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## **Hygeia Healthcare Holdings Co., Limited**

**海吉亚医疗控股有限公司**

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

**(Stock Code: 6078)**

### **(1) DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 89.2% EQUITY INTEREST IN THE TARGET COMPANIES; AND (2) THE NEW CONTRACTUAL ARRANGEMENTS**

#### **THE ACQUISITION OF 89.2% EQUITY INTEREST IN THE TARGET COMPANIES**

The Board is pleased to announce that on May 9, 2023 (after trading hours), the Purchasers (i.e. Gamma Star Tech and Hygeia Hospital Management, being subsidiaries of the Company) entered into the Target Hospital Acquisition Agreement with the Target Hospital Vendors, the Target Hospital Founding Shareholders and the Target Hospital, pursuant to which, the Purchasers conditionally agreed to subscribe for and acquire an aggregate of 89.2% equity interest in the Target Hospital at the total consideration of approximately RMB267.80 million. On the same date, Gamma Star Tech entered into the Target Pharmacy Acquisition Agreement with the Target Pharmacy Vendors and the Target Pharmacy, pursuant to which, Gamma Star Tech conditionally agreed to acquire an aggregate of 89.2% equity interest in the Target Pharmacy at the total consideration of RMB2.91 million.

Upon Completion, the Company will, through the Purchasers, indirectly control 89.2% equity interest in each of the Target Companies: (i) upon the Target Hospital Acquisition Completion, the Company will, through Gamma Star Tech, hold 70% equity interest in the Target Hospital and control the remaining 19.2% equity interest in the Target Hospital to be held by Hygeia Hospital Management by virtue of the New Contractual Arrangements; and (ii) upon the Target Pharmacy Acquisition Completion, the Company will, through Gamma Star Tech, hold 89.2% equity interest in the Target Pharmacy. As a result, each of the Target Companies will become an indirect non-wholly-owned subsidiary of the Company, and their financial results will be consolidated into the financial statements of the Group.

## **THE NEW CONTRACTUAL ARRANGEMENTS**

Pursuant to the Target Hospital Acquisition Agreement, the Purchasers, the Target Hospital and Xiangshang Investment will enter into the New Contractual Arrangements in respect of the 19.2% equity interest in the Target Hospital to be held by Hygeia Hospital Management upon the Target Hospital Acquisition Completion on substantially the same terms and conditions as the Existing Contractual Arrangements, which will allow the Company to control the 19.2% equity interest in the Target Hospital and obtain the economic benefits derived therefrom.

## **LISTING RULES IMPLICATIONS**

### **The Acquisitions**

As the aggregate of the highest applicable percentage in respect of the Acquisitions exceeds 5% but is less than 25%, the Acquisitions constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules and are therefore subject to the notification and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **The New Contractual Arrangements**

Xiangshang Investment is owned by Mr. Zhu and Ms. Zhu, the Controlling Shareholders of the Company, as to 40% and 60%, respectively. As a result, Xiangshang Investment is an associate of Mr. Zhu and Ms. Zhu and therefore, a connected person of the Company. Accordingly, the transactions contemplated under the New Contractual Arrangements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

In preparation for the Listing, the Company has sought, and the Stock Exchange has granted, the IPO Waiver from strict compliance with the applicable reporting, announcement and independent shareholders' approval requirements relating to the annual caps, three-year term and fee terms of Chapter 14A of the Listing Rules in connection with the continuing connected transactions involving the Group in the form of the Existing Contractual Arrangements. The IPO Waiver is subject to certain conditions including, among others, on the basis that the Existing Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on one hand, Hygeia Hospital Management, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Existing Contractual Arrangements.

Since the New Contractual Arrangements will be reproduced from the Existing Contractual Arrangements as provided under the conditions of the IPO Waiver, the Company has sought confirmation from the Stock Exchange, and the Stock Exchange has confirmed, that the transactions contemplated under the New Contractual Arrangements would fall within the scope of the IPO Waiver and be exempt from strict compliance with: (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the New Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the terms of the New Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the shares of the Company are listed on the Stock Exchange, subject to compliance with the same conditions of the IPO Waiver as disclosed in the section headed "Connected Transactions" in the Prospectus.

**As Completion is subject to the satisfaction and/or waiver, where applicable, of the conditions precedent in the Acquisition Agreements, the Acquisitions may or may not proceed. The Target Pharmacy Acquisition Completion is conditional upon the Target Hospital Acquisition Completion. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.**

## INTRODUCTION

The Board is pleased to announce that on May 9, 2023 (after trading hours), the Purchasers (i.e. Gamma Star Tech and Hygeia Hospital Management, being subsidiaries of the Company) entered into the Target Hospital Acquisition Agreement with the Target Hospital Vendors, the Target Hospital Founding Shareholders and the Target Hospital, pursuant to which, the Purchasers conditionally agreed to subscribe for and acquire an aggregate of 89.2% equity interest in the Target Hospital at the total consideration of approximately RMB267.80 million. On the same date, Gamma Star Tech entered into the Target Pharmacy Acquisition Agreement with the Target Pharmacy Vendors and the Target Pharmacy, pursuant to which, Gamma Star Tech conditionally agreed to acquire an aggregate of 89.2% equity interest in the Target Pharmacy at the total consideration of RMB2.91 million.

The principal terms of the Acquisition Agreements are summarized as follows:

## THE TARGET HOSPITAL ACQUISITION AGREEMENT

### Date

May 9, 2023

### Parties

- (1) Gamma Star Tech, a wholly-owned subsidiary of the Company, as one of the Purchasers;
- (2) Hygeia Hospital Management, a subsidiary of the Company by virtue of the Existing Contractual Arrangements, as one of the Purchasers;
- (3) (i) Xu Bin (許斌), (ii) Li Yawen (李雅雯), (iii) Ding Hongdi (丁洪娣), (iv) Hang Jian (杭健), (v) Xu Jian (許健), (vi) Wan Chendong (萬晨東), (vii) Shi Yongguang (史永光), (viii) Pan Min (潘敏), (ix) Yin Xueming (殷學明) and (x) Zhu Chenyan (朱晨燕), as the Target Hospital Vendors;
- (4) (i) Xu Bin (許斌), (ii) Li Yawen (李雅雯), (iii) Ding Hongdi (丁洪娣), (iv) Jiang Song (蔣松), (v) Hang Jian (杭健), (vi) Chen Wei (陳巍), (vii) Xu Jian (許健), (viii) Zong Guocai (宗國才), (ix) Wu Hao (吳昊), (x) Du Jia (杜佳), (xi) Shi Huijiang (史匯江), (xii) Wan Chendong (萬晨東), (xiii) Shi Yongguang (史永光), (xiv) Pan Min (潘敏), (xv) Jiang Ganchao (蔣幹超), (xvi) Chen Jinjun (陳進軍), (xvii) Yin Xueming (殷學明), (xviii) Dai Yongqiang (戴永強) and (xix) Zhu Chenyan (朱晨燕), as the Target Hospital Founding Shareholders; and

- (5) Yixing Hygeia Hospital Co., Ltd.\* (宜興海吉亞醫院有限公司), as the Target Hospital.

As of the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Target Hospital Vendors, the Target Hospital Founding Shareholders and the Target Hospital and its beneficial owners are Independent Third Parties.

### **Equity interests to be acquired**

Pursuant to the Target Hospital Acquisition Agreement, the Purchasers conditionally agreed to subscribe for and acquire an aggregate of 89.2% equity interest in the Target Hospital at the total consideration of approximately RMB267.8 million. Gamma Star Tech, Hygeia Hospital Management, Xiangshang Investment and the Target Hospital will enter into the New Contractual Arrangements in respect of the 19.2% equity interest in the Target Hospital to be held by Hygeia Hospital Management upon the Target Hospital Acquisition Completion. For details of the New Contractual Arrangements, please refer to the section headed "The New Contractual Arrangements" below.

### **Target Hospital Acquisition Consideration**

Pursuant to the Target Hospital Acquisition Agreement, the total consideration shall be in the sum of approximately RMB267.80 million, of which (i) approximately RMB210.16 million shall be paid by Gamma Star Tech to the Target Hospital as consideration for subscription of 70% equity interest in the Target Hospital; and (ii) approximately RMB57.64 million shall be paid by Hygeia Hospital Management to the Target Hospital Vendors as consideration for acquisition of 19.2% equity interest in the Target Hospital upon completion of the subscription.

The Target Hospital Acquisition Consideration was determined after arm's length negotiations among the Purchasers, the Target Hospital Vendors, the Target Hospital Founding Shareholders and the Target Hospital after the Purchasers' due diligence on the Target Group and with reference to, among other things: (i) the valuation report prepared by an independent professional valuer in respect of the equity value of the Target Hospital in the amount of RMB93.00 million using the market approach as at the benchmark date (i.e. March 31, 2023), which, for the avoidance of doubt, does not take into account the increase in the registered capital of the Target Hospital as a result of the Subscription under the Target Hospital Acquisition Agreement; (ii) the recent operational position and historical operational performance of the Target Group; (iii) the regional advantages, business prospects and future growth of the Target Hospital; and (iv) the strategic benefits and potential synergies to be derived by the Group from the Target Hospital Acquisition as set out in the section headed "Reasons for and Benefits of the Acquisitions".

Having considered the above factors, the Directors (including the independent non-executive Directors) are of the view that the Target Hospital Acquisition Agreement was entered into on arm's length basis and on normal commercial terms and that the terms of the Target Hospital Acquisition Agreement (including, but not limited to, the Target Hospital Acquisition Consideration) are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Target Hospital Acquisition Consideration will be funded by the internal resources and external loan facilities of the Group.

