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If you have sold or transferred all your shares in Hospital Corporation of China Limited 弘和仁愛醫療集團有限公司, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

MAJOR TRANSACTION PROVISION OF FINANCIAL ASSISTANCE

A letter from the Board is set out on pages 6 to 20 of this circular.

The transactions being the subject matters of this circular have been approved by written Shareholders' approval pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

September 25, 2024

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DEFINITIONS

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

“2019 Announcement”	the announcement of the Company dated July 24, 2019
“2020 Announcement”	the announcement of the Company dated November 20, 2020
“2022 Guarantee Agreement”	the guarantee agreement dated September 27, 2022 entered into between the Company and Nanyang Bank, which has terminated on November 2, 2023
“2023 Announcement”	the announcement of the Company dated November 3, 2023
“2023 Corporate Guarantee”	the corporate guarantee given by the Company in favour of Nanyang Bank pursuant to the 2023 Guarantee Agreement
“2023 Guarantee Agreement”	the guarantee agreement dated November 3, 2023 entered into between the Company and Nanyang Bank
“2023 Supplemental Loan Agreement”	a supplemental agreement entered into between Tibet Honghe Zhiyuan and Jinhua Hospital dated November 3, 2023 pursuant to which the revolving loan credit limit of the Existing 2020 Loan was revised from RMB100 million to RMB20 million
“2024 CCB Corporate Guarantee”	the joint liability guarantee given by the Company, Tibet Honghe Zhiyuan and Zhiyuan Medical in favour of China Construction Bank pursuant to the 2024 CCB Guarantee Agreement
“2024 CCB Guarantee Agreement”	the guarantee agreement dated September 13, 2024 entered into among the Company, Tibet Honghe Zhiyuan, Zhiyuan Medical and China Construction Bank, pursuant to which the Company, Tibet Honghe Zhiyuan and Zhiyuan Medical agreed to provide a joint liability guarantee in favour of China Construction Bank in respect of the CCB Repayment Obligations (up to a maximum outstanding amount of RMB173 million, which includes, among other things, the principal amounts and any interest (including compound interest and penalty interest), default payment, liquidated damages, other payments to be paid by Jinhua Hospital to China Construction Bank and other relevant expenses reasonably incurred for the enforcement of China Construction Bank’s rights in relation to the CCB Repayment Obligations)
“2024 Credit Loan Agreement”	the credit loan agreement entered into between the Company and Jinhua Hospital on September 13, 2024, pursuant to which the Company agreed to grant a revolving loan credit limit of RMB150 million to Jinhua Hospital

DEFINITIONS

“2024 Nanyang Corporate Guarantee”	the corporate guarantee given by the Company in favour of Nanyang Bank pursuant to the 2024 Nanyang Guarantee Agreement
“2024 Nanyang Guarantee Agreement”	the guarantee agreement dated September 13, 2024 entered into between the Company and Nanyang Bank, pursuant to which the Company agreed to provide a corporate guarantee in favour of Nanyang Bank in respect of the Nanyang Repayment Obligations (up to a maximum outstanding amount of RMB104 million, which includes, among other things, the principal amounts and any interest (including statutory interest, contractual interest, compound interest, penalty interest), default payment, liquidated damages, unpaid deposits (if any), commitment fees (if any) and other relevant expenses reasonably incurred for the enforcement of Nanyang Bank’s rights in relation to the Nanyang Repayment Obligations)
“Board”	the board of Directors
“Business Day(s)”	in respect of the 2024 Credit Loan Agreement, a day (excluding Saturday, Sunday or public holiday) on which banks in the PRC are generally open for normal banking business
“CCB Financial Assistance”	the 2024 CCB Corporate Guarantee and the pledge of the Pledged Asset under the CCB Pledge Agreement
“CCB Pledge Agreement”	the pledge agreement dated September 13, 2024 entered into between Impeccable Success and China Construction Bank
“CCB Repayment Obligations”	all the repayment obligations of Jinhua Hospital under the loan agreement(s) and other document(s) entered into or to be entered into by China Construction Bank and Jinhua Hospital
“China Construction Bank”	China Construction Bank Corporation Jinhua branch* (中國建設銀行股份有限公司金華分行)
“Class III Hospital”	the largest regional hospitals with the highest standard in China designated as Class III hospitals by the NHC hospital classification system, typically having more than 500 beds in operation, providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
“Class IIIB Hospital”	each Class III Hospital can be further divided into A, B and C. Class IIIB hospitals are the second tier hospitals among Class III hospitals in China

DEFINITIONS

“Company”	Hospital Corporation of China Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3869)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing 2019 Loan”	the loan in a principal amount of RMB80 million granted by the Company to Jinhua Hospital pursuant to the Existing 2019 Loan Agreement
“Existing 2019 Loan Agreement”	the loan agreement entered into between the Company as lender and Jinhua Hospital as borrower on July 24, 2019
“Existing 2020 Loan”	the revolving loan in a maximum principal amount of RMB20 million to be granted by Tibet Honghe Zhiyuan to Jinhua Hospital pursuant to the Existing 2020 Loan Agreement (as supplemented by the 2023 Supplemental Loan Agreement)
“Existing 2020 Loan Agreement”	the loan agreement entered into between Tibet Honghe Zhiyuan as lender and Jinhua Hospital as borrower on November 20, 2020 and supplemented by the 2023 Supplemental Loan Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Impeccable Success”	Impeccable Success Limited, a company incorporated in Hong Kong, which is owned as to 100% by the Company
“Jinhua Hospital”	Zhejiang Jinhua Guangfu Oncological Hospital* (浙江金華廣福腫瘤醫院)
“Latest Practicable Date”	September 23, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Letter of Intent”	a hospital management letter of intent entered into between Zhiyuan Medical and Jinhua Hospital, pursuant to which Zhiyuan Medical shall provide consultancy and management services to Jinhua Hospital, and Jinhua Hospital shall pay to Zhiyuan Medical hospital management service fees

