhou Jinhoupu

Hangzhou Jinhoupu, a company established under the laws of the PRC with limited liability, was 100% owned by the Vendors and as at the date of this announcement, holds 30% of equity interests in Jiande Hospital. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Hangzhou Jinhoupu does not have any other business other than holding 30% equity interests in Jiande Hospital. Upon the completion of the acquisition of the entire equity interests in it by the PRC Equity Owners under the Associated Equity Transfer Agreement, 100% equity interests in which will be held by the PRC Equity Owners. Hangzhou Jinhoupu is principally engaged in investments holding.

Jiande Hospital

Jiande Hospital was incorporated in the PRC on August 6, 1984 by the Health Bureau of Jiande City in Hangzhou, Zhejiang Province and provides comprehensive out-patient and in-patient medical services featuring the use of TCM to residents in Jiande City. An agreement of conversion from not-for-profit to for-profit hospital was signed by the Health Bureau of Jiande City and Jiande Hospital in July 2016 and Jiande Hospital was registered as a limited liability company and for-profit general hospital in September 2016. Jiande Hospital is a Grade II general hospital with 350 registered beds as of June 30, 2021. As at the date of this announcement, Jiande Hospital has obtained the relevant licenses for operation from competent local authorities, including but not limited to, the Medical Institution Practicing License issued by the Health Bureau of Jiande City.

DJ Medicines

DJ Medicines was established by three independent third-party individuals as a limited liability company on August 11, 2005 and in September 2017, DJ Medicines was acquired by Zhejiang Xinxiangli Investment Co., Ltd.* (浙江新祥利投資有限公司), which has been subsequently transferred to Hangzhou Jingyouzhi and Jiande Heyue. DJ Medicines is principally engaged in the supply of medicines and pharmaceutical products.

DJ Medicines set up Honghe (Jinhua) Pharmaceutical Co., Ltd.* (弘和(金華)藥業有限公司) as a limited liability company on March 18, 2020.

DJ Pharmaceutical Technology

DJ Pharmaceutical Technology was established by Zhejiang Xinxiangli Investment Co., Ltd.* (浙江新祥利投資有限公司) and the Mr. Hong Jiangxin on November 12, 2014, which has been subsequently transferred to Hangzhou Jingyouzhi and Jiande Heyue.

(i). Land use right. On July 29, 2015, DJ Pharmaceutical Technology and the Land and Resources Bureau of Jiande city entered into a state-owned land use right agreement for a property measuring approximately 3,656 square meters on Anjiang Street, Xin'an East Road ("**Land 01**"), for commercial use in relation to service facilities. On June 14, 2016, the Jiande Municipal People's Government issued the land use right certificate of state-owned land for Land 01 to DJ Pharmaceutical Technology for a period of 40 years, terminating on July 28, 2055.

(ii). Licenses. DJ Pharmaceutical Technology's business license was duly issued by the competent local authority, Jiande City Market Supervision and Administration Bureau on December 12, 2016. DJ Pharmaceutical Technology owns certain properties and has not been carrying out any operating activities since its incorporation. As such, DJ Pharmaceutical Technology does not require any additional licenses for its operations.

Financial information

As at the date of this announcement, Hangzhou Jingyouzhi directly holds 30% of the equity interests in DJ Medicine and DJ Pharmaceutical Technology and indirectly controls 30% of the equity interests in Jiande Hospital through the Existing VIE Contracts. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Hangzhou Jingyouzhi does not have any business other than holding the 30% equity interests in the Onshore Target Companies.

Accordingly, set out below is the unaudited financial information of the Onshore Target Companies for the two years ended 31 December 2020 (as the consolidated financial information of the Company for the year ended 31 December 2021 (including the financial information of the Onshore Target Companies) is not available as at the date of this announcement):

Jiande Hospital

	For the year ended December 31,	
	2019	**2020**
	(RMB'000)	*(RMB'000)*
Revenue	196,764	173,077
Net profit/(loss) before taxation	4,866	4,109
Net profit/(loss) after taxation	3,608	3,148

The unaudited total asset value and net asset value of Jiande Hospital as at June 30, 2021 is approximately RMB189,394,000 and RMB57,727,000 respectively.