### **Payment terms and the respective conditions precedent**

The Target Hospital Acquisition Consideration shall be satisfied by the Purchasers in cash in the following manners:

- (1) the first installment of RMB3,000,000 (the “**Target Hospital First Installment**”) shall be paid by Gamma Star Tech to the Target Hospital within five (5) Business Days after the following conditions precedent are satisfied, including but not limited to, unless waived by the Purchasers by written notice:
  - (a) all requisite internal approvals and consents for the Target Hospital Acquisition having been obtained from the Purchasers, the Company and the Target Hospital and the relevant written materials having been provided;
  - (b) the representations and warranties of the Target Hospital Founding Shareholders and the Target Group being true, accurate and complete from the date of the Target Hospital Acquisition Agreement up to the date of the Target Hospital First Installment, and there being no material breach of the obligations or undertaking of the Target Hospital Acquisition Agreement by the Target Hospital Founding Shareholders and the Target Group as at or before the date of the Target Hospital First Installment;
  - (c) there being no effective laws or agreements, contracts or legal documents which shall prohibit or restrict the Target Hospital Acquisition Completion (unless a waiver is obtained) or shall have a material adverse effect on the Target Group in owning, operating or controlling its principal business and the related assets as at the date of the Target Hospital First Installment;
  - (d) there being no material change in the Target Group or any event or fact that may cause a material change in the Target Group (unless disclosed to the Purchasers pursuant to the Target Hospital Acquisition Agreement or the Target Hospital Founding Shareholders have materially remedied such material change and obtained approval from the Purchasers) as at the date of the Target Hospital First Installment;



- (e) there being no litigations, arbitrations, administrative penalties or other investigations or disputes that may affect the legality of the Target Hospital Acquisition or have a material adverse effect on the operations or conditions of the Target Group as at the date of the Target Hospital First Installment; and
- (2) the second installment of approximately RMB60.05 million (the “**Target Hospital Second Installment**”) shall be paid by Gamma Star Tech to the Target Hospital within five (5) Business Days after the following conditions precedent are satisfied, including but not limited to, unless waived by the Purchasers by written notice:
- (a) all originals of the documents required for the entering into of the New Contractual Arrangements upon the Target Hospital Acquisition Completion having been obtained;
  - (b) the company registration procedures of the Target Hospital in relation to the Target Hospital Acquisition, including the change of shareholders, legal representative, director(s), supervisor(s) and general manager and adoption of new articles of associations, having been completed (the “**Target Hospital Registration Completion**”);
  - (c) the properties and materials of the Target Group as agreed by the Purchasers and the Target Hospital Founding Shareholders having been delivered to the Purchasers (the “**Target Hospital Properties Delivery**”);
  - (d) all waivers, consents and approval (if required) of any governmental authorities as required to complete the Target Hospital Acquisition having been obtained and all relevant materials having been provided;
  - (e) the representations and warranties of the Target Hospital Founding Shareholders and the Target Group being true, accurate and complete from the date of the Target Hospital Acquisition Agreement up to the date of the Target Hospital Second Installment, and there being no material breach of the obligations or undertaking of the Target Hospital Acquisition Agreement by the Target Hospital Founding Shareholders and the Target Hospital as at and before the date of the Target Hospital Second Installment;
  - (f) there being no effective laws or agreements, contracts or legal documents which shall prohibit or restrict the Target Hospital Acquisition Completion (unless a waiver is obtained) or shall have a material adverse effect on the Target Group in owning, operating or controlling its principal business and the related assets as at the date of the Target Hospital Second Installment;

- (g) there being no material change in the Target Group or any event or fact that may cause a material change in the Target Group (unless disclosed to the Purchasers pursuant to the Target Hospital Acquisition Agreement or the Target Hospital Founding Shareholders have materially remedied such material change and obtained approval from the Purchasers) as at the date of the Target Hospital Second Installment;
  - (h) there being no litigations, arbitrations, administrative penalties or other investigations or disputes that may affect the legality of the Target Hospital Acquisition or have a material adverse effect on the operations or conditions of the Target Group as at the date of the Target Hospital Second Installment; and
- (3) the third installment of approximately RMB187.46 million (the “**Target Hospital Third Installment**”), which is comprised of (i) approximately RMB147.11 million shall be paid by Gamma Star Tech to the Target Hospital; and (ii) approximately RMB40.35 million shall be paid by Hygeia Hospital Management to the Target Hospital Vendors within five (5) Business Days after the following conditions precedent are satisfied, including but not limited to, unless waived by the Purchasers by written notice:
- (a) the conditions precedent for the Target Hospital Second Installment having been fulfilled or waived;
  - (b) all documents for requisite approvals, filings or registrations in relation to the transformation of the Target Hospital from a not-for-profit hospital into a for-profit hospital having been obtained;
  - (c) the Purchasers and the Target Hospital Founding Shareholders having agreed in writing on the assets and liabilities of the Target Hospital as of the Target Hospital Acquisition Completion Date;
  - (d) the Target Hospital having terminated all the external cooperation disclosed to the Purchasers under the Target Hospital Acquisition Agreement and the Target Hospital Founding Shareholders having paid all the expenses, contract fees and indemnities borne by the Target Group;
  - (e) completion of the registration of the share pledge in respect of the remaining 10.8% equity interest in the Target Hospital pledged by the remaining shareholders of the Target Hospital, in favor of Gamma Star Tech, so as to guarantee the obligations of the Target Hospital Founding Shareholders and the Target Group under the Target Hospital Acquisition Agreement;



- (f) the representations and warranties of the Target Hospital Founding Shareholders and the Target Group being true, accurate and complete from the date of the Target Hospital Acquisition Agreement up to the date of the Target Hospital Third Installment, and there being no material breach of the obligations or undertaking of the Target Hospital Acquisition Agreement by the Target Hospital Founding Shareholders and the Target Group as at and before the date of the Target Hospital Third Installment;
  - (g) there being no effective laws or agreements, contracts or legal documents which shall prohibit or restrict the Target Hospital Acquisition Completion as at the date of the Target Hospital Third Installment; and
- (4) the final installment of approximately RMB17.29 million (the “**Target Hospital Final Installment**”) shall be paid by Hygeia Hospital Management to the Target Hospital Vendors within five (5) Business Days after the following conditions precedent are satisfied, including but not limited to, unless waived by the Purchasers by written notice:
- (a) there having been one year (i.e., three hundred and sixty-five (365) calendar days) since the Target Hospital Acquisition Completion Date;
  - (b) there being no unfulfilled responsibilities or obligations of the Target Hospital Founding Shareholders under the Target Hospital Acquisition Agreement;
  - (c) the representations and warranties of the Target Hospital Founding Shareholders and the Target Group being true, accurate and complete from the date of the Target Hospital Acquisition Agreement to the date of the Target Hospital Final Installment, and there being no material breach of the obligations or undertaking of the Target Hospital Acquisition Agreement by the Target Hospital Founding Shareholders and the Target Group as at and before the date of the Target Hospital Final Installment; and
  - (d) there being no effective laws or agreements, contracts or legal documents which shall prohibit or restrict the Target Hospital Acquisition Completion as at the date of the Target Hospital Final Installment.

### **Target Hospital Acquisition Completion**

The Target Hospital Acquisition Completion shall, subject to the Target Hospital Registration Completion, take place on the date of the Target Hospital Properties Delivery.

Upon the Target Hospital Acquisition Completion, the Company, through the Purchasers, will indirectly control 89.2% equity interest in the Target Hospital, among which, the Company will, through Gamma Star Tech, hold 70% equity interest in the Target Hospital and control the remaining 19.2% equity interest in the Target Hospital to be held by Hygeia Hospital Management by virtue of the New Contractual Arrangements. As a result, the Target Hospital will become an indirect non-wholly-owned subsidiary of the Company, and its financial results will be consolidated into the financial statements of the Group.

### **Non-competition and Non-solicitation Undertaking by the Target Hospital Founding Shareholders**

The Target Hospital Founding Shareholders undertake that, within five (5) years from the effective date of the Target Hospital Acquisition Agreement, each of the Target Hospital Founding Shareholders, entities that are directly or indirectly controlled by the Target Hospital Founding Shareholders, or entities providing management services to the Target Hospital Founding Shareholders (whether jointly or individually), without the prior written consent of the Purchasers, will not directly or indirectly in its own name or in the name of its entrusted agent: (i) invest in or hold equity interests in a competitor of the Target Group in any way, or work full-time or part-time in an entity or unit of a competitor of the Target Group in Wuxi City, Jiangsu Province, the PRC; (ii) participate in activities that compete with the business operation of the Target Group in Wuxi City, Jiangsu Province, the PRC, or seek interests in other businesses that competes with the Target Group; (iii) solicit business from any person that is a customer, agent, supplier and/or independent contractor of the Target Group, or induce any person that is a customer, agent, supplier and/or independent contractor of the Target Hospital to terminate its cooperation with the Target Group, for the benefits of the competitors; and (iv) solicit, recruit, induce or encourage any person that is an existing employee of the Target Group to leave the Target Group, or employ or hire such employee, or solicit, recruit or encourage any person that is an existing or potential customer, consumer or supplier of the Target Group or any person that engages in business with the Target Group, to terminate or revise the business relationship with the Target Group, which may adversely affect the interests of the Target Group.

### **Termination**

The Target Hospital Acquisition Agreement may be terminated:

- (1) by written consents of all parties thereto;

- (2) by either party after serving a written notice to the other parties upon occurrence of (i) any representations or warranties made by the other parties being false, untrue in any material respect or contain material omissions; (ii) any material breach by the other parties and failing to make remedies to the reasonable satisfaction of the non-breaching party within fifteen (15) days after receiving a written notice from the non-breaching party; (iii) the other parties entering any voluntary or compulsory bankruptcy proceedings (unless withdrawn within thirty (30) days after the commencement), or being declared bankruptcy or liquidation by a court or other governmental authority; or (iv) the parties being listed as a judgment debtor or dishonest judgment debtor; or
- (3) by Gamma Star Tech if the conditions precedent under the Target Hospital Second Installment are not fully satisfied or waived within one hundred twenty (120) days after the date of the Target Hospital First Installment.

Upon termination of the Target Hospital Acquisition Agreement, the Purchasers shall not be obliged to make any further payments and the Target Hospital Vendors and the Target Hospital shall, (i) within five (5) calendar days from the date of termination, refund to the Purchasers or entities designated by the Purchasers the full amount of the Target Hospital Acquisition Consideration that has been paid by the Purchasers and the damages (if any) under the Target Hospital Acquisition Agreement; and (ii) within thirty (30) days, the Target Hospital Founding Shareholders and the Target Hospital must change the name of the Target Hospital and no longer use “Hygeia” or other similar names in the name of the Target Hospital in all its relevant registrations, including registration with the local branch of SAMR and the registration of its medical institution practice license.

## **THE TARGET PHARMACY ACQUISITION AGREEMENT**

### **Date**

May 9, 2023

### **Parties**

- (1) Gamma Star Tech, a wholly-owned subsidiary of the Company, as the Purchaser;
- (2) (i) Xu Bin (許斌), (ii) Li Yawen (李雅雯), (iii) Ding Hongdi (丁洪娣), (iv) Jiang Song (蔣松), (v) Hang Jian (杭健), (vi) Chen Wei (陳巍), (vii) Xu Jian (許健), (viii) Zong Guocai (宗國才), (ix) Wu Hao (吳昊), (x) Du Jia (杜佳), (xi) Shi Huijiang (史匯江), (xii) Wan Chendong (萬晨東), (xiii) Shi Yongguang (史永光), (xiv) Pan Min (潘敏), (xv) Jiang Ganchao (蔣幹超), (xvi) Chen Jinjun (陳進軍), (xvii) Yin Xueming (殷學明), (xviii) Dai Yongqiang (戴永強) and (xix) Zhu Chenyan (朱晨燕), as the Target Pharmacy Vendors; and

- (3) Wuxi Subang Medical Technology Co., Ltd.\* (無錫市蘇邦醫療科技有限公司), as the Target Pharmacy.