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nanyang Bank”	Nanyang Commercial Bank (China) Limited Beijing Branch* (南洋商業銀行(中國)有限公司北京分行)
“Nanyang Repayment Obligations”	all the repayment obligations of Jinhua Hospital under the credibility limit agreement(s), working capital loan agreement(s) and other document(s) entered into or to be entered into by Nanyang Bank and Jinhua Hospital
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“Pledged Asset”	the 75% equity interests in Zhiyuan Medical held by Impeccable Success
“PRC” or “China”	The People’s Republic of China and for the purposes of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Privately-funded Non-enterprise Entity”	an entity which is established by enterprises, institutions, associations or other civic entities as well as individual citizens using non-state assets, and which conducts not-for-profit social service activities
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Tibet Honghe Zhiyuan”	Tibet Honghe Zhiyuan Business Management Co., Ltd.* (西藏弘和志遠企業管理有限公司), a company incorporated in the PRC with limited liability, which is owned as to 100% by the Company
“Zhiyuan Medical”	Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd* (浙江弘和致遠醫療科技有限公司), previously known as Zhejiang Guangsha Medical Technology Co., Ltd* (浙江廣廈醫療科技有限公司), which is indirectly owned as to 75% by the Company
“%”	per cent

* *for identification purpose only*

Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures. Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chen Shuai

(Chairman and Acting Chief Executive Officer)

Mr. Pu Chengchuan

Ms. Pan Jianli

Registered Office:

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PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

Non-executive Directors:

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Ms. Wang Nan

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Chaoyang District

Beijing, PRC

Independent Non-executive Directors:

Mr. Dang Jinxue

Mr. Shi Luwen

Mr. Zhou Xiangliang

Principal Place of Business in Hong Kong:

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Two International Finance Centre

No. 8 Finance Street

Central

Hong Kong

September 25, 2024

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION THE PROVISION OF FINANCIAL ASSISTANCE

A. INTRODUCTION

Reference is made to the announcement of the Company dated September 13, 2024 in relation to, among other things, the entering into of the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder.

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The purpose of this circular is to provide you with, among other things, (i) further details of the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder; and (ii) other information required to be disclosed under the Listing Rules.

B. PROVISION OF THE 2024 NANYANG CORPORATE GUARANTEE

Reference is made to the 2023 Announcement and the supplemental announcement of the Company dated November 14, 2023 in relation to, among other things, the 2023 Guarantee Agreement entered into between the Company, as guarantor, and Nanyang Bank regarding the financial assistance to Jinhua Hospital.

The 2023 Corporate Guarantee was provided by the Company in favour of Nanyang Bank in respect of the repayment obligations of Jinhua Hospital under the relevant loan agreement (the “**2023 Loan Agreement**”). For the purpose of obtaining more credit facilities to maintain the day-to-day operations of Jinhua Hospital, Jinhua Hospital will enter into a new loan agreement with Nanyang Bank, pursuant to which the 2023 Loan Agreement will be superseded.

Accordingly, on September 13, 2024, the Company entered into the 2024 Nanyang Guarantee Agreement with Nanyang Bank, pursuant to which (i) the 2023 Guarantee Agreement shall be superseded by the 2024 Nanyang Guarantee Agreement and (ii) the Company agreed to provide a corporate guarantee in favour of Nanyang Bank in connection with the Nanyang Repayment Obligations up to a maximum outstanding amount of RMB104 million.

The principal terms of the 2024 Nanyang Guarantee Agreement are summarized as follows:

Date:	September 13, 2024
Parties:	(i) the Company (as guarantor); and (ii) Nanyang Bank
Scope of guarantee:	According to the 2024 Nanyang Guarantee Agreement, the Company agreed to provide a corporate guarantee in favour of Nanyang Bank in respect of the Nanyang Repayment Obligations (up to a maximum outstanding amount of RMB104 million, which includes, among other things, the principal amounts and any interest (including statutory interest, contractual interest, compound interest, penalty interest), default payment, liquidated damages, unpaid deposits (if any), commitment fees (if any) and other relevant expenses reasonably incurred for the enforcement of Nanyang Bank’s rights in relation to the Nanyang Repayment Obligations).

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Guarantee period: In respect of loan agreement(s), the 2024 Nanyang Corporate Guarantee shall continue until three years from date of expiration of the term of the loan under the relevant loan agreement. Where the loan is paid in installments, the 2024 Nanyang Corporate Guarantee shall be available from the effective date of the 2024 Nanyang Guarantee Agreement and continue until three years after the expiration of the last repayment. During such guarantee period, Nanyang Bank shall have the right to require the guarantor to assume guarantee liability for all or part of the principal debt, whether for multiple claims or single claim, either collectively or separately.

According to the 2024 Nanyang Guarantee Agreement, the Company and Nanyang Bank agreed to supersede the 2023 Guarantee Agreement from the date on which the 2024 Nanyang Guarantee Agreement becomes effective.

C. PROVISION OF THE CCB FINANCIAL ASSISTANCE

On September 13, 2024, the Company, Tibet Honghe Zhiyuan (a wholly-owned subsidiary of the Company) and Zhiyuan Medical (a non-wholly-owned subsidiary of the Company) entered into the 2024 CCB Guarantee Agreement with China Construction Bank, pursuant to which the Company, Tibet Honghe Zhiyuan and Zhiyuan Medical agreed to provide a joint liability guarantee in favour of China Construction Bank in connection with the CCB Repayment Obligations up to a maximum outstanding amount of RMB173 million.