DJ Medicines

	For the year ended December 31,	
	2019	**2020**
	(RMB'000)	*(RMB'000)*
Revenue	3,105	1,082
Net profit/(loss) before taxation	-768	-1,010
Net profit/(loss) after taxation	-768	-1,010

The unaudited total asset value and net asset value of DJ Medicines as at June 30, 2021 is approximately RMB14,964,000 and RMB11,937,000 respectively.

DJ Pharmaceutical Technology

	For the year ended 31 December	
	2019	**2020**
	(RMB'000)	*(RMB'000)*
Revenue	329	356
Net profit/(loss) before taxation	-1,774	-2,228
Net profit/(loss) after taxation	-1,774	-2,228

The unaudited total asset value and net asset value of DJ Pharmaceutical Technology as at June 30, 2021 is approximately RMB90,936,000 and RMB31,014,000 respectively.

The financials of each of the Onshore Target Companies are currently consolidated into the consolidated financial statements of the Group. The unaudited aggregate revenue and gross profit of the Onshore Target Companies as at December 31, 2020 that are consolidated into the consolidated financial statements of the Group are approximately RMB174,492,000 and RMB32,718,000 respectively. The unaudited consolidated total asset value of the Onshore Target Companies as at June 30, 2021 is approximately RMB228,513,000.

Pursuant to the New VIE Contracts, Jiande Heyue will be able to control the OPCO so as to obtain 30% economic interest and benefits of Jiande Hospital despite the lack of registered equity ownership. The Directors have discussed with the auditor of the Company and it has been confirmed that under the prevailing accounting principles of the Company, Jiande Heyue has the right to consolidate the OPCO and 30% economic interest and benefits of Jiande Hospital through the New VIE Contracts.

Business and operation model of the Onshore Target Companies

Jiande Hospital

Jiande Hospital is a for-profit national Grade II TCM hospital integrating (i) medical services, (ii) emergency care services, (iii) research and academic faculties, and (iv) general healthcare services. Jiande Hospital has a prominent focus on the practice of traditional Chinese medicines and has specialized orthopedics and surgical departments, hemodialysis center and other medical facilities. Jiande Hospital provides both Chinese and Western medical and diagnostic services, and derives revenue from Jiande Hospital's comprehensive in-patient and out-patient services along with related downstream services such as the supply of medicines and health management services to patients.

DJ Medicines

DJ Medicines is principally engaged in the supply of medicines and pharmaceutical products.

DJ Pharmaceutical Technology

DJ Pharmaceutical Technology does not currently have any business activity and is principally engaged in owning and holding the property which houses the operations of Jiande Hospital.

IMPLICATIONS UNDER THE LISTING RULES

Discloseable and Connected Transaction

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition and the proposed entry into the New VIE Contracts exceeds 5% but all of them are below 25%, the Acquisition and the proposed entry into the New VIE Contracts constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and are therefore subject to the reporting and announcement requirements.

As at the date of the announcement, one of the Vendors, Mr. Hong Jiangxin, is a connected person of the Company at the subsidiary level by virtue of indirectly controlling 30% of the equity interests in Jiande Hospital, DJ Medicines and DJ Pharmaceutical Technology. Therefore, the transactions contemplated under the Onshore Equity Transfer Agreement will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company has obtained approval from the Board (including the independent non-executive Directors) regarding the Acquisition contemplated under Onshore Equity Transfer Agreement and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Onshore Equity Transfer Agreement are fair and reasonable and the Acquisition contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Acquisition are subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

Immediately after the Completion, each of the PRC Equity Owners and the OPCO will become a connected person of the Company at the subsidiary level. Therefore, the transactions contemplated under the New VIE Contracts will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Company has obtained approval from the Board (including the independent non-executive Directors) regarding the transactions contemplated under New VIE Contracts and the waiver application relating to the New VIE Contracts and the Directors (including the independent non-executive Directors) have confirmed that the terms of the New VIE Contracts are fair and reasonable and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the entry into the New VIE Contracts are subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Directors or any of their respective associates have any material interest in the Acquisition and the proposed entry into the New VIE Contracts.

APPLICATION FOR WAIVER

The Company will apply for a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) fixing the term of the New VIE Contracts for a period of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules, and (ii) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the service fees payable by the OPCO to Jiande Heyue under the Exclusive Operation Service Agreement.