As of the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Target Pharmacy Vendors, the Target Pharmacy and its beneficial owners are Independent Third Parties.

### **Equity interests to be acquired**

Pursuant to the Target Pharmacy Acquisition Agreement, Gamma Star Tech conditionally agreed to acquire 89.2% equity interest in the Target Pharmacy at the total consideration of RMB2.91 million.

### **Target Pharmacy Acquisition Consideration**

Pursuant to the Target Pharmacy Acquisition Agreement, the total consideration in the sum of RMB2.91 million shall be paid by Gamma Star Tech to the Target Pharmacy Vendors as consideration for the acquisition of 89.2% equity interest in the Target Pharmacy.

The Target Pharmacy Acquisition Consideration was determined after arm's length negotiations among Gamma Star Tech and the Target Pharmacy Vendors after Gamma Star Tech's due diligence on the Target Pharmacy and with reference to, among other things: (i) the valuation report prepared by an independent professional valuer in respect of the equity value of the Target Pharmacy using the market approach as at the benchmark date (i.e. March 31, 2023) in the aggregate amount of RMB4.00 million; (ii) the historical financial performance of the Target Pharmacy; and (iii) the strategic benefits and potential synergies to be derived by the Group from the Target Pharmacy Acquisition as set out in the section headed "Reasons for and Benefits of the Acquisitions".

Having considered the above factors, the Directors (including the independent non-executive Directors) are of the view that the Target Pharmacy Acquisition Agreement was entered into on arm's length basis and on normal commercial terms and that the terms of the Target Pharmacy Acquisition Agreement (including, but not limited to, the Target Pharmacy Acquisition Consideration) are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Target Pharmacy Acquisition Consideration will be funded by the internal resources of the Group.

## **Payment terms and the respective conditions precedent**

The Target Pharmacy Acquisition Consideration shall be satisfied by Gamma Star Tech in cash in the following manners:

- (1) the first installment of approximately RMB2.62 million (the “**Target Pharmacy First Installment**”) shall be paid by Gamma Star Tech to the Target Pharmacy Vendors within five (5) Business Days after the following conditions precedent are satisfied, including but not limited to, unless waived by Gamma Star Tech by written notice:
  - (a) all requisite internal approvals and consents for the Target Pharmacy Acquisition having been obtained from Gamma Star Tech, the Company and the Target Pharmacy and the relevant written materials having been provided;
  - (b) the Purchasers having become the shareholders of the Target Hospital holding in aggregate 89.2% of its equity interest upon the Target Hospital Acquisition Completion;
  - (c) the company registration procedures of the Target Pharmacy in relation to the Target Pharmacy Acquisition, including the change of shareholders, legal representative, director(s), supervisor(s) and general manager and adoption of new articles of associations, having been completed (the “**Target Pharmacy Registration Completion**”);
  - (d) the properties and materials of the Target Pharmacy as agreed by Gamma Star Tech and the Target Pharmacy Vendors having been delivered to Gamma Star Tech (the “**Target Pharmacy Properties Delivery**”);
  - (e) completion of the registration of the share pledge in respect of the remaining 10.8% equity interest in the Target Pharmacy pledged by the remaining shareholders of the Target Pharmacy upon Target Pharmacy Acquisition Completion, in favor of Gamma Star Tech, so as to guarantee the obligations of the Target Pharmacy Vendors and the Target Pharmacy under the Target Pharmacy Acquisition Agreement;
  - (f) all waivers, consents and approval (if required) of any governmental authorities as required to complete the Target Pharmacy Acquisition having been obtained and all relevant materials having been provided;

- (g) the representations and warranties of the Target Pharmacy Vendors and the Target Pharmacy being true, accurate and complete from the date of the Target Pharmacy Acquisition Agreement up to the date of the Target Pharmacy First Installment, and there being no material breach of the obligations or undertaking of the Target Pharmacy Acquisition Agreement by the Target Pharmacy Vendors and the Target Pharmacy as at and before the date of the Target Pharmacy First Installment;
  - (h) there being no effective laws or agreements, contracts or legal documents which shall prohibit or restrict the Target Pharmacy Acquisition Completion as at the date of the Target Pharmacy First Installment;
  - (i) there being no material change in the Target Pharmacy or any event or fact that may cause a material change in the Target Pharmacy (unless disclosed to Gamma Star Tech pursuant to the Target Pharmacy Acquisition Agreement or the Target Pharmacy Vendors have materially remedied such material change and obtained approval from Gamma Star Tech) as at the date of the Target Pharmacy First Installment;
  - (j) there being no litigations, arbitrations, administrative penalties or other investigations or disputes that may affect the legality of the Target Pharmacy Acquisition or have a material adverse effect on the operations or conditions of the Target Pharmacy as at the date of the Target Pharmacy First Installment; and
- (2) the second installment of approximately RMB0.29 million (the “**Target Pharmacy Second Installment**”) shall be paid by Gamma Star Tech to the Target Pharmacy Vendors within five (5) Business Days after the following conditions precedent are satisfied, including but not limited to, unless waived by Gamma Star Tech by written notice:
- (a) Gamma Star Tech and the Target Pharmacy Vendors having agreed in writing on the assets and liabilities of the Target Pharmacy as of the Target Pharmacy Acquisition Completion Date;
  - (b) there having been one year (i.e., three hundred and sixty-five (365) calendar days) since the Target Pharmacy Acquisition Completion Date;
  - (c) the representations and warranties of the Target Pharmacy Vendors and the Target Pharmacy being true, accurate and complete from the date of the Target Pharmacy Acquisition Agreement up to the date of the Target Pharmacy Second Installment, and there being no material breach of the obligations or undertaking of the Target Pharmacy Acquisition Agreement by the Target Pharmacy Vendors and the Target Pharmacy as at or before the date of the Target Pharmacy Second Installment;



- (d) there being no unfulfilled responsibilities or obligations of the Target Pharmacy Vendors under the Target Pharmacy Acquisition Agreement; and
- (e) there being no effective laws or agreements, contracts or legal documents which shall prohibit or restrict the Target Pharmacy Acquisition Completion as at the date of the Target Pharmacy Second Installment.

### **Target Pharmacy Acquisition Completion**

The Target Pharmacy Acquisition Completion shall, subject to the Target Pharmacy Registration Completion, take place on the date of the Target Pharmacy Properties Delivery. The Target Pharmacy Acquisition Completion is inter-conditional on the Target Hospital Acquisition Completion.

Upon the Target Pharmacy Acquisition Completion, the Company will indirectly, through Gamma Star Tech, hold 89.2% equity interest in the Target Pharmacy. As a result, the Target Pharmacy will become an indirect non-wholly-owned subsidiary of the Company, and its financial results will be consolidated into the financial statements of the Group.

### **Non-competition and Non-solicitation Undertaking by the Target Pharmacy Vendors**

The Target Pharmacy Vendors undertake that, within five (5) years from the effective date of the Target Pharmacy Acquisition Agreement, each of the Target Pharmacy Vendors, entities that are directly or indirectly controlled by the Target Pharmacy Vendors, or entities providing management services to the Target Pharmacy Vendors (whether jointly or individually), without the prior written consent of Gamma Star Tech, will not directly or indirectly in its own name or in the name of its entrusted agent: (i) invest in or hold equity interests in a competitor of the Target Pharmacy in any way, or work full-time or part-time in an entity or unit of a competitor of the Target Pharmacy, in Wuxi City, Jiangsu Province, the PRC; (ii) participate in activities that compete with the business operations of the Target Pharmacy in Wuxi City, Jiangsu Province, the PRC, or seek interests in other businesses that competes with the Target Pharmacy; (iii) solicit business from any person that is a customer, agent, supplier and/or independent contractor of the Target Pharmacy, or induce any person that is a customer, agent, supplier and/or independent contractor of the Target Pharmacy to terminate its cooperation with the Target Pharmacy, for the benefits of the competitors; and (iv) solicit, recruit, induce or encourage any person that is an existing employee of the Target Pharmacy to leave the Target Pharmacy, or employ or hire such employee, or solicit, recruit or encourage any person that is an existing or potential customer, consumer or supplier of the Target Pharmacy or any person that engages in business with the Target Pharmacy, to terminate or revise the business relationship with the Target Pharmacy, which may adversely affect the interests of the Target Pharmacy.

## **Termination**

The Target Pharmacy Acquisition Agreement may be terminated:

- (1) by written consents of all parties thereto;
- (2) by either party serving a written notice to the other parties upon occurrence of (i) any representations or warranties made by the other parties being false, untrue in any material respect or contain material omissions; (ii) any material breach by the other parties and failing to cure to the reasonable satisfaction of the non-breaching party within fifteen (15) days after receiving a written notice from the non-breaching party; (iii) the other parties entering any voluntary or compulsory bankruptcy proceedings (unless withdrawn within thirty (30) days after the commencement), or being declared bankruptcy or liquidation by a court or other governmental authority; or (iv) the parties been listed as a judgment debtor or dishonest judgment debtor; or
- (3) by Gamma Star Tech if the conditions precedent under the Target Pharmacy First Installment are not fully satisfied or waived within one hundred twenty (120) days after the date of the Target Pharmacy Acquisition Agreement.

Upon termination of the Target Pharmacy Acquisition Agreement, Gamma Star Tech shall not be obliged to make any further payments and the Target Pharmacy Vendors shall, within five (5) calendar days from the date of termination, refund to Gamma Star Tech or entities designated by Gamma Star Tech the full amount of the Target Pharmacy Acquisition Consideration that has been paid by Gamma Star Tech.

## **REASONS FOR AND BENEFITS OF THE ACQUISITIONS**

As an oncology-focused healthcare group, the Group endeavors to make healthcare services more accessible and affordable (讓醫療更溫暖), addressing unmet demand of oncology patients in China. The Board believes that the Acquisitions will enhance the brand influence of the Group around the Yangtze River Delta region and improve its geographical advantages taking into consideration of the following:

- the Target Hospital is located in Yixing City, Jiangsu Province in the Yangtze River Delta region and is situated centrally to Shanghai, Nanjing and Hangzhou. Yixing City is considered one of the top 10 counties in the PRC. In 2022, its GDP has exceeded RMB220 billion. Yixing is known as the city of pottery and its local economy is prosperous. It has a developed regional economy and also has a continuous population inflow. However, the local supply for oncology medical resources is relatively insufficient, and the demands of oncology patients in Yixing City are far from being met. Therefore, the Acquisitions are in line with the development strategy of the Group;

- the Target Hospital, formerly known as Yixing City Fourth People's Hospital\* (宜興市第四人民醫院), was founded in 1951 and is a Class IIA general hospital with a history of more than 70 years. The Target Hospital has established a good reputation in Yixing City and to an extent, the entire Wuxi City by relying on its high-performing and experienced professional medical team. In 2021 and 2022, the Target Hospital had approximately 255,000 and 274,000 patient visits (including outpatient visits and inpatient visits), respectively;
- the Target Hospital will further strengthen the Group's position in providing oncology medical services in Wuxi City. Further, the Group is committed to turning the Target Hospital into a general hospital with an oncology specialty. The Target Hospital has sufficient space to accommodate more than 800 hospital beds and the potential to be upgraded into a Class III hospital. Furthermore, the Target Hospital has the capacity to perform multi-disciplinary oncology diagnosis and treatments services including radiotherapy, which provides the Group with more opportunities to expand its business in Wuxi City. The Target Pharmacy will further expand the Group's customer base and influence, and work together with the Target Hospital to provide a one-stop oncology diagnosis and treatment services for surrounding oncology patients; and
- the Target Hospital Acquisition will further expand the Group's hospital network, which is of great significance and value as it allows the Group to increase its revenue and market share derived from oncology medical services. Upon the Target Hospital Acquisition Completion, the Group's market share in the medical services industry in the Yangtze River Delta region will continue to increase and its influence will radiate to its surrounding areas. The Group will then actively utilize its resources to create synergies and lay out a solid foundation for the Group to establish a three-tier diagnosis and treatment network in the Yangtze River Delta region.