For the purpose of providing the CCB Financial Assistance to Jinhua Hospital, on September 13, 2024, Impeccable Success, a wholly-owned subsidiary of the Company, entered into the CCB Pledge Agreement with China Construction Bank, pursuant to which Impeccable Success agreed to pledge its 75% equity interests in Zhiyuan Medical to China Construction Bank as security for the repayment obligations of Jinhua Hospital up to a maximum amount of RMB66.66 million. For the avoidance of doubt, the CCB Financial Assistance to be provided by the Group in favour of China Construction Bank, as contemplated under the 2024 CCB Guarantee Agreement and the CCB Pledge Agreement, will not exceed a maximum outstanding amount of RMB173 million.

Principal Terms of the 2024 CCB Guarantee Agreement

The principal terms of the 2024 CCB Guarantee Agreement are summarized as follows:

Date: September 13, 2024

Parties: (i) the Company;
(ii) Tibet Honghe Zhiyuan;

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(iii) Zhiyuan Medical; (the Company, together with Tibet Honghe Zhiyuan and Zhiyuan Medical, as guarantors); and

(iv) China Construction Bank

Scope of guarantee:

According to the 2024 CCB Guarantee Agreement, the Company, Tibet Honghe Zhiyuan and Zhiyuan Medical agreed to provide a joint liability guarantee in favour of China Construction Bank in respect of the CCB Repayment Obligations (up to a maximum outstanding amount of RMB173 million, which includes, among other things, the principal amounts and any interest (including compound interest and penalty interest), default payment, liquidated damages, other payments to be paid by Jinhua Hospital to China Construction Bank and other relevant expenses reasonably incurred for the enforcement of China Construction Bank's rights in relation to the CCB Repayment Obligations).

Guarantee period:

In respect of loan agreement(s), the 2024 CCB Corporate Guarantee shall continue until three years after the expiration of the term of the loan under the relevant loan agreement. Where the loan is extended under the relevant loan agreement, the 2024 CCB Corporate Guarantee shall be extended to three years after the expiration of the newly agreed term of the loan under the relevant loan extension agreement. If an event occurs as stipulated by law, regulations or the relevant loan agreement leading an early maturity of the loan declared by China Construction Bank, the 2024 CCB Corporate Guarantee shall continue until three years after the new early maturity date.

Principal Terms of the CCB Pledge Agreement

The principal terms of the CCB Pledge Agreement are summarized as follows:

Date: September 13, 2024

Parties: (i) Impeccable Success (as pledger); and

(ii) China Construction Bank (as pledgee)

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Pledged Asset: According to the CCB Pledge Agreement, the Pledged Asset is the 75% equity interests in Zhiyuan Medical held by Impeccable Success.

Scope and Security: According to the CCB Pledge Agreement, the Pledged Asset is provided as security for the CCB Repayment Obligations (up to a maximum outstanding amount of RMB66.66 million, which includes, among other things, the principal amounts and any interest (including compound interest and penalty interest), default payment, liquidated damages, other payments to be paid by Jinhua Hospital to China Construction Bank and other relevant expenses reasonably incurred for the enforcement of China Construction Bank's rights in relation to the CCB Repayment Obligations).

For the avoidance of doubt, the CCB Financial Assistance to be provided by the Group in favour of China Construction Bank, as contemplated under the 2024 CCB Guarantee Agreement and the CCB Pledge Agreement, will not exceed a maximum outstanding amount of RMB173 million.

Source of funding for the provision of the 2024 Nanyang Corporate Guarantee and the 2024 CCB Corporate Guarantee

In the event that the Company becomes liable to pay to Nanyang Bank under the 2024 Nanyang Guarantee Agreement and/or becomes liable to pay to China Construction Bank under the 2024 CCB Guarantee Agreement, the Company intends to fund such payments through the internal resources of the Group.

D. THE 2024 CREDIT LOAN AGREEMENT

Reference is made to the 2019 Announcement. On July 24, 2019, the Company entered into the Existing 2019 Loan Agreement with Jinhua Hospital, pursuant to which the Company has conditionally agreed to grant the Existing 2019 Loan to Jinhua Hospital. The principal terms of the Existing 2019 Loan Agreement were disclosed in the 2019 Announcement. As at the Latest Practicable Date, the outstanding principal amount of the Existing 2019 Loan was RMB40 million.

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References are also made to the 2020 Announcement and the 2023 Announcement. On November 20, 2020, Tibet Honghe Zhiyuan entered into the Existing 2020 Loan Agreement with Jinhua Hospital, pursuant to which Tibet Honghe Zhiyuan has conditionally agreed to grant the Existing 2020 Loan to Jinhua Hospital. On November 3, 2023, Tibet Honghe Zhiyuan and Jinhua Hospital entered into the 2023 Supplemental Loan Agreement, pursuant to which the revolving loan credit limit granted by Tibet Honghe Zhiyuan to Jinhua Hospital was revised from RMB100 million to RMB20 million. The principal terms of the Existing 2020 Loan Agreement (as supplemented by the 2023 Supplemental Loan Agreement) were disclosed in the 2023 Announcement. As at the Latest Practicable Date, the outstanding principal amount of the Existing 2020 Loan (as supplemented by the 2023 Supplemental Loan Agreement) was RMB18.7 million.

On September 13, 2024, the Company entered into the 2024 Credit Loan Agreement with Jinhua Hospital, pursuant to which the Company has conditionally agreed to grant a revolving loan credit limit of RMB150 million to Jinhua Hospital. Accordingly, the Existing 2019 Loan Agreement and the Existing 2020 Loan Agreement (as supplemented by the 2023 Supplemental Loan Agreement) will be superseded upon the entering into of the 2024 Credit Loan Agreement. The outstanding principal amounts of the Existing 2019 Loan and the revolving loan credit limit granted under the Existing 2020 Loan Agreement (as supplemented by the 2023 Supplemental Loan Agreement) will be counted towards the revolving loan credit limit granted under the 2024 Credit Loan Agreement. Accordingly, as at the Latest Practicable Date, Jinhua Hospital has repaid a total of RMB 41.3 million towards the Existing 2019 Loan and the Existing 2020 Loan, leaving an outstanding balance of RMB 58.7 million under the Existing 2019 Loan and the Existing 2020 Loan. Consequently, the revolving loan credit limit available under the 2024 Credit Loan Agreement was RMB91.3 million.