Completion is subject to the fulfillment (or waiver) of the conditions precedent set out in the Onshore Equity Transfer Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

"2017 Announcements"	the announcements published by the Company on October 27, 2017 and November 1, 2017 and the circular published by the Company on December 15, 2017 in relation to the acquisition of the entire equity interests in Jiande Hexu
"Acquisition"	the acquisition of the entire equity interests of Hangzhou Jingyouzhi pursuant to the Onshore Equity Transfer Agreement, including all contractual rights of Hangzhou Jingyouzhi pursuant to the Existing VIE Contracts
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Associated Equity Transfer Agreement"	the equity transfer agreement dated February 16, 2022 entered into between the Vendors and the PRC Equity Owners in relation to the acquisition of the entire equity interests in the OPCO by the PRC Equity Owners
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday, Sunday or public holiday) on which banks in Hong Kong and the PRC are generally open for normal banking business
"CIETAC"	China International Economic and Trade Arbitration Commission
"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)
"Comparable Companies"	comparable companies that primarily focus on healthcare or medical facilities and/or services in China and are listed in Hong Kong identified in the Valuation Report, being UMP Healthcare Holdings Limited (stock code: 0722), Water Oasis Group Limited (stock code: 1161), New Century Healthcare Holding Co. Limited (stock code: 1518), Rici Healthcare Holdings Limited (stock code: 1526), Miricor Enterprises Holdings Limited (stock code: 1827), Wenzhou Kangning Hospital Co., Ltd. (stock code: 2120), EC healthcare (stock code: 2138), C-MER Eye Care Holdings Limited (stock code: 3309), Guangdong Kanghua Healthcare Co., Ltd.* (廣東康華醫療股份有限公司) (stock code: 3689) and MediNet Group Ltd (stock code: 8161)

"Completion"	Completion of the acquisition of the entire equity interests of Hangzhou Jingyouzhi in accordance with the terms and conditions under the Onshore Equity Transfer Agreement
"Completion Date"	the fifth Business Day after the date of fulfillment (or waiver) of all Conditions Precedent (or such other date as the parties to the Onshore Equity Transfer Agreement may mutually agree), on which Completion shall take place
"Conditions Precedent"	all conditions precedent under the Onshore Equity Transfer Agreement set out under the paragraph headed "The Onshore Equity Transfer Agreement"
"Consideration"	the consideration payable by the Purchaser to the Vendors pursuant to the Onshore Equity Transfer Agreement, as more particularly described in the paragraph headed "Consideration" under the section headed "The Onshore Equity Transfer Agreement"
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"continuing connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"DJ Medicines"	Zhejiang Dajia Medicines Co., Ltd.* (浙江大佳醫藥有限公司), a company established under the laws of the PRC with limited liability, and Hangzhou Jingyouzhi and the Company owns 30% and 70% of its equity interests respectively as at the date of this announcement
"DJ Pharmaceutical Technology"	Jiande Dajia Chinese Medicines Pharmaceutical Technology Co., Ltd.* (建德大家中醫藥科技有限公司), a company established under the laws of the PRC with limited liability, and Hangzhou Jingyouzhi owns 30% of its equity interests as at the date of this announcement
"Effective Date"	being the date of execution of the New VIE Contracts and upon the fulfilment of all Conditions Precedent and closing precedents under the Onshore Equity Transfer Agreement
"Entrustment Agreements"	the entrustment agreements to be entered into among Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital in favor of Jiande Heyue (and its successors or liquidators) or a natural person designated by Jiande Heyue