Upon the Target Hospital Acquisition Completion, the Group will optimize the existing operations and systems of the Target Hospital through the implementation of the following:

- the Group will implement its existing oncology specialty into the Target Hospital to develop a multidisciplinary oncology diagnosis and treatment business covering radiotherapy, surgery, chemotherapy and other treatment methods, so as to provide a one-stop comprehensive diagnosis and treatment services for its oncology patients, satisfying the growing demand and enhancing the core competitiveness of the Target Hospital;
- the Group will continue to improve the comprehensive diagnosis and treatment capabilities and treatment methods of the Target Hospital and increase its hospital bed utilization rate to increase the income and profit level for the Target Hospital;

- the Group intends to introduce its existing standardized and reproducible management model to the Target Hospital to reduce its operating costs and improve its overall efficiency; and
- the Group will commence the construction of the second phase of the Target Hospital at a suitable time to increase the number of available beds to more than 800 and improve its patient admission capacity and business scale, and guaranteeing its future through the establishment of a Class III general hospital.

In view of the above, the Directors are of the view that the terms of the Acquisition Agreements are on normal commercial terms and fair and reasonable, and the Acquisitions are in the interests of the Company and its Shareholders as a whole.

## **THE NEW CONTRACTUAL ARRANGEMENTS**

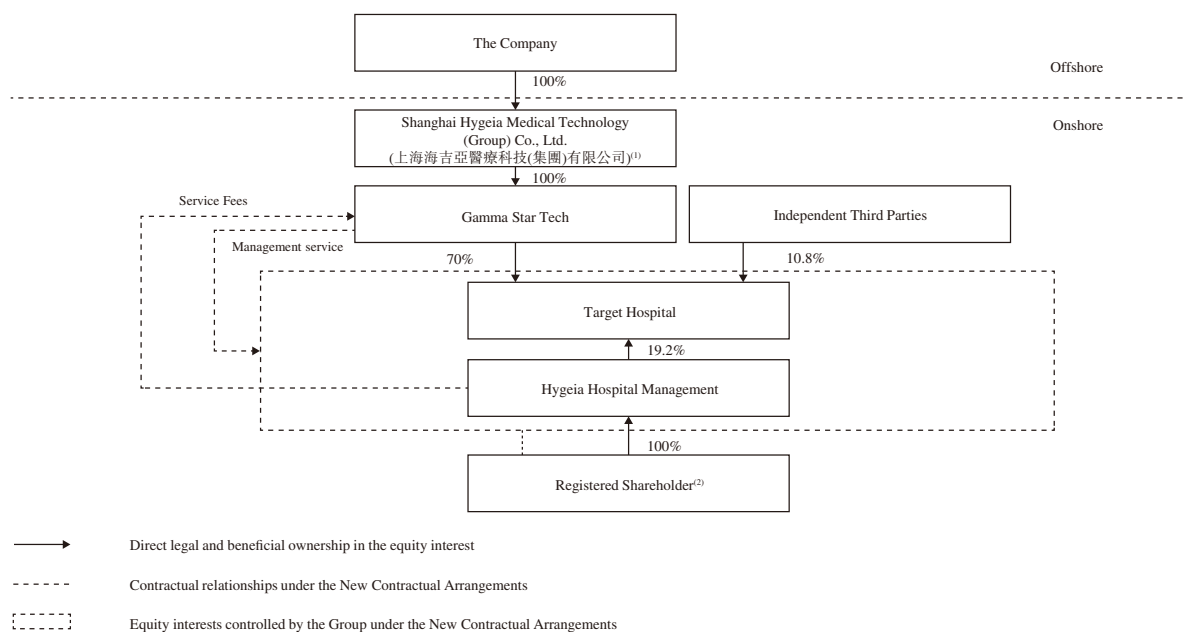
### **Reasons for the New Contractual Arrangements**

As disclosed in the section headed “Contractual Arrangements” in the Prospectus, due to applicable laws and regulatory restrictions on foreign ownership, medical institutions may not be held 100% by foreign investors, and foreign investments are restricted to the form of Sino-foreign equity joint venture or cooperative joint venture. Furthermore, as advised by the PRC Legal Advisor, the competent authorities for foreign investment administration where the Group operate its hospitals are of the view that the Company, as a foreign entity, shall not directly or indirectly hold more than 70% equity interest in each of the hospitals in the PRC (the “**Foreign Ownership Restriction**”). Therefore, the Group had in place the Existing Contractual Arrangements which are designed to allow the Company to prevent leakages of equity and values to the minority shareholders of the VIE Hospitals and to obtain the maximum economic benefits of these hospitals.

As advised by the PRC Legal Advisor, the Target Hospital is a medical institution in the PRC and is subject to the Foreign Ownership Restriction. Pursuant to the Target Hospital Acquisition Agreement, upon the Target Hospital Acquisition Completion, Gamma Star Tech and Hygeia Hospital Management will directly hold 70% and 19.2% equity interest in the Target Hospital, respectively. In order to control the Target Hospital to prevent leakages of equity and values to the minority shareholders of the Target Hospital, and to obtain the 19.2% economic benefits of the Target Hospital to be attributable to Hygeia Hospital Management, each of the Purchasers, the Target Hospital, Hygeia Hospital Management and Xiangshang Investment will enter into the New Contractual Arrangements upon the Target Hospital Acquisition Completion.

## Details of the New Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from the Target Hospital to the Group under the New Contractual Arrangements:



Notes: (1) Formerly known as Gamma Star Medical Technology Development (Shanghai) Co., Ltd. (伽瑪星醫療科技發展(上海)有限公司)  
 (2) The Registered Shareholder of Hygeia Hospital Management is Xiangshang Investment which is held by Mr. Zhu Yiwen and Ms. Zhu Jianqiao as to 40% and 60%, respectively.

The principal terms of the New Contractual Arrangements to be entered into upon the Target Hospital Acquisition Completion which are on substantially the same terms and conditions as those of the Existing Contractual Arrangements, are summarized as follows:

### 1. Exclusive Operation Services Agreement

Hygeia Hospital Management, Xiangshang Investment and Gamma Star Tech will collectively enter into an exclusive operation services agreement with the Target Hospital (the “**Exclusive Operation Services Agreement**”), pursuant to which, Hygeia Hospital Management, Xiangshang Investment and the Target Hospital agree to engage Gamma Star Tech as their exclusive service provider of technical support, consulting services and other services in exchange for a service fee.

Under the Exclusive Operation Services Agreement, the services to be provided include but are not limited to (i) business, financing and investment, (ii) medical technology related consultation, medical resources sharing and medical professionals training, (iii) human resources management, (iv) market research, (v) strategies for marketing and business expansion, (vi) supplier and inventory management, (vii) operation and marketing strategy formulation and monitoring, (viii) medical service quality control, (ix) internal management and (x) other services relating to management and operation of medical institutions and shareholder’s rights and investment management. Gamma

Star Tech has proprietary rights to all the intellectual properties developed or created by itself from the performance of these services. During the term of the Exclusive Operation Service Agreement, Gamma Star Tech may use the intellectual property rights owned by Hygeia Hospital Management and the Target Hospital free of charge and without any conditions. Hygeia Hospital Management and the Target Hospital may also use the intellectual property work created by Gamma Star Tech from the services performed by Gamma Star Tech in accordance with the Exclusive Operation Service Agreement.

Under the Exclusive Operation Services Agreement, the service fee shall be an amount equal to the annual distributable profits of Hygeia Hospital Management, consisting of 19.2% of the distributable net profit of the Target Hospital of a given audited financial year, after deducting the losses from the previous financial years (if any) and the statutory contributions (if applicable) subject to the applicable PRC laws and regulations.

In addition, without the prior written consent of Gamma Star Tech, during the term of the Exclusive Operation Services Agreement, Xiangshang Investment, Hygeia Hospital Management and the Target Hospital shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar corporation relationships with any third party. Gamma Star Tech has the right to appoint any third party to provide any or all of the services, or to fulfill any of its obligations under the Exclusive Operation Services Agreement.

The Exclusive Operation Services Agreement will become effective from signing, and shall remain valid for three years. Subject to compliance with the Listing Rules, the Exclusive Operation Services Agreement shall be automatically renewed for a term of three years upon its expiration, unless terminated in accordance with the terms therein. The Exclusive Operation Services Agreement can only be terminated in the following events: (i) continued performance of the agreements will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange, (ii) all of Xiangshang Investment's equity interests in Hygeia Hospital Management and all of the assets of Hygeia Hospital Management have been transferred to Gamma Star Tech or its designated person(s) pursuant to applicable PRC laws and regulations, (iii) all of Hygeia Hospital Management's equity interests in the Target Hospital and all of the assets of the Target Hospital attributable to Hygeia Hospital Management have been transferred to Gamma Star Tech or its designated person(s) pursuant to applicable PRC laws and regulations, or (iv) Gamma Star Tech unilaterally terminates the agreements.



## 2. *Exclusive Option Agreements*

Gamma Star Tech, Xiangshang Investment and Hygeia Hospital Management will enter into an exclusive option agreement, and Gamma Star Tech and Hygeia Hospital Management will collectively enter into an exclusive option agreement with the Target Hospital (collectively the “**Exclusive Option Agreements**”).

Pursuant to the Exclusive Option Agreements, (i) Xiangshang Investment irrevocably and unconditionally grants an exclusive option to Gamma Star Tech which entitles Gamma Star Tech to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interest in Hygeia Hospital Management itself or through its designated person(s), (ii) Hygeia Hospital Management irrevocably and unconditionally grants an exclusive option to Gamma Star Tech which entitles Gamma Star Tech to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of Hygeia Hospital Management itself or through its designated person(s), (iii) Hygeia Hospital Management irrevocably and unconditionally grants an exclusive option to Gamma Star Tech which entitles Gamma Star Tech 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 Target Hospital from Hygeia Hospital Management itself or through its designated person(s), and (iv) the Target Hospital irrevocably and unconditionally grant an exclusive option to Gamma Star Tech which entitles Gamma Star Tech to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of the Target Hospital attributable to Hygeia Hospital Management itself or through its designated person(s).