The principal terms of the 2024 Credit Loan Agreement are set out as below:

Date:	September 13, 2024
Parties:	(i) the Company; and (ii) Jinhua Hospital
Revolving loan credit limit under the 2024 Credit Loan Agreement:	Up to RMB150 million of credit limit. During the availability period and with the consent of the Company, Jinhua Hospital may make revolving drawdown and repayment within the credit limit based on its needs. Jinhua Hospital will enter into separate loan agreement(s) with the relevant lender(s), being the PRC subsidiary(ies) of the Company, for each drawdown.
Availability period:	The availability period under the 2024 Credit Loan Agreement is from the effective date of the 2024 Credit Loan Agreement to September 30, 2027.

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Terms of the loan(s) drawdown under the 2024 Credit Loan Agreement:	<p>One year from the date of the relevant drawdown.</p> <p>If Jinhua Hospital intends to request an extension of the loan, Jinhua Hospital shall provide written notice to the Company at least one month prior to the loan's maturity date. The Company will then determine whether to approve the loan extension. If the Company agrees to the extension, Jinhua Hospital and the Company will negotiate and enter into a separate loan extension agreement. Should the Company decline the loan extension request, Jinhua Hospital is required to repay the loan (including the principal and the interests) by the original due date</p>
Interest rate:	<p>3.69% per annum, which is adjusted by adding 10% to the benchmark interest rate of the People's Bank of China as of the signing date of the 2024 Credit Loan Agreement</p>
Drawdown date:	<p>During the availability period under the 2024 Credit Loan Agreement, drawdowns may be requested by Jinhua Hospital with a prior notice of 15 Business Days to the Company, based on Jinhua Hospital's needs</p>
Permitted use of loan(s) drawdown under the 2024 Credit Loan Agreement:	<p>According to the 2024 Credit Loan Agreement, unless with the Company's prior written consent, Jinhua Hospital shall only use the principal amount of the loan(s) drawdown under the 2024 Credit Loan Agreement for (i) settlement of the working capital needs of Jinhua Hospital, such as payment of staff remuneration, purchase of medicine and consumables; (ii) repayment of bank loans as they fall due; and (iii) procurement of medical equipment and facilities.</p>
Drawdown of loan under the 2024 Credit Loan Agreement	<p>According to the 2024 Credit Loan Agreement, Jinhua Hospital shall serve on the Company drawdown application and evidence proving the use of loan of such drawdown 15 Business Days prior to the intended date of drawdown (including but not limited to medicine procurement agreements, orders, evidence of proof concerning the calculation of salary or other evidence to the satisfaction of the Company), and having obtained the consent of the Company.</p>
Repayment:	<p>The loan drawdown under the 2024 Credit Loan Agreement shall be repayable on the expiry date of the term of such loan, which shall be one year from the relevant drawdown date, and if such date is not a Business Day, it should be the first Business Day immediately following such repayment date. The accrued interest of such loan must be repaid at the same time.</p> <p>If the loan is not repaid on time, penalty interest and compound interest will be charged from the date as for an overdue loan.</p>

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Early repayment:

According to the 2024 Credit Loan Agreement, Jinhua Hospital may make early repayments with the Company's consent. Jinhua Hospital shall notify the Company of the repayment amount and repayment date five Business Days in advance. Interest on the early repayment will be calculated based on the actual loan period. On the agreed early repayment date, Jinhua Hospital shall pay the principal and interest as specified by the Company.

Termination:

Upon occurrence of any of the following termination events, the 2024 Credit Loan Agreement shall terminate immediately upon notice from the Company. Jinhua Hospital shall promptly repay the entire loan amount granted under the 2024 Credit Loan Agreement and all accrued interest immediately upon the Company's request, as well as fully indemnify the Company for any loss incurred as a result of the termination event:

- (1) breach of any financial obligations by Jinhua Hospital;
- (2) service of insolvency order to Jinhua Hospital by any person, appointment of insolvency receiver or administrator for Jinhua Hospital, or liquidation of any Jinhua Hospital's assets;
- (3) any legal claims or proceedings filed or commenced against Jinhua Hospital, which will lead to the consequence as stated in paragraph (2) above;
- (4) seizure of any assets or property of Jinhua Hospital or execution of a seizure which may affect any assets or property of Jinhua Hospital;
- (5) Jinhua Hospital is deemed insolvent or unable to repay the loan; or
- (6) Jinhua Hospital being in breach of any of its representation, warranty, assurance or obligation under the 2024 Credit Loan Agreement.

Security:

According to the 2024 Credit Loan Agreement, Jinhua Hospital shall provide charge, guarantee or other forms of security for any or all loans drawdown under the 2024 Credit Loan Agreement upon the request of the Company, with the specific form of security to be determined by the Company.

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E. FINANCIAL IMPACT

The financial assistance is provided as a security to enable Jinhua Hospital to obtain funds from Nanyang Bank and China Construction Bank for the purpose of maintaining its day-to-day business operations, supporting its development, and further improving its competitiveness in the healthcare sector.

The loans provided under the 2024 Credit Loan Agreement will be funded by internal resources of the Group and it is expected that the loan receivables may be increased by up to RMB91.30 million and the cash and cash equivalents may be decreased by up to 91.30 million. As such, the provision of the loans under the 2024 Credit Loan Agreement will not have any effects to the total assets and liabilities of the Group. The annual interest income up to RMB5.54 million to be received by the Company from the provision of the loans under the 2024 Credit Loan Agreement will be recorded as finance income of the Group. According to the 2024 Nanyang Guarantee Agreement and the 2024 CCB Guarantee Agreement, the Group will only incur liabilities upon a call on the 2024 Nanyang Corporate Guarantee and/or the 2024 CCB Financial Assistance arising from an event of default of Jinhua Hospital on the respective Nanyang Repayment Obligations or the CCB Repayment Obligations.