"Equity Pledge Agreements"	the equity pledge agreements to be entered into among Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital prior to Completion, the details of which are set out in the in the paragraph headed "The New VIE Contracts" in this announcement
"EV-to-Sales"	enterprise value-to-sales
"Exclusive Operation Service Agreement"	the exclusive operation service agreement to be entered into among Jiande Heyue, the OPCO and the PRC Equity Owners prior to Completion, the details of which are set out in the paragraph headed "The New VIE Contracts" in this announcement
"Exclusive Option Agreements"	the exclusive option agreements to be entered into among Jiande Heyue, the PRC Equity Owners, the OPCO and Jiande Hospital prior to Completion, the details of which are set out in the paragraph headed "The New VIE Contracts" in this announcement
"Existing VIE Contracts"	a series of structured contracts entered into on February 7, 2022 between Hangzhou Jinhoupu, Hangzhou Jingyouzhi, the Vendors
"Financial Advisor"	the experienced independent valuation institution engaged by the Company as a financial advisor in respect of the Acquisition, the details of which are set out in the paragraph headed "Basis of Consideration" in this announcement
"Group"	the Company and its subsidiaries
"Hangzhou Jinhoupu" or the "OPCO"	Hangzhou Jinhoupu Management Company Limited* (杭州金厚樸企業管理有限公司), a company established under the laws of the PRC with limited liability, which was 100% owned by the Vendors and holds 30% of equity interests in Jiande Hospital. Upon the completion of the acquisition of the entire equity interests in it by the PRC Equity Owners under the Associated Equity Transfer Agreement, 100% equity interests in which will be held by the PRC Equity Owners
"Hangzhou Jingyouzhi"	Hangzhou Jingyouzhi Enterprise Management Company Limited* (杭州靜有智企業管理有限公司), a company established under the laws of the PRC with limited liability, which holds 30% of equity interests in DJ Pharmaceutical Technology and DJ Medicines and controls 30% of equity interests in Jiande Hospital through the Existing VIE Contracts as at the date of this announcement

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Jiande Heyue"	Jiande Heyue Enterprise Management Co., Ltd.* (建德和悅企業管理有限公司), a company incorporated in the PRC with limited liability and is wholly-owned by Jiande Hexu
"Jiande Hexu"	Jiande Hexu Enterprise Management Co., Ltd* (建德和煦企業管理有限公司), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement
"Jiande Hospital"	Jiande Hospital of Traditional Chinese Medicine Co., Ltd.* (建德中醫院有限公司) a company established under the laws of the PRC with limited liability, and Hangzhou Jinhoupu and the Company owns 30% and 70% of its equity interests, respectively
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Long Stop Date"	being March 31, 2022 or such later date as mutually agreed by the Purchaser and the Vendors
"MOFCOM"	The Ministry of Commerce of the People's Republic of China
"New Pride"	New Pride Holdings Limited (捷穎控股有限公司), a company incorporated in Hong Kong as a limited liability company and an indirect wholly-owned subsidiary of the Company
"New VIE Contracts"	collectively, (i) the Exclusive Operation Service Agreement; (ii) the Exclusive Option Agreements; (iii) Entrustment Agreements and Powers of Attorney; and (iv) Equity Pledge Agreements
"Onshore Equity Transfer Agreement"	the equity transfer agreement dated February 16, 2022 entered into between the Purchaser and the Vendors in relation to the acquisition of the entire equity interests of Hangzhou Jingyouzhi
"Onshore Target Companies"	Jiande Hospital, DJ Medicines and DJ Pharmaceutical Technology
"OPCO Group"	the OPCO and its subsidiaries from time to time as the context requires
"Powers of Attorney"	the annexure of the powers of attorney to be executed by the PRC Equity Owners and the OPCO appended to the Entrustment Agreements

"PRC" or "China"	the People's Republic of China, which for the sole purpose of this announcement excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
"PRC Equity Owner(s)"	being Mr. Qin Chuan and Mr. Liu Hui, the registered shareholders of the OPCO, who are not connected persons of the Company
"Purchaser"	Jiande Heyue, being a wholly-owned subsidiary of the Company and the purchaser under the Onshore Equity Transfer Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"Shares"	shares of the Company
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Termination Agreements"	a series of agreements entered into between Hangzhou Jingyouzhi, Hangzhou Jinhoupu and the Vendors to terminate the arrangements under the Existing VIE Contracts
"Valuation Report"	the valuation report dated January 27, 2022 in respect of the appraised value of equity interests in the Onshore Target Companies as at November 30, 2021, prepared by the Financial Advisor using the market approach with guideline company method and guideline transaction method
"Vendors"	Mr. Hong Jiangxin and Mr. Hong Yang, being the vendors under the Onshore Equity Transfer Agreement and the Associated Equity Transfer Agreement
"VIE"	variable interest entity

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

Beijing, China, February 16, 2022

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; and Mr. DANG Jinxue, Mr. SHI Luwen and Mr. ZHOU Xiangliang being the independent non-executive Directors.