The transfer price of the relevant equity interests and assets shall be the minimum purchase price permitted under PRC laws. Each of Hygeia Hospital Management and the Target Hospital undertake that it will, subject to applicable PRC laws, return in full any amount of the transfer price received to Gamma Star Tech or its designated person(s).

Xiangshang Investment and Hygeia Hospital Management undertake to develop the business of the Target Hospital and not to take any action which may affect their asset value, goodwill and effectiveness of business licenses. Without the prior written consent of Gamma Star Tech, Xiangshang Investment and Hygeia Hospital Management shall not (i) transfer or otherwise dispose of any option under the Exclusive Option Agreements, or create any encumbrances thereon; and the Target Hospital shall not assist in transferring or otherwise disposing of any option under the Exclusive Option Agreements, or creating any encumbrances thereon; and (ii) directly or indirectly (by itself or through the entrustment of any other natural person or legal entity) carry out, own or acquire any business that competes or is likely to compete with the business of Gamma Star Tech. Xiangshang Investment, Hygeia Hospital

Management and the Target Hospital further undertake that, upon Gamma Star Tech issuing the notice to exercise the option in accordance with the Exclusive Option Agreements, they will take necessary actions to affect the transfer and relinquish the pre-emptive right (if any). Each of the parties to the Exclusive Option Agreements confirms and agrees that (i) in the event of a dissolution or liquidation of Hygeia Hospital Management and the Target Hospital under the PRC laws, all the residual assets attributable to Xiangshang Investment and Hygeia Hospital Management shall be transferred to Gamma Star Tech or its designated person(s) at the minimum purchase price permitted under PRC laws, and each of Xiangshang Investment, Hygeia Hospital Management and the Target Hospital undertakes that they will, subject to applicable PRC laws, return in full any amount of the transfer price received to Gamma Star Tech or its designated person(s), (ii) in the event of bankruptcy, reorganization or merger of Hygeia Hospital Management or Xiangshang Investment or any other event which affects Xiangshang Investment's shareholding in Hygeia Hospital Management and Hygeia Hospital Management's shareholding in the Target Hospital, the successor of the Xiangshang Investment's equity interest in Hygeia Hospital Management and the successor of Hygeia Hospital Management's equity interests in the Target Hospital shall be bound by the New Contractual Arrangements, and (iii) any disposal of shareholding in Hygeia Hospital Management and the Target Hospital shall be governed by the New Contractual Arrangements unless otherwise with the prior written consent of Gamma Star Tech.

The Exclusive Option Agreements will become effective from signing and have an indefinite term unless terminated in the following events: (i) continued performance of the obligations of the agreements will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange, (ii) all of Xiangshang Investment's equity interests in Hygeia Hospital Management, all of the Hygeia Hospital Management's equity interests in the Target Hospital are transferred to Gamma Star Tech or its designated person(s) pursuant to the applicable PRC laws and regulations, (iii) all of the assets of Hygeia Hospital Management and all of the assets of the Target Hospital attributable to Hygeia Hospital Management are transferred to Gamma Star Tech or its designated person(s) pursuant to the applicable PRC laws and regulations, or (iv) Gamma Star Tech unilaterally terminates the agreements.

### 3. *Entrustment Agreements and Powers of Attorney*

Gamma Star Tech, Xiangshang Investment and Hygeia Hospital Management will enter into a shareholders' rights entrustment agreement, and Gamma Star Tech and Hygeia Hospital Management collectively will enter into a shareholders' rights entrustment agreement with the Target Hospital (collectively the "**Entrustment Agreements**") and the powers of attorney (collectively the "**Powers of Attorney**") will be executed by each of Xiangshang Investment and Hygeia Hospital Management in favor of Gamma Star Tech (the "**Attorney**").

Pursuant to the Entrustment Agreements and the Powers of Attorney, (i) Xiangshang Investment irrevocably authorizes the Attorney to exercise all of its rights and powers as a shareholder of Hygeia Hospital Management, and (ii) Hygeia Hospital Management irrevocably authorizes the Attorney to exercise all of its rights and powers as a shareholder of the Target Hospital, including without limitation:

- to attend shareholders' meetings of Hygeia Hospital Management and the Target Hospital and to execute any and all written resolutions and meeting minutes in the name and on behalf of such shareholder;
- to file documents with the relevant companies registry;
- to exercise all shareholder's rights and shareholder's voting rights in accordance with PRC laws and the constitutional documents of Hygeia Hospital Management and the Target Hospital, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in Hygeia Hospital Management and the Target Hospital; and
- to nominate or appoint the legal representatives, directors, supervisors, general manager and other senior management of Hygeia Hospital Management and the Target Hospital.

As Gamma Star Tech is an indirect wholly-owned subsidiary of the Company, the terms of the Entrustment Agreements and the Powers of Attorney give the Company full control over all corporate decisions made by such Attorney and exercise management control over Hygeia Hospital Management and the Target Hospital.

The Entrustment Agreements and Powers of Attorney will become effective from signing and have an indefinite term unless terminated in the following events: (i) continued performance of the obligations of the agreements will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange, (ii) all of Xiangshang Investment's equity interests in Hygeia Hospital Management and all of the Hygeia Hospital Management's equity interests in the Target Hospital are transferred to Gamma Star Tech or its designated person(s) pursuant to the applicable PRC laws and regulations, (iii) all of the assets of Hygeia Hospital Management and all of the assets of the Target Hospital attributable to Hygeia Hospital Management are transferred to Gamma Star Tech or its designated person(s) pursuant to the applicable PRC laws and regulations, or (iv) Gamma Star Tech unilaterally terminates the agreements.

#### **4. *Equity Pledge Agreements***

Gamma Star Tech, Hygeia Hospital Management and Xiangshang Investment will enter into an equity pledge agreement, and Gamma Star Tech and Hygeia Hospital Management will collectively enter into an equity pledge agreement with the Target Hospital (collectively the "**Equity Pledge Agreements**"), pursuant to which, (i) Xiangshang Investment agrees to pledge all of its equity interest in Hygeia Hospital Management, and (ii) Hygeia Hospital Management agrees to pledge 19.2% of its equity interest in the Target Hospital, in favor of Gamma Star Tech to secure performance of the contractual obligations and payment of outstanding debts under the New Contractual Arrangements.

If the Target Hospital and Hygeia Hospital Management declare any dividend during the term of the equity pledge, Gamma Star Tech is entitled to receive all dividends or other income arising from the equity interests pledged (if any). In the event of any breach of obligations by Hygeia Hospital Management, Xiangshang Investment or the Target Hospital, Gamma Star Tech, upon issuing a written notice to the pledgors, will be entitled to all remedies available under PRC laws and the New Contractual Arrangements, including but not limited to disposing of the equity interests pledged in its favor.

Pursuant to the Equity Pledge Agreements, each of Xiangshang Investment and Hygeia Hospital Management undertakes to Gamma Star Tech, among others, not to transfer their equity interests pledged and not to create or allow any pledge or encumbrance thereon that may affect the right and interest of Gamma Star Tech without its prior written consent. Hygeia Hospital Management and the Target Hospital further undertakes to Gamma Star Tech not to consent to any transfer the equity interests pledged or to create or allow any pledge or encumbrance thereon without Gamma Star Tech's prior written consent.

The pledges in respect of Hygeia Hospital Management and the Target Hospital take effect upon the completion of registration with the relevant administration for market regulation and shall remain valid until after all the contractual obligations of Xiangshang Investment, Hygeia Hospital Management and the Target Hospital under the New Contractual Arrangements have been fully performed and all the outstanding debts of Xiangshang Investment, Hygeia Hospital Management and the Target Hospital under the New Contractual Arrangements have been fully paid.

The Company will register the equity pledges contemplated under the Equity Pledge Agreements with the relevant PRC legal authority pursuant to PRC laws and regulations.

## **5. *Spousal Undertakings***

The spouses of each of the shareholders of Xiangshang Investment (namely, Mr. Zhu and Ms. Zhu) will sign an undertaking (the “**Spousal Undertakings**”) to the effect that (i) the respective interests of Mr. Zhu and Ms. Zhu in Xiangshang Investment (together with any other interests therein) do not fall within the scope of joint possession; (ii) the respective interests of Xiangshang Investment in Hygeia Hospital Management (together with any other interests therein) do not fall within the scope of joint possession, (iii) the respective interests of Hygeia Hospital Management in the Target Hospital (together with any other interests therein) do not fall within the scope of joint possession, and (iv) each of the spouses will not have any claim on such interests.

The PRC Legal Advisor is of the view that (i) the above arrangements provide protection to the Group even in the event of death or divorce of Mr. Zhu and Ms. Zhu and (ii) the death or divorce of such shareholders would not affect the validity of the New Contractual Arrangements, and Gamma Star Tech or the Company can still enforce their rights under the New Contractual Arrangements against Xiangshang Investment and its successors.

## **Common terms of the New Contractual Arrangements**

### ***Dispute Resolution***

Each of the agreements under the New Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the New Contractual Arrangements, any party has the right to submit the relevant dispute to the Shanghai Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of Hygeia Hospital Management and

the Target Hospital or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Hygeia Hospital Management and the Target Hospital; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company), the PRC and the places where the principal assets of Gamma Star Tech or Hygeia Hospital Management or the Target Hospital are located for interim remedies or injunctive relief.

However, the PRC Legal Advisor has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Hygeia Hospital Management and the Target Hospital pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that Hygeia Hospital Management, the Target Hospital or Xiangshang Investment breach any terms of the New Contractual Arrangements, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert fully effective control over Hygeia Hospital Management and the Target Hospital and to conduct its business could be materially and adversely affected.

### ***Succession***

As advised by the PRC Legal Advisor, the provisions set out in the New Contractual Arrangements are also binding on any successor(s) of Xiangshang Investment as if such successors were a signing party to the New Contractual Arrangements. As such, any breach by the successors would be deemed to be a breach of the New Contractual Arrangements. In the case of a breach, Gamma Star Tech can enforce its rights against the successors. Pursuant to the New Contractual Arrangements, in the event of changes in the shareholding of Hygeia Hospital Management, any successor(s) of Hygeia Hospital Management shall assume any and all rights and obligations of Hygeia Hospital Management under the New Contractual Arrangements as if such successor was a signing party to the relevant agreements.