Save as disclosed above, the Directors are of the view that the provision of financial assistance to Jinhua Hospital contemplated under the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement is not expected to have any material impact on earnings, assets and liabilities of the Group.

F. REASONS FOR AND BENEFITS OF PROVIDING FINANCIAL ASSISTANCE TO JINHUA HOSPITAL

The Group principally engages in hospital management business and general hospital business in the PRC, and the revenue growth of the Group relies on the business growth and value enhancement of hospitals owned, managed and founded by the Group. Jinhua Hospital is managed by the Group and the Group receives management service fees in respect of the provision of management and consultancy services to Jinhua Hospital. Therefore, the provision of financial assistance to Jinhua Hospital enables the Company to derive commercial benefits from ensuring the continuous and steady growth of Jinhua Hospital, and ultimately contribute to the overall strategy layout of the Group.

The financial assistance is provided as a security to enable Jinhua Hospital to obtain funds from Nanyang Bank and China Construction Bank for the purpose of maintaining its day-to-day business operations, supporting its development, and further improving its competitiveness in the healthcare sector. Specifically, Jinhua Hospital intends to reserve sufficient working capital to maintain its day-to-day operations, such as procurement of medicine and consumables and repayment of loans. It will also pay performance-based cash bonuses from time to time to incentivize its management and employees to maintain the provision of high-quality medical services. In addition, Jinhua Hospital will invest in advanced medical equipment and technologies to enhance its competitiveness, and will upgrade its information and database systems to improve its operational efficiency and capability. The Directors are of the view that the provision of financial assistance to Jinhua Hospital will contribute to the growth and development of Jinhua Hospital. The obtaining of funds from Nanyang Bank and China Construction Bank will enhance its competitiveness in the medical and healthcare industry, and enable Jinhua Hospital to maintain or even increase its market share. In addition, Nanyang Bank and China Construction Bank offer Jinhua Hospital comparable interest rates on the relevant loans, which are expected to alleviate the

LETTER FROM THE BOARD

hospital's financial burden and enhance its operational performance. The significant increase in corporate guarantees and credit loans extended to Jinhua Hospital is driven by its growing capital needs for day-to-day operations. Accordingly, Jinhua Hospital refinanced its loans with Nanyang Bank and consolidated its loans and credit facilities from the Group, which Jinhua Hospital reached an agreement with Nanyang Bank and the Company to replace the 2023 Loan Agreement with new loan arrangements and the Existing 2019 Loan Agreement and the Existing 2020 Loan Agreement, respectively. Jinhua Hospital also entered into new loan agreements with China Construction Bank and, as a credit enhancement measure, the Group has provided corporate guarantees.

Further, the provision of financial assistance by the Group should be considered in light of the respective credit risk of Jinhua Hospital associated with the Nanyang Repayment Obligations and the CCB Repayment Obligations as the Group will only incur liabilities upon a call on the 2024 Nanyang Corporate Guarantee and/or the 2024 CCB Financial Assistance arising from an event of default of Jinhua Hospital on the respective Nanyang Repayment Obligations or the CCB Repayment Obligations. The Group has been closely monitoring the business and financial conditions of Jinhua Hospital by reviewing its periodic financial reports and other information in connection with its business operation and is not aware of any material risks that Jinhua Hospital may breach the Nanyang Repayment Obligations and/or the CCB Repayment Obligations. Based on the information currently available to the Group and barring unforeseen circumstances, the Directors are of the view that the probability of an event of default of Jinhua Hospital is remote.

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

Given that Jinhua Hospital is under the management of the Group, which allows the Group to closely monitor the business and financial conditions of Jinhua Hospital enables the Directors to assess the respective credit risk of Jinhua Hospital associated with the Nanyang Repayment Obligations and the CCB Repayment Obligations, respectively. The Group will only incur liabilities upon a call on the 2024 Nanyang Corporate Guarantee and/or the CCB Financial Assistance arising from an event of default of Jinhua Hospital on the Nanyang Repayment Obligations and/or the CCB Repayment Obligations, respectively. The Directors are of the view that the probability of an event of default of Jinhua Hospital on the Nanyang Repayment Obligations and/or the CCB Repayment Obligations is remote for the following reasons:

- (i) in previous years, Jinhua Hospital has repaid the principal and interest of its bank loans on a timely basis and has good credit standing; furthermore, Jinhua Hospital did not have any material adverse developments such as overdue loans, interest in arrears or non-performing debts on bank loans obtained by Jinhua Hospital;
- (ii) the bank loan obtained by Jinhua Hospital is mainly used for purpose of maintaining its day-to-day business operations and other expenses related to its business operations; in previous years, the business operations of Jinhua Hospital has been stable;

LETTER FROM THE BOARD

- (iii) taking into account the actual operating condition of Jinhua Hospital, Jinhua Hospital has sufficient sources for repayment; and
- (iv) the Group is able to exercise its influence over the operational and managerial decisions of Jinhua Hospital to keep track of the funds account of Jinhua Hospital, closely monitor the operational stability and cash flow of Jinhua Hospital, and supervise, manage and ensure the fulfillment of the Nanyang Repayment Obligations and the CCB Repayment Obligations.

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

Based on the above reasons, although there is no agreed provision for consideration or compensation under the 2024 Nanyang Corporate Guarantee and the CCB Financial Assistance, the Directors are of the view that the respective terms of the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement and the CCB Pledge Agreement are on normal commercial terms and are fair and reasonable which is in the interests of the Group and its Shareholders as a whole.

G. DETAILS OF PARTIES TO THE PROVISION OF FINANCIAL ASSISTANCE

The Group

The Company was incorporated in the Cayman Islands as an exempted company with limited liability, the shares of which have been listed on the Stock Exchange since March 16, 2017. The Group principally engages in hospital management business and general hospital business in the PRC.

