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Hospital Corporation of China Limited

弘和仁愛醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3869)

ANNOUNCEMENT

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Hospital Corporation of China Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

Reference is made to the announcement of the Company dated November 2, 2017 in relation to the non-binding framework agreement entered into regarding the Proposed Acquisition (as defined below). The Board is pleased to announce that on December [28], 2017, the Company entered into a legally binding letter of intent (the “**Letter of Intent**”) with, among others, two individuals, being the vendors (the “**Vendors**”). Pursuant to the Letter of Intent, the Vendors conditionally agreed to sell, and the Company conditionally agreed to purchase, 100% direct equity interest in a holding company (the “**Target Company**”) of a management company which is the founder of a not-for-profit hospital located in Zhejiang province (the “**Hospital**”) (the “**Proposed Acquisition**”) subsequent to certain reorganization prior to completion of the Proposed Acquisition. The principal terms of the Letter of Intent are summarized below.

THE LETTER OF INTENT

Subject to the entering into of a formal sale and purchase agreement in relation to the Proposed Acquisition (the “**Definitive Transaction Document**”), the Company and the Vendors have agreed on the following principal terms under the Letter of Intent:

Consideration Determination and Valuation : [The Consideration shall be determined by reference to, among other things, (i) the historical performance of the Hospital, (ii) the audited net profit of the Hospital for the year ending December 31, 2017; and (iii) the actual operation metrics and revenue level of the Target Company after reorganization[*Company to confirm*].

Refundable Deposit : The Company shall pay a deposit of RMB 30,000,000 (the “**Deposit**”) into a joint account (the “**Joint Account**”) within 10 days upon the signing of the Letter of Intent. The Deposit shall only be used in accordance to the Letter of Intent with the consent of the Company and its representative. No changes to the signatory of the Joint Account shall be made without the signature of the Company. The interests generated from the Deposit shall belong to the Company or its designated party.

The Deposit shall be returned to the Company in full within 10 days from the date of any of the events below:

- (i) the Definitive Transaction Document has not been entered into before March 31, 2018 or other time agreed upon by the parties;
- (ii) the condition precedent of paying the first installment of consideration as agreed under the Definitive Transaction Document has not been fulfilled before June 30, 2018;
- (iii) the parties have terminated the negotiation of the Definitive Transaction Document; or
- (iv) the first installment of consideration as agreed under the Definitive Transaction Document has been paid and the Vendors has completed the settlement procedures.

Exclusivity Period : From the date of the Letter of Intent and until April 28, 2018, the Company shall have exclusive right to negotiate with the Vendors in relation to the terms of the Proposed Acquisition.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

[The Group is principally engaged in hospital management and general hospital business in China. It focuses on expansions in regions with sizeable populations and attractive economic conditions, including Zhejiang. The Proposed Acquisition creates a synergy effect within the Group to be enlarged by the Proposed Acquisition (the “**Enlarged Group**”) and allows the Enlarged Group to benefit from the resultant economies of scale, including shared medical resources and intra-group cooperation.

The Hospital, located in Zhejiang province, is in close proximity to the hospitals that the Group manages or operates. The Proposed Acquisition allows the Group and the Hospital to create a synergy effect and benefit from the resultant economies of scale, including shared medical resources and intra-group cooperation. The Proposed Acquisition could also expand the market presence of the Group's existing business and increase the Group's market shares in China, as well as further improve the brand awareness of the Group in the industry. The Company also believes that the Hospital has enormous growth potential as it has a large patient base and leading reputations in the area.

The Board considers that the terms of the Letter of Intent are fair and reasonable and on normal commercial terms. The Board further considers that the Proposed Acquisition is in the interests of the Company and its shareholders as a whole.]
[Company to confirm or supplement]

GENERAL

As at the date of this announcement, the terms and conditions of the Proposed Acquisition are still being negotiated. The Proposed Acquisition, if materialised, may constitute a notifiable transaction of the Company under the Listing Rules. Further announcement(s) will be made by the Company as and when appropriate in compliance with the Listing Rules.

Shareholders of the Company and potential investors should note that although the Letter of Intent is legally binding, it is still subject to, among other things, the entering into further definitive agreements and documents, and accordingly, the transactions contemplated thereunder may or may not proceed. Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

By order of the Board
Hospital Corporation of China Limited
Zhang Xiaopeng
Executive Director and Chief Executive Officer

Beijing, China, December [28], 2017

As at the date of this announcement, the directors of the Company are Mr. ZHANG Xiaopeng and Mr. LU Wenzuo being the executive Directors; Mr. ZHAO John Huan, Mr. LIN Sheng, Ms. LIU Lu and Ms. WANG Nan being the non-executive Directors; Ms. CHEN Xiaohong, Mr. SHI Luwen and Mr. ZHOU Xiangliang being the independent non-executive Directors.