### ***Conflicts of Interests***

Xiangshang Investment, Hygeia Hospital Management and Target Hospital undertake that, as long as the New Contractual Arrangements remain effective, they shall not take or omit to take any action which may lead to a conflict of interest with Gamma Star Tech or its direct or indirect shareholders. If there is any conflict of interest, Gamma Star Tech 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. Xiangshang Investment, Hygeia Hospital Management and the Target Hospital will unconditionally follow the instructions of Gamma Star Tech to take any action to eliminate such conflict of interest.



### ***Loss Sharing***

Under the relevant PRC laws and regulations, none of the Company and Gamma Star Tech is legally required to share the losses of, or provide financial support to Hygeia Hospital Management and the Target Hospital. Further, Hygeia Hospital Management and the Target Hospital are limited liability companies and shall be solely liable for its own debts and losses with assets and properties owned by them. In addition, given that the Group conducts a substantial portion of its business operations in the PRC through Hygeia Hospital Management and the Target Hospital, which hold the requisite PRC operational licenses and approvals, and that its financial position and results of operations are consolidated into the Group's financial statements under the applicable accounting principles, the Company's business, financial position and results of operations would be adversely affected if Hygeia Hospital Management and the Target Hospital suffer losses.

### ***Liquidation***

Pursuant to the Equity Pledge Agreements, in the event of a mandatory liquidation required by the PRC laws, the relevant shareholders of Hygeia Hospital Management and the Target Hospital shall, upon the request of Gamma Star Tech, give the proceeds they received from liquidation as a gift to Gamma Star Tech or its designee(s) to the extent permitted by PRC laws.

Accordingly, in the event of a winding-up of Hygeia Hospital Management and the Target Hospital, Gamma Star Tech shall be entitled to the liquidation proceeds of Hygeia Hospital Management and the Target Hospital based on the New Contractual Arrangements for the benefit of the Company's creditors and shareholders.

### ***Insurance***

The Company does not maintain an insurance policy to cover the risks relating to the New Contractual Arrangements.

### **Legality of the New Contractual Arrangements**

The PRC Legal Advisor, following completion of reasonable due diligence steps, are of the following legal opinion:

- (1) each of Gamma Star Tech, Hygeia Hospital Management and the Target Hospital is duly established and validly existing under the PRC Laws;
- (2) each of Gamma Star Tech, Hygeia Hospital Management and the Target Hospital has authority and authorizations to execute and perform the New Contractual Arrangements;

- (3) the New Contractual Arrangements, taken individually and collectively, will not violate the mandatory provisions of the existing PRC Laws and regulations and constitutes legal, valid and binding obligations of the parties thereto except that (a) the Shanghai Arbitration Commission has no power to grant injunctive relief, nor will it be able to order the winding-up of Hygeia Hospital Management and the Target 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;
- (4) the New Contractual Arrangements will not, individually or collectively, violate the mandatory provisions of the Civil Code of the PRC and other applicable PRC laws and regulations and would not fall within the circumstances which will lead such arrangements as invalid civil juristic act under the Civil Code of the PRC;
- (5) none of the agreements under the New Contractual Arrangements will violate any provisions of the existing articles of association of each of Gamma Star Tech, Hygeia Hospital Management and the Target Hospital; and
- (6) the execution and performance of the New Contractual Arrangements do not require any approvals from any PRC governmental agency, except that the Equity Pledge Agreements are subject to registration requirements with the relevant administration for market regulation and the exercising of the exclusive options by Gamma Star Tech according to the Exclusive Option Agreements shall be subject to the then effective PRC laws and regulations and relevant approving procedures (if applicable).

The Company has been advised by the PRC Legal Advisor, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to the above opinion of the PRC Legal Advisor.

### **The Board's view on the New Contractual Arrangements**

Based on the above, the Board is of the view that the New Contractual Arrangements are narrowly tailored as they are used to enable the Group to conduct businesses in industries that are subject to Foreign Ownership Restriction in the PRC. Upon the Completion, the Company indirectly holds 70% equity interest in the Target Hospital through Gamma Star Tech, and controls the 19.2% equity interest in the Target Hospital to be held by the Purchaser by virtue of the New Contractual Arrangements. As such, the Company can receive 89.2% of the economic interest returns generated by the Target Hospital.

The New Contractual Arrangements also provide that the Group could partially unwind the New Contractual Arrangements and hold (directly or indirectly) equity interest in the Target Hospital up to the maximum percentage prescribed by any measures promulgated by MOFCOM and/or other relevant governmental authorities, or fully unwind the New Contractual Arrangements and directly hold the 89.2% equity interest in the Target Hospital if there is no prescribed limit on the percentage of equity interest permitted to be held by foreign investors.

### **Compliance with the New Contractual Arrangements**

The Group will adopt the following measures to ensure the effective operation with the implementation and compliance of the New Contractual Arrangements:

- (1) major issues arising from the implementation and compliance with the New Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (2) the Board will review the overall performance of and compliance with the New Contractual Arrangements at least once a year;
- (3) the Company will disclose the overall performance and compliance with the New Contractual Arrangements in its annual reports and interim reports to update the Shareholders and potential investors; and
- (4) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the New Contractual Arrangements and the legal compliance of Gamma Star Tech, Hygeia Hospital Management and the Target Hospital to deal with specific issues or matters arising from the New Contractual Arrangements.

In addition, the Company believes that the Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently under the following measures:

- (1) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, among others, that in the event of conflict of interest in any contract or transaction calling for vote, the Director who is so interested shall declare the nature of his or her interest at the earliest time before or at meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

- (2) each of the Directors is aware of his or her fiduciary duties as a Director which requires, among others, that he or she acts for the benefits and in the best interests of the Group;
- (3) the Company has appointed three independent non-executive Directors, comprising one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and
- (4) the Group will disclose in its announcements, circulars and annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

### **Risks relating to the New Contractual Arrangements**

*If the PRC government deems that the New Contractual Arrangements do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, the Group could be subject to severe penalties or be forced to relinquish the Groups' interests received through the New Contractual Arrangements.*

Foreign ownership of certain businesses in PRC is subject to restrictions under current PRC laws and regulations. For example, except for qualified service providers from Hong Kong, Macao and Taiwan, foreign investors are not allowed to own 100% of the equity interest in medical institutions.

The Company is an exempted company incorporated in the Cayman Islands, as such, the Company is classified as a foreign enterprise under PRC laws and regulations. Through the Group's indirect wholly-owned PRC subsidiary, Gamma Star Tech, the Group will enter into a series of New Contractual Arrangements with each of Xiangshang Investment (which holds 100% equity interest in Hygeia Hospital Management), Hygeia Hospital Management and the Target Hospital. Please see the section headed "The New Contractual Arrangements" for a detailed description of the New Contractual Arrangements. Through the Group's shareholdings and the New Contractual Arrangements, the Company controls the Target Hospital through Gamma Star Tech and, at the Company's sole discretion, can receive 89.2% of the economic interest returns generated by the Target Hospital.

As advised by the PRC Legal Advisor, save as disclosed in the section headed “Legality of the New Contractual Arrangements” in this announcement, the New Contractual Arrangements are legal, valid, enforceable and binding upon the parties thereto under the current laws and regulations. Please see the section headed “Legality of the New Contractual Arrangements” for more details. However, the PRC Legal Advisor has also advised the Group that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Accordingly, there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of the PRC Legal Advisor.

The Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》, the “**FIL**”) has become effective on January 1, 2020. According to the FIL, the “foreign investment” refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (hereinafter referred to as “**Foreign Investors**”), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or guidelines of the State Council of the PRC (中華人民共和國國務院) (“**State Council**”). However, the interpretation and application of the FIL remain uncertain. In addition, the FIL stipulates that foreign investment includes “Foreign Investors investing in China through many other methods under laws, administrative regulations or provisions prescribed by the State Council.” The Group cannot assure the investors that the New Contractual Arrangements will not be deemed as a form of foreign investment under laws, regulations or provisions prescribed by the State Council in the future, as a result of which, it will be uncertain whether the New Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and the impact on the New Contractual Arrangements.

If the Group’s ownership structure, New Contractual Arrangements and business or that of Gamma Star Tech, Hygeia Hospital Management or the Target Hospital are found to be in violation of any existing or future PRC laws or regulations, or the Group fails to obtain or maintain any of the required permits or approvals, the relevant governmental authorities would have broad discretion in dealing with such violations, including:

- levying fines on the Group;
- confiscating the Group’s income or the income of Gamma Star Tech, Hygeia Hospital Management or the Target Hospital;
- revoking the Group’s business licenses and/or operating licenses;

- shutting down the Group's institutions;
- discontinuing or placing restrictions or onerous conditions on the Group's operations, requiring the Group to undergo a costly and disruptive restructuring; and
- taking other regulatory or enforcement actions that could be harmful to the Group's business.

Any of these actions could cause significant disruption to the Group's business operations and severely damage the Group's reputation, which would result in the Group failing to receive a portion of the economic benefits from Hygeia Hospital Management and the Target Hospital, which in turn may materially and adversely affect the Group's business, financial condition and results of operations.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to the Group's corporate structure and the New Contractual Arrangements.

In addition, if any equity interest held by Xiangshang Investment in Hygeia Hospital Management and any equity interest held by Hygeia Hospital Management in the Target Hospital is held in the court custody in connection with its litigation, arbitration or other judicial or dispute resolution proceedings, the Group cannot assure the investors that the equity interest will be disposed of to the Group in such proceedings in accordance with the New Contractual Arrangements. The occurrence of any of these events could adversely affect the Group's business, financial condition and results of operations.

***The New Contractual Arrangements may result in adverse tax consequences to the Group.***

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Group could face material and adverse tax consequences if the PRC tax authorities determine that the New Contractual Arrangements were not made on an arm's length basis and adjust the income and expenses of the Group for PRC tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could materially and adversely affect the Group by (i) increasing the tax liabilities of the Target Hospital without reducing the tax liability of Gamma Star Tech and Hygeia Hospital Management, which could further result in late payment fees and other penalties to the Target Hospital for underpaid taxes; or (ii) limiting the ability of the Target Hospital to obtain or maintain preferential tax treatments and other financial incentives.



***The shareholder of Hygeia Hospital Management may have potential conflicts of interest with the Group, which may materially and adversely affect the Group's business and financial condition.***

The Group's control over Hygeia Hospital Management as well as the 19.2% equity interest in the Target Hospital to be held by Hygeia Hospital Management is based upon the New Contractual Arrangements with, among others, Hygeia Hospital Management and Xiangshang Investment. Xiangshang Investment may potentially have a conflict of interest with the Group, and it may breach its agreements with the Group or if it otherwise acts in bad faith, if it believes the New Contractual Arrangements would adversely affect its own interests. The Group cannot assure the investors that when conflicts of interest arise between the Group and Xiangshang Investment, Xiangshang Investment will act completely in the Group's interests or that the conflicts of interest will be resolved in the Group's favor. If Xiangshang Investment does not act completely in the Group's interests or the conflicts of interest between the Group and it are not resolved in the Group's favor, the Group's business and financial condition may be materially and adversely affected.