Jinhua Hospital

Jinhua Hospital, located in Jinhua city of Zhejiang province, is a general Class IIIB Hospital and registered as a Privately-funded Non-enterprise Entity, which serves as a local medical services platform offering comprehensive medical services with specialty in oncology and cancer treatments. Jinhua Hospital is managed by Zhiyuan Medical (formerly known as Zhejiang Guangsha Medical Technology Co., Ltd* (浙江廣廈醫療科技有限公司) and currently is indirectly owned as to 75% by the Company) as at the Latest Practicable Date, under a hospital management agreement as disclosed in the announcement of the Company published on May 29, 2018. Jinhua Hospital was founded by Zhiyuan Medical, Hangzhou Linglan Industry Co., Ltd* (杭州鈴藍實業有限公司) and Hangzhou Dingsheng Industry Co., Ltd* (杭州頂盛實業有限公司). Hangzhou Linglan Industry Co., Ltd* (杭州鈴藍實業有限公司) is wholly owned by Zheng Kan (鄭侃) and Hangzhou Dingsheng Industry Co., Ltd* (杭州頂盛實業有限公司) is owned as to

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95% by Cao Suzhen (曹蘇珍) and 5% by Hangzhou Xiongzheng Industry Co., Ltd* (杭州雄振實業有限公司). To the best of the Directors' knowledge, information and belief, having made all reasonable inquiries, each of Zheng Kan (鄭侃) and Cao Suzhen (曹蘇珍) is a third party independent of the Company and connected persons of the Company.

In 2017, Zhiyuan Medical and Jinhua Hospital entered into the Letter of Intent, pursuant to which Zhiyuan Medical shall provide consultancy and management services to Jinhua Hospital, and Jinhua Hospital shall pay to Zhiyuan Medical hospital management service fees, which shall be calculated based on a percentage of Jinhua's Hospital's revenue for the relevant year and a number of target performance indicators.

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

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

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

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

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Tibet Honghe Zhiyuan

Tibet Honghe Zhiyuan is a company incorporated in the PRC with limited liability. As at the Latest Practicable Date, Tibet Honghe Zhiyuan is a wholly-owned subsidiary of the Company. Tibet Honghe Zhiyuan is principally engaged in management and consultancy business in the PRC.

Zhiyuan Medical

Zhiyuan Medical is a company incorporated in the PRC with limited liability. As at Latest Practicable Date, Zhiyuan Medical is indirectly owned as to 75% by the Company. Zhiyuan Medical is principally engaged in management and consultancy business in the PRC.

Impeccable Success

Impeccable Success is a company incorporated in Hong Kong. As at the Latest Practicable Date, Impeccable Success is a wholly-owned subsidiary of the Company. Impeccable Success is principally engaged in investment and management business.

Nanyang Bank

Nanyang Bank is a financial institution established in the PRC and is principally engaged in, among others, the provision of banking business in the PRC. Nanyang Bank is wholly owned by Nanyang Commercial Bank, Limited, which is a subsidiary of China Cinda Asset Management Co., Ltd., a listed company on the Stock Exchange. To the best of the Directors' knowledge, information and belief, having made all reasonable inquiries, each of Nanyang Bank and its ultimate beneficial owner(s) is a third party independent of the Company and connected persons of the Company.

China Construction Bank

China Construction Bank is a financial institution established in the PRC and is principally engaged in, among others, the provision of banking business in the PRC. China Construction Bank is wholly owned by China Construction Bank Corporation, a listed company on the Stock Exchange. To the best of the Directors' knowledge, information and belief, having made all reasonable inquiries, each of China Construction Bank and its ultimate beneficial owner(s) is a third party independent of the Company and connected persons of the Company.

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H. LISTING RULES IMPLICATIONS

According to Rule 14.22 of the Listing Rules, the Stock Exchange will aggregate a series of transactions and treat them as if there were one transaction if they are all completed within a 12-month period or are otherwise related. Since the transactions contemplated under the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement constitute financial assistance provided by the Group to Jinhua Hospital, the transactions contemplated under the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement are required to be aggregated pursuant to Rule 14.22 of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement, when aggregate, is more than 25% but less than 100%, the entering into of the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder constitute a major transaction of the Company and shall be subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, as the assets ratio as defined under Rule 14.07(1) of the Listing Rules in respect of the transactions contemplated under the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement, when aggregate, is more than 8%, the transactions contemplated under the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement also constitute advance to an entity by the Group under Rule 13.13 of the Listing Rules and will together give rise to a general disclosure obligation of the Company under Rule 13.13 and Rule 13.15 of the Listing Rules.

None of the Directors is considered to have a material interest in the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder, and therefore none of the Directors was required to abstain from voting on the relevant Board resolution(s) approving the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval without convening a general meeting. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders or any of their respective associates has a material interest in each of the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder. Accordingly, no Shareholder would be required to abstain from voting if a general meeting is required to be convened to approve the entering into of the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder.

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As at the Latest Practicable Date, Vanguard Glory Limited (“**Vanguard Glory**”) is directly interested in 97,000,000 Shares (representing approximately 70.19% of the issued share capital of the Company as at the Latest Practicable Date). As the Company has obtained the written approval from Vanguard Glory on September 13, 2024, the Company is not required to convene an extraordinary general meeting for the purpose of approving the entering into of the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder in accordance with Rule 14.44 of the Listing Rules.

I. RECOMMENDATIONS

Taking into account the reasons set out above, the Board considers that the entering into of the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder are entered into on an arm’s length basis and on normal commercial terms, which are fair and reasonable and in the best interests of the Group and the Shareholders as a whole.

Accordingly, if a general meeting was convened for the purpose of approving the entering into of the 2024 Nanyang Guarantee Agreement, 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder, the Board will recommend the Shareholders to vote in favour of the resolutions to approve the entering into of the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement and the transactions contemplated thereunder at the relevant general meeting.

J. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

A. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular information for the last three financial years with respect to the profits and losses, financial record and position and the latest published balance sheet together with the notes to the consolidated financial statements of the Group.

The audited consolidated financial statements, together with the accompanying notes, of the Group for each of the three years ended December 31, 2021, 2022 and 2023, and certain unaudited consolidated interim financial information of the Group for the six months ended June 30, 2024, are disclosed in the following annual reports of the Company for the years ended 31 December 2021, 2022 and 2023 and the interim results announcement for the six months ended June 30, 2024, respectively, which have been published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.hcchealthcare.com>):

- (i) The Group's annual report for the year ended December 31, 2021 published on April 28, 2022 (available at https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042803908_c.pdf), particularly as shown on pages 101 to 216.
- (ii) The Group's annual report for the year ended December 31, 2022 published on April 21, 2023 (available at https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0421/2023042100980_c.pdf), particularly as shown on pages 103 to 208.
- (iii) The Group's annual report for the year ended December 31, 2023 published on April 22, 2024 (available at https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0422/2024042200868_c.pdf), particularly as shown on pages 100 to 188.
- (iv) The Group's interim results announcement for the six months ended June 30, 2024 published on August 29, 2024 (available at <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0829/2024082901916.pdf>).

B. STATEMENT OF INDEBTEDNESS

As at the close of business on July 31, 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this circular, the Group had total outstanding indebtedness of approximately RMB1,138,174,000 as below.

	<i>RMB'000</i>
Bank borrowings	
–Secured but unguaranteed	62,100
–Guaranteed but unsecured	20,000

	82,100

Convertible bonds	997,671
Payable for redeemed bonds	47,843
Lease liabilities	
–current	2,593
–non-current	7,967

Total outstanding indebtedness	<u><u>1,138,174</u></u>

As at July 31, 2024, the Company has provided a corporate guarantee to Nanyang Bank to secure certain loans granted to Jinhua Hospital to the maximum amount of RMB50.0 million.

Except as disclosed above and apart from intra-group liabilities and normal trade payables as at July 31, 2024, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, term loans, debentures, any other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, recognised lease obligations or hire purchase commitments, mortgages, charges, material contingent liabilities or guarantees.

C. WORKING CAPITAL OF THE GROUP

Taking into account the Group's cash and cash equivalents, financial resources available to the Group and cash generated from future operations and the effect of the transactions contemplated under the 2024 Nanyang Guarantee Agreement, the 2024 CCB Guarantee Agreement, the CCB Pledge Agreement and the 2024 Credit Loan Agreement, the Directors are of the opinion that the Group will have sufficient working capital for the Group's present requirements for the next 12 months following the date of this circular.

D. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2023, being the date of preparation of the latest published audited consolidated financial statements of the Group.

E. FINANCIAL AND TRADING PROSPECT OF THE GROUP

As stated in the 2023 annual report, the Group will continue to explore the development model of non-public medical groups, seek strategic cooperation with Internet medical platforms and commercial insurance companies, form complementary resources and industrial linkage, use Internet and artificial intelligence technology to carry out personalised health management services, explore the development and application of wearable devices, intelligent health electronic products and health care mobile application services, continue to improve the competitive advantages and brand value of the Group Hospitals, and strive to provide people with safe, effective, convenient and economical medical services.

As stated in the section headed “Reasons for and Benefits of Providing Financial Assistance to Jinhua Hospital” of the Letter from the Board, the Group principally engages in hospital management business and general hospital business in the PRC, and the revenue growth of the Group relies on the business growth and value enhancement of hospitals owned, managed and founded by the Group. Jinhua Hospital is managed by the Group and the Group receives management service fees in respect of the provision of management and consultancy services to Jinhua Hospital. Therefore, providing financial assistance to Jinhua Hospital allows the Company to obtain commercial benefits from ensuring its sustained and stable development, and ultimately contributes to the Group’s overall strategic layout.

Based on the above, the Directors believe that the sustained and stable development of Jinhua Hospital will improve the quality and efficiency of the Group’s medical management and services, enhance the Group’s operational efficiency, in order to achieve long-term development goals and maximize Shareholder value.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

At the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) to be entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 to the Listing Rules were as follows:

Long positions in the Shares and underlying Shares of the Company

Name of Director	Capacity/ Nature of interest	Number of Shares/ Underlying Shares	Approximate Percentage to the number of issued Shares ⁽²⁾
Ms. Liu Lu	Interest in controlled corporation	9,098,800 ⁽¹⁾	6.58%

Notes:

- (1) Ms. Liu Lu is one of the general partners of Hefei Kangyang Capital Management Partnership (Limited Partnership) (合肥康養資本管理合夥企業(有限合夥)), which holds 55% of the equity interest in Anhui Zhong’an Health Investment Management Co., Ltd. (安徽中安健康投資管理有限公司) (“Anhui Zhong’an”). Anhui Zhong’an is the general partner of Anhui Zhong’an Health Elderly Care Services Industry Investment Partnership (Limited Partnership) (安徽省中安健康養老服務產業投資合夥企業(有限合夥)) (“Anhui Zhong’an LP”), which is a limited partnership formed under the laws of the PRC as an investment vehicle and holds approximately 6.58% of the issued share capital of the Company. Ms. Liu Lu is a director of Anhui Zhong’an.
- (2) As at the Latest Practicable Date, the total number of issued shares of the Company was 138,194,000.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified pursuant to Divisions 7 and 8 of Part XV of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued Shares of the Company:

