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## **Hospital Corporation of China Limited**

**弘和仁愛醫療集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3869)**

### **SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION IN RELATION TO PROVISION OF CORPORATE GUARANTEE**

Reference is made to the announcement of Hospital Corporation of China Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated September 27, 2022 in relation to the Guarantee Agreement dated September 2022 entered into between the Company, as guarantor, and the Bank regarding the financial assistance to Jinhua Hospital (the “**Announcement**”). Unless otherwise stated, capitalized terms used herein shall denote the same meanings as those defined in the Announcement.

In addition to the information contained in the Announcement, the Board hereby provides to the shareholders of the Company and potential investors with the following supplemental information in relation to the provision of the Corporate Guarantee.

#### **SUPPLEMENTARY INFORMATION ON JINHUA HOSPITAL**

In 2017, Zhiyuan Medical (formerly known as Zhejiang Guangsha Medical Technology Co., Ltd\* (浙江廣廈醫療科技有限公司) and currently an indirectly owned subsidiary of the Company) and Jinhua Hospital entered into a hospital management letter of intent (“**Letter of Intent**”), pursuant to which Zhiyuan Medical shall provide consultancy and management services to Jinhua Hospital, and Jinhua Hospital shall pay to Zhiyuan Medical hospital management service fees, which shall be calculated based on a percentage of Jinhua’s Hospital’s revenue for the relevant year and a number of target performance indicators.

The Letter of Intent creates a binding contractual obligation on both Zhiyuan Medical and Jinhua Hospital to enter into hospital management agreements in relation to the provision of consultancy and management services during the term of the Letter of Intent.

The Group is able to exercise its influence over the operational and managerial decisions of Jinhua Hospital based on the following management rights under the articles of association of Jinhua Hospital:

- (i) right to nominate six out of the seven members in the executive committee of Jinhua Hospital, one of which shall be nominated according to the results of the labour union election;
- (ii) among these executive committee members nominated, one of them is the chairman of the executive committee;
- (iii) entitled to nominate the hospital administrator, finance manager and the supervisor of Jinhua Hospital.

Jinhua Hospital, as a not-for-profit hospital, is different from for-profit hospitals. The founder of Jinhua Hospital is not entitled to the rights to dividend or the remaining assets after liquidation available under the laws and regulations of the PRC. The remaining assets shall be used for public welfare purposes in accordance with its articles of association or under the decision of its governing body. Where the remaining assets is unable to be used in accordance with the articles of association of Jinhua Hospital or under the decision of its governing body, the remaining assets shall be transferred to legal entities with the same or similar purposes under the auspices of the competent governmental authority and announced to the public. As such, given Jinhua Hospital's nature as a not-for-profit hospital with its current articles of association, the Company is not considered to be the ultimate beneficial owner of Jinhua Hospital. Accordingly, Jinhua Hospital is a third party independent of the Company and connected persons of the Company.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE GUARANTEE AGREEMENT**

The Group principally engages in hospital management business and general hospital business in the PRC, and the revenue growth of the Group relies on the business growth and value enhancement of hospitals owned, managed and founded by the Group.

The provision of the Corporate Guarantee will enable Jinhua Hospital to secure funding from the Bank for the purposes as disclosed under the section headed "Reasons for and benefits of entering into the Guarantee Agreement" in the Announcement, which is expected to contribute to the growth and development of Jinhua Hospital. The obtaining of funds from the Bank by Jinhua Hospital will enhance its competitiveness in the medical and healthcare industry, and enable Jinhua Hospital to maintain or even increase its market share.

As the Group receives management service fees in respect of the provision of management and consultancy services to Jinhua Hospital, and the level of management service fees received is in turn based on the operating revenue of Jinhua Hospital, the sustainable and steady development of Jinhua Hospital will ultimately be beneficial to the sustainability and growth of the management fees income of the Group.

While Jinhua Hospital has credit available and may apply for loans from the Group pursuant to the Existing 2020 Loan Agreement (as disclosed in the section headed “the Existing 2020 Loan” in the Announcement), the Directors are of the view that obtaining credit facilities from the Bank will diversify the source of financing for Jinhua Hospital and be more beneficial to the control of financial risks. This will also be in line with the overall cash flow management of the Group, and beneficial to the economic interests of the Group as a whole.

The Group has made the decision not to charge any fee from providing the Corporate Guarantee to Jinhua Hospital in consideration of the contractual relationship between the Group and Jinhua Hospital as well as the overall interests of the Group.

Given that Jinhua Hospital is under the management of the Group, which allows the Company to closely monitor the business and financial conditions of Jinhua Hospital, this has enabled the Directors to assess the credit risk of Jinhua Hospital associated with the Repayment Obligations.

As disclosed in the Announcement, the Company will only incur liabilities upon a call on the Corporate Guarantee arising from an event of default of Jinhua Hospital on the Repayment Obligations. The Directors are of the view that the probability of an event of default of Jinhua Hospital on the Repayment Obligations is remote for the following reasons:

- (i) in previous years, Jinhua Hospital has repaid the principal and interest of its bank loans on a timely basis and has good credit standing; furthermore, Jinhua Hospital did not have any material adverse developments such as overdue loans, interest in arrears or non-performing debts on bank loans obtained by Jinhua Hospital;
- (ii) the bank loan obtained by Jinhua Hospital is mainly used for purpose of maintaining its day-to-day business operations and other expenses related to its business operations; in previous years, the business operations of Jinhua Hospital has been stable;
- (iii) taking into account the actual financial condition of Jinhua Hospital, Jinhua Hospital has sufficient sources for repayment; and
- (iv) the Group is able to exercise its influence over the operational and managerial decisions of Jinhua Hospital to keep track of the funds account of Jinhua Hospital, closely monitor the operational stability and cash flow of Jinhua Hospital, and supervise, manage and ensure the fulfillment of the Repayment Obligations.

Furthermore, as advised by the PRC legal advisors of the Company, pursuant to the relevant provisions of the Civil Code of the People's Republic of China, after the Company has assumed the suretyship liability, the Company has the right to claim indemnification against Jinhua Hospital within the scope of the suretyship liability, and may enjoy the right as creditor against debtor, provided that creditor's interests shall not be prejudiced. The form of indemnification can be in cash or other forms, and when necessary, the Company may choose to commence legal proceedings in the courts or apply for specific performance. Under the applicable laws and regulations and provided that the relevant parties have not agreed to the contrary, such rights are generally available to the Company when providing corporate guarantees.

Based on the above reasons, although there is no agreed provision for consideration or compensation under the Corporate Guarantee, the Directors are of the view that the Guarantee Agreement is on normal commercial terms, fair and reasonable and is in the interests of the Group and its Shareholders as a whole.

The Group will continue to closely monitor the business and financial situation of Jinhua Hospital and regularly review its financial reports and other information related to its business operations.

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

Beijing, China, November 11, 2022

*As at the date of this announcement, the Directors of the Company are Mr. CHEN Shuai, Mr. LU Wenzuo, Mr. PU Chengchuan and Ms. PAN Jianli being the executive Directors; 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.*

*\* For identification purpose only*