Currently, the Group do not have arrangements to address the potential conflicts of interest faced by the ultimate beneficial owners of Hygeia Hospital Management in their dual capacity as beneficial owners of the Group. The Group rely on the ultimate beneficial owners of Hygeia Hospital Management to comply with PRC laws and regulations, which protect contracts and provide that directors and executive officers owe a duty of loyalty to the Group and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Cayman Islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view to the Group's best interests.

In addition, Xiangshang Investment may breach or refuse to renew, or cause Hygeia Hospital Management to breach or refuse to renew, the New Contractual Arrangements with the Group. If Hygeia Hospital Management or Xiangshang Investment breaches its 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 Group management's attention, adversely affect the Group ability to control Hygeia Hospital Management as well as the 19.2% equity interest in the Target Hospital to be held by Hygeia Hospital Management and otherwise result in negative publicity and adversely affect the reputation of the Group's in-network hospitals. The Group cannot assure the investors that the outcome of any such dispute or proceeding will be in the Group's favor.

***The New Contractual Arrangements may not be as effective in providing operational control as direct ownership. Hygeia Hospital Management and Xiangshang Investment may fail to perform their obligations under the New Contractual Arrangements.***

The Group has 70% equity ownership interests in the Target Hospital and rely on the New Contractual Arrangements with the Target Hospital, Hygeia Hospital Management and Xiangshang Investment to control the remaining equity ownership interests in the Target Hospital, except for the 10.8% equity ownership interest held by independent third parties.

Although the Group is advised by the PRC Legal Advisor that save as disclosed in this announcement, the New Contractual Arrangements constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, the New Contractual Arrangements may not be as effective in providing the Group with control over Hygeia Hospital Management as direct ownership. Direct ownership would allow the Group, for example, to directly or indirectly exercise the Group's rights as a shareholder to effect changes in the board of directors of Hygeia Hospital Management, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level.

If Hygeia Hospital Management or Xiangshang Investment fails to perform its respective obligations under the New Contractual Arrangements, the Group may incur substantial costs and expend substantial resources to enforce the Group's rights. All of the New Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from the New Contractual Arrangements will be resolved through arbitration or litigation in China. However, the legal system in China is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit the Group's ability to enforce the New Contractual Arrangements. The New Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Hygeia Hospital Management or the Target Hospital, 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 order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

In the event the Group is unable to enforce the New Contractual Arrangements or the Group's experience significant delays or other obstacles in the process of enforcing the New Contractual Arrangements, the Group may not be able to exert effective control over Hygeia Hospital Management and may not prevent leakage of equity and values to the minority shareholder of the Target Hospital or obtain the full economic benefits of the same. The Group's ability to conduct the business may be negatively affected.

***The Group may lose control over Hygeia Hospital Management and may not enjoy the 89.2% economic benefits of the Target Hospital if Hygeia Hospital Management declares bankruptcy or become subject to a dissolution or liquidation proceeding.***

Hygeia Hospital Management will hold 19.2% equity interest in the Target Hospital upon the Target Hospital Acquisition Completion. The New Contractual Arrangements contain terms that specifically provide that Hygeia Hospital Management may not be voluntarily liquidated without the written consent of Gamma Star Tech. However, if Xiangshang Investment or Hygeia Hospital Management breaches this obligation and voluntarily liquidates Hygeia Hospital Management or if Hygeia Hospital Management 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 to control Hygeia Hospital Management and may not enjoy the 89.2% economic benefits of the Target Hospital, which could adversely affect the Group's business, financial condition and results of operations.

If Xiangshang Investment was to attempt to voluntarily liquidate Hygeia Hospital Management without obtaining the Group's prior consent, the Group could effectively prevent such unauthorized voluntary liquidation by exercising the Group's right to request Xiangshang Investment to transfer all of its equity ownership interests in Hygeia Hospital Management to an entity or individual designated by the Group in accordance with the exclusive option agreement with Hygeia Hospital Management and Xiangshang Investment. In addition, under the New Contractual Arrangements, Xiangshang Investment does not have the right to issue dividends to itself or otherwise distribute the retained earnings or other assets of Hygeia Hospital Management without the Group's prior consent. In the event that Xiangshang Investment initiates a voluntary liquidation proceeding without the Group's authorization or attempts to distribute the retained earnings or assets of Hygeia Hospital Management without the Group's prior consent, the Group may need to resort to legal proceedings to enforce the terms of the New Contractual Arrangements. Any such legal proceeding may be costly and may divert the Group management's time and attention away from the operation of the Group's business, and the outcome of such legal proceeding will be uncertain.

***If the Group exercise the option to acquire equity ownership of Hygeia Hospital Management, the ownership transfer may subject the Group to certain limitations and substantial costs.***

Pursuant to the New Contractual Arrangements, Gamma Star Tech or its designated person(s) has the exclusive right to purchase all or any part of the equity interest in Hygeia Hospital Management from Xiangshang Investment at the minimum consideration permitted under then applicable PRC laws.

The acquisition may be subject to approvals from and filings with the MOFCOM or its local counterparts. In addition, the acquisition price may be subject to review and tax adjustment by the relevant tax authority. Hygeia Hospital Management will be subject to PRC enterprise income tax on the difference between the equity interest transfer price and the amount Hygeia Hospital Management has paid to obtain the equity interest in the Target Hospital. Hygeia Hospital Management will pay the remaining amount to Gamma Star Tech under the New Contractual Arrangements. The amount to be received by Gamma Star Tech 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.

## **GENERAL INFORMATION OF THE PARTIES**

### **Information of the Group**

As an oncology-focused healthcare group, the Group endeavors to make healthcare services more accessible and affordable (讓醫療更溫暖), addressing unmet demand of oncology patients in China. As of December 31, 2022, the Group owned and operated 12 oncology-focused hospitals and provided services to 24 hospital partners for their radiotherapy centers.

### **Information of the Target Hospital Vendors, the Target Hospital Founding Shareholders and the Target Pharmacy Vendors**

The Target Hospital Vendors refer to (i) Xu Bin (許斌), (ii) Li Yawen (李雅雯), (iii) Ding Hongdi (丁洪娣), (iv) Hang Jian (杭健), (v) Xu Jian (許健), (vi) Wan Chendong (萬晨東), (vii) Shi Yongguang (史永光), (viii) Pan Min (潘敏), (ix) Yin Xueming (殷學明) and (x) Zhu Chenyan (朱晨燕), and both the Target Hospital Founding Shareholders and the Target Pharmacy Vendors refer to (i) Xu Bin (許斌), (ii) Li Yawen (李雅雯), (iii) Ding Hongdi (丁洪娣), (iv) Jiang Song (蔣松), (v) Hang Jian (杭健), (vi) Chen Wei (陳巍), (vii) Xu Jian (許健), (viii) Zong Guocai (宗國才), (ix) Wu Hao (吳昊), (x) Du Jia (杜佳), (xi) Shi Huijiang (史匯江), (xii) Wan Chendong (萬晨東), (xiii) Shi Yongguang (史永光), (xiv) Pan Min (潘敏), (xv) Jiang Ganchao (蔣幹超), (xvi) Chen Jinjun (陳進軍), (xvii) Yin Xueming (殷學明), (xviii) Dai Yongqiang (戴永強) and (xix) Zhu Chenyan (朱晨燕).

Each of the Target Hospital Vendors, the Target Hospital Founding Shareholders and the Target Pharmacy Vendors is a natural person and an Independent Third Party, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries.

### **Information of the Target Hospital**

The Target Hospital was incorporated in the PRC as a limited liability company on April 6, 2023. As of the date of this announcement, the entire equity interest of the Target Hospital was held by the Target Hospital Founding Shareholders.

The Target Hospital is a private for-profit Class IIA general hospital located in Yixing City, the Yangtze River Delta region, the PRC. It was previously a not-for-profit hospital, known as Yixing City Fourth People's Hospital\* (宜興市第四人民醫院), and has obtained a valid Medical Institution Practicing License as a private for-profit hospital in May 9, 2023. The Target Hospital provides healthcare and medical services in a wide range of specialties, including but not limited to surgery, proctology, orthopedics, gastroenterology and gynecology. As of December 31, 2022, it had 369 registered beds.

The unaudited net asset value of the Predecessor Hospital as at December 31, 2022 was approximately RMB14.90 million. Set out below is the unaudited revenue, net profit/(loss) before taxation and net profit/(loss) after taxation of the Predecessor Hospital for the two years ended December 31, 2021 and 2022 prepared in accordance with the PRC accounting standards:

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	180,662	174,046
Net profit/(loss) before taxation	(3,002)	4,776
Net profit/(loss) after taxation	(3,002)	4,776

### **Information of the Target Pharmacy**

The Target Pharmacy is a company incorporated under the laws of the PRC and principally engaged in the pharmaceutical and health supplements supplies and medical equipment retails business. It is a retail pharmacy located in Yixing City, the Yangtze River Delta region, the PRC. As of the date of this announcement, the entire equity interest of the Target Pharmacy was held by the Target Pharmacy Vendors.

The unaudited net asset value of the Target Pharmacy as at December 31, 2022 was approximately RMB0.40 million. Set out below is the unaudited revenue, net profit before taxation and net profit after taxation of the Target Pharmacy for the two years ended December 31, 2021 and 2022 prepared in accordance with the PRC accounting standards:

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3,494	3,631
Net profit before taxation	143	241
Net profit after taxation	139	235

## **LISTING RULES IMPLICATIONS**

### **The Acquisitions**

As the aggregate of the highest applicable percentage in respect of the Acquisitions exceeds 5% but is less than 25%, the Acquisitions constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules and are therefore subject to the notification and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **The New Contractual Arrangements**

Xiangshang Investment is owned by Mr. Zhu and Ms. Zhu, the Controlling Shareholders of the Company, as to 40% and 60%, respectively. As a result, Xiangshang Investment is an associate of Mr. Zhu and Ms. Zhu and therefore, a connected person of the Company. Accordingly, the transactions contemplated under the New Contractual Arrangements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

In preparation for the Listing, the Company has sought, and the Stock Exchange has granted, the IPO Waiver from strict compliance with the applicable reporting, announcement and independent shareholders' approval requirements relating to the annual caps, three-year term and fee terms of Chapter 14A of the Listing Rules in connection with the continuing connected transactions involving the Group in the form of the Existing Contractual Arrangements. The IPO Waiver is subject to certain conditions including, among others, on the basis that the Existing Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on one hand, Hygeia Hospital Management, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements



or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Existing Contractual Arrangements.

Since the New Contractual Arrangements will be reproduced from the Existing Contractual Arrangements as provided under the conditions of the IPO Waiver, the Company has sought confirmation from the Stock Exchange, and the Stock Exchange has confirmed, that the transactions contemplated under the New Contractual Arrangements would fall within the scope of the IPO Waiver and be exempt from strict compliance with: (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the New Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the terms of the New Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the shares of the Company are listed on the Stock Exchange, subject to compliance with the same conditions of the IPO Waiver as disclosed in the section headed "Connected Transactions" in the Prospectus.

**As Completion is subject to the satisfaction and/or waiver, where applicable, of the conditions precedent in the Acquisition Agreements, the Acquisitions may or may not proceed. The Target Pharmacy Acquisition Completion is conditional upon the Target Hospital Acquisition Completion. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

"Acquisitions"	collectively, the Target Hospital Acquisition and the Target Pharmacy Acquisition
"Acquisition Agreements"	collectively, the Target Hospital Acquisition Agreement and the Target Pharmacy Acquisition Agreement
"Amber Tree"	Amber Tree Holdings Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders

“Articles of Association”	the amended and restated articles of association of the Company conditionally adopted on June 28, 2022 which has become effective on June 28, 2022, as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Days”	a day on which banks in the PRC are generally open for normal banking business to the public and which is not a Saturday or Sunday
“Century River”	Century River Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 and indirectly wholly-owned by Mr. Zhu, one of the Controlling Shareholders
“Century River Investment”	Century River Investment Holdings Limited, a BVI business company incorporated under the laws of BVI on April 16, 2019 and directly wholly-owned by Mr. Zhu, one of the Controlling Shareholders
“China” or the “PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Class II”	the regional hospital designated as Class II hospital by the NHFPC hospital classification system, typically having 100 to 500 beds, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions. Class II hospitals are graded into three sub-levels (A,B and C) based on the assessment of competent authorities and Class IIA hospitals are the highest ranking hospitals amongst the Class II hospitals
“Company”	Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), an exempted company with limited liability incorporated under the laws of Cayman Islands on September 12, 2018, the Shares of which are listed on the Main Board of the Stock Exchange

“Completion”	collectively, the Target Hospital Acquisition Completion and the Target Pharmacy Acquisition Completion
“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
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Mr. Zhu, Ms. Zhu, Century River Investment, Century River, Red Palm Investment, Red Palm and Amber Tree
“Director(s)”	the director(s) of the Company
“Existing Contractual Arrangements”	the series of contractual arrangements, as the case may be, entered into by, among others, Xiangshang Investment, Hygeia Hospital Management, Gamma Star Tech and the VIE Hospitals before and after the Listing of the Company
“Gamma Star Tech”	Shanghai Gamma Star Technology Development Co., Ltd.* (上海伽瑪星科技發展有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hygeia Hospital Management”	Hygeia (Shanghai) Hospital Management Co., Ltd.* (海吉亞(上海)醫院管理有限公司), a limited liability company established in the PRC, wholly-owned by Xiangshang Investment and a subsidiary of the Company by virtue of the Existing Contractual Arrangements
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)

“IPO Waiver”	the waiver granted by the Stock Exchange to the Company from strict compliance with the requirements of (i) the announcement, circular and independent shareholders’ approval in respect of the transactions contemplated under the Existing Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) setting an annual cap for the transactions under the Existing Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) limiting the terms of the Existing Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the shares of the Company are listed on the Stock Exchange, subject to compliance with the waiver conditions as disclosed in the section headed “Connected Transactions” in the Prospectus
“Listing”	the listing of the shares of the Company on the Main Board of the Stock Exchange on June 29, 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Zhu”	Mr. Zhu Yiwen (朱義文), father of Ms. Zhu, the founder of the Group, an executive Director, chairman of the Board and one of the Controlling Shareholders
“Ms. Zhu”	Ms. Zhu Jianqiao (朱劍喬), daughter of Mr. Zhu and one of the Controlling Shareholders
“New Contractual Arrangements”	a series of contractual arrangements to be entered into by and among each of Hygeia Hospital Management, Gamma Star Tech, the Target Hospital and Xiangshang Investment, details of which are described in the section headed “New Contractual Arrangements” in this announcement
“NHFPC”	National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會), currently known as National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)

“PRC Legal Advisor”	Jingtian & Gongcheng, the legal advisors to the Company as to the laws of the PRC
“Predecessor Hospital”	Yixing City Fourth People’s Hospital* (宜興市第四人民醫院), a not for-profit hospital and the predecessor of the Target Hospital
“Prospectus”	the prospectus of the Company published on June 16, 2020
“Purchasers”	collectively, Gamma Star Tech (as to the subscription of the 70% new equity interest in the Target Hospital and the acquisition of 89.2% equity interest in the Target Pharmacy) and Hygeia Hospital Management (as to the acquisition of the 19.2% equity interest in the Target Hospital)
“Red Palm”	Red Palm Holdings Limited, a BVI business company incorporated under the laws of BVI and indirectly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
“Red Palm Investment”	Red Palm Investment Holdings Limited, a BVI business company incorporated under the laws of BVI and directly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
“RMB”	the lawful currency of the PRC
“SAMR”	State Administration for Market Regulation
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.00001
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 70% new equity interest in the Target Hospital by Gamma Star Tech pursuant to the Target Hospital Acquisition Agreement
“subsidiary(ies)”	has the same meaning ascribed to it in the Listing Rules
“Target Companies”	collectively, the Target Hospital and the Target Pharmacy

“Target Hospital”	Yixing Hygeia Hospital Co., Ltd.* (宜興海吉亞醫院有限公司), a limited liability company incorporated under the laws of the PRC on April 6, 2023
“Target Hospital Acquisition”	the acquisition of 89.2% equity interest in the Target Hospital and the transactions contemplated under the Target Hospital Acquisition Agreement
“Target Hospital Acquisition Agreement”	the agreement dated May 9, 2023 entered into among the Purchasers, the Target Hospital Vendors, the Target Hospital Founding Shareholders and the Target Hospital, in relation to, among other things, the acquisition of the 89.2% equity interest in the Target Hospital
“Target Hospital Acquisition Completion”	the completion of the Target Hospital Acquisition pursuant to the terms and conditions under the Target Hospital Acquisition Agreement
“Target Hospital Acquisition Completion Date”	the date on which the Target Hospital Acquisition Completion takes place
“Target Hospital Acquisition Consideration”	the consideration payable by the Purchasers to the Target Hospital and the Target Hospital Vendors pursuant to the Target Hospital Acquisition Agreement, details of which are set out in the section headed “Target Hospital Acquisition Consideration” in this announcement
“Target Hospital Founding Shareholders”	namely, (i) Xu Bin (許斌), (ii) Li Yawen (李雅雯), (iii) Ding Hongdi (丁洪娣), (iv) Jiang Song (蔣松), (v) Hang Jian (杭健), (vi) Chen Wei (陳巍), (vii) Xu Jian (許健), (viii) Zong Guocai (宗國才), (ix) Wu Hao (吳昊), (x) Du Jia (杜佳), (xi) Shi Huijiang (史匯江), (xii) Wan Chendong (萬晨東), (xiii) Shi Yongguang (史永光), (xiv) Pan Min (潘敏), (xv) Jiang Ganchao (蔣幹超), (xvi) Chen Jinjun (陳進軍), (xvii) Yin Xueming (殷學明), (xviii) Dai Yongqiang (戴永強) and (xix) Zhu Chenyan (朱晨燕), being the same as those as the Target Pharmacy Vendors



“Target Hospital Vendors”	namely, (i) Xu Bin (許斌), (ii) Li Yawen (李雅雯), (iii) Ding Hongdi (丁洪娣), (iv) Hang Jian (杭健), (v) Xu Jian (許健), (vi) Wan Chendong (萬晨東), (vii) Shi Yongguang (史永光), (viii) Pan Min (潘敏), (ix) Yin Xueming (殷學明) and (x) Zhu Chenyan (朱晨燕)
“Target Group”	the Target Hospital, its subsidiaries and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before the Predecessor Hospital transformed into the Target Hospital, the entities which carries on the business of the Target Hospital at the relevant time
“Target Pharmacy”	Wuxi Subang Medical Technology Co., Ltd.* (無錫市蘇邦醫療科技有限公司), a limited liability company incorporated under the laws of the PRC on April 1, 2020
“Target Pharmacy Acquisition”	the acquisition of 89.2% equity interest in the Target Pharmacy pursuant to the terms and conditions of the Target Pharmacy Acquisition Agreement
“Target Pharmacy Acquisition Agreement”	the agreement dated May 9, 2023 entered into among Gamma Star Tech, the Target Pharmacy Vendors and the Target Pharmacy, in relation to, among other things, the acquisition of 89.2% equity interest in the Target Pharmacy
“Target Pharmacy Acquisition Completion”	the completion of the Target Pharmacy Acquisition pursuant to the terms and conditions under the Target Pharmacy Acquisition Agreement
“Target Pharmacy Acquisition Completion Date”	the date on which the Target Pharmacy Acquisition Completion takes place
“Target Pharmacy Acquisition Consideration”	the consideration payable by Gamma Star Tech to the Target Pharmacy Vendors pursuant to the Target Pharmacy Acquisition Agreement, details of which are set out in the section headed “Target Pharmacy Acquisition Consideration” in this announcement

“Target Pharmacy Vendors”	namely, (i) Xu Bin (許斌), (ii) Li Yawen (李雅雯), (iii) Ding Hongdi (丁洪娣), (iv) Jiang Song (蔣松), (v) Hang Jian (杭健), (vi) Chen Wei (陳巍), (vii) Xu Jian (許健), (viii) Zong Guocai (宗國才), (ix) Wu Hao (吳昊), (x) Du Jia (杜佳), (xi) Shi Huijiang (史匯江), (xii) Wan Chendong (萬晨東), (xiii) Shi Yongguang (史永光), (xiv) Pan Min (潘敏), (xv) Jiang Ganchao (蔣幹超), (xvi) Chen Jinjun (陳進軍), (xvii) Yin Xueming (殷學明), (xviii) Dai Yongqiang (戴永強) and (xix) Zhu Chenyan (朱晨燕), being the same as those as the Target Hospital Founding Shareholders
“VIE Hospitals”	the hospitals that the Group controls certain percentage of their shareholding through the Existing Contractual Arrangements from time to time
“Xiangshang Investment”	Shanghai Xiangshang Investment Development Co., Ltd.* (上海向上投資發展有限公司), a limited liability company established in the PRC and owned by Mr. Zhu and Ms. Zhu as to 40% and 60%, respectively
“%”	per cent

\* *For identification purpose only*

By order of the Board  
**Hygeia Healthcare Holdings Co., Limited**  
**Mr. Zhu Yiwen**  
*Chairman*

Hong Kong, May 9, 2023

*As of the date of this announcement, the Board comprises Mr. Zhu Yiwen as chairman and executive Director, Ms. Cheng Huanhuan, Mr. Ren Ai, Mr. Zhang Wenshan and Ms. Jiang Hui as executive Directors, and Mr. Liu Yanqun, Mr. Zhao Chun and Mr. Ye Changqing as independent non-executive Directors.*