Long positions in the Shares and underlying Shares of the Company

Name of Shareholder	Capacity/ Nature of interest	Number of Shares or underlying Shares of the Company	Approximate Percentage of Shareholding Interest ⁽⁶⁾
Vanguard Glory ⁽¹⁾	Beneficial owner	123,000,000	89.01%
Hony Capital Fund V, L.P. ⁽²⁾	Interest of controlled corporation	123,000,000	89.01%
Hony Capital Fund V GP, L.P. ⁽²⁾	Interest of controlled corporation	123,000,000	89.01%
Hony Capital Fund V GP Limited ⁽²⁾	Interest of controlled corporation	123,000,000	89.01%
Hony Group Management Limited ⁽²⁾⁽³⁾	Interest of controlled corporation	161,693,985	117.01%
Hony Managing Partners Limited ⁽²⁾⁽³⁾	Interest of controlled corporation	161,693,985	117.01%
Exponential Fortune Group Limited ⁽²⁾⁽³⁾	Interest of controlled corporation	161,693,985	117.01%

Name of Shareholder	Capacity/ Nature of interest	Number of Shares or underlying Shares of the Company	Approximate Percentage of Shareholding Interest⁽⁶⁾
Hony Capital Fund VIII (Cayman), L.P. ⁽³⁾	Beneficial owner	38,693,985	28.00%
Hony Capital Fund VIII GP (Cayman), L.P. ⁽³⁾	Interest of controlled corporation	38,693,985	28.00%
Hony Capital Fund VIII GP (Cayman) Limited ⁽³⁾	Interest of controlled corporation	38,693,985	28.00%
Mr. Zhao John Huan ⁽⁴⁾	Interest of controlled corporation	161,693,985	117.01%
Anhui Zhong'an LP ⁽⁵⁾	Beneficial owner	9,098,800	6.58%
Anhui Zhong'an ⁽⁵⁾	Interest of controlled corporation	9,098,800	6.58%
Hefei Kangyang Capital Management Partnership (Limited Partnership) (合肥康養資本管理合夥企業 (有限合夥)) ⁽⁵⁾	Interest of controlled corporation	9,098,800	6.58%
Anhui Chuanggu Equity Investment Fund Management Co., Ltd. (安徽創谷股權投資 基金管理有限公司) ⁽⁵⁾	Interest of controlled corporation	9,098,800	6.58%
Mr. Niu Yang ⁽⁵⁾	Interest of controlled corporation	9,098,800	6.58%

Notes:

- (1) Vanguard Glory is a wholly-owned subsidiary of Hony Fund V, L.P. and holds (a) 97,000,000 shares of the Company and (b) convertible bonds issued by the Company, which can be converted into 26,000,000 shares of the Company and represent approximately 18.81% of the issued share capital of the Company as at the Latest Practicable Date.
- (2) Hony Capital Fund V, L.P. is an exempted limited partnership formed under the laws of the Cayman Islands as an investment vehicle. The general partner of Hony Capital Fund V, L.P. is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited. Hony Capital Fund V GP Limited is wholly owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan. Mr. Zhao John Huan is a director of Hony Capital Fund V GP Limited, Hony Group Management Limited, Hony Managing Partners Limited and Exponential Fortune Group Limited.
- (3) Hony Capital Fund VIII (Cayman), L.P. is an exempted limited partnership formed under the laws of the Cayman Islands as an investment vehicle. The general partner of Hony Capital Fund VIII (Cayman), L.P. is Hony Capital Fund VIII GP (Cayman), L.P., whose general partner is Hony Capital Fund VIII GP (Cayman) Limited. Hony Capital Fund VIII GP (Cayman) Limited is wholly-owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly-owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan. Mr. Zhao John Huan is a director of Hony Capital Fund VIII GP (Cayman) Limited, Hony Group Management Limited, Hony Managing Partners Limited and Exponential Fortune Group Limited.
- (4) Mr. Zhao John Huan is deemed to be interested in a total of 161,693,985 shares that are held by his controlled corporations, Vanguard Glory and Hony Capital Fund VIII (Cayman), L.P.. Vanguard Glory holds 97,000,000 shares of the Company and holds convertible bonds issued by the Company that can be converted into 26,000,000 shares of the Company. Hony Capital Fund VIII (Cayman), L.P. holds convertible bonds issued by the Company that can be converted into 38,693,985 shares of the Company.
- (5) Anhui Zhong'an LP is a limited partnership formed under the laws of the PRC as an investment vehicle. The general partner of Anhui Zhong'an LP is Anhui Zhong'an, which is jointly held as to 55% by Hefei Kangyang Capital Management Partnership (Limited Partnership) (合肥康養資本管理合夥企業(有限合夥)) and as to 45% by Anhui Chuangu Equity Investment Fund Management Co. Ltd. (安徽創谷股權投資基金管理有限公司). Mr. Niu Yang is one of the general partners of Hefei Kangyang Capital Management Partnership (Limited Partnership) (合肥康養資本管理合夥企業(有限合夥)). Ms. Liu Lu is a director of Anhui Zhong'an.
- (6) As at the Latest Practicable Date, the total number of issued shares of the Company was 138,194,000.

4. DIRECTORS' INTERESTS

As at the Latest Practicable Date:

- (a) none of the Directors was interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up);

- (b) none of the Directors were materially interested in any contract or arrangement, which was subsisting and was significant in relation to the business of the Group; and
- (c) save as disclosed above, none of the Directors was a director or employee of a company which had an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contract with any member of the Group which is not expiring or terminable by the employer within one year without payment of compensation other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in any businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material or of significance:

- (a) the 2024 Nanyang Guarantee Agreement.
- (b) the 2024 CCB Guarantee Agreement.
- (c) the CCB Pledge Agreement.

- (d) the 2024 Credit Loan Agreement.
- (e) On November 3, 2023, the Company entered into the 2023 Guarantee Agreement with the Nanyang Bank, pursuant to which the Company agreed to provide a corporate guarantee in favour of the Bank in connection with the repayment obligations of Jinhua Hospital under the credibility limit agreement(s), working capital loan agreement(s) and other document(s) entered into or to be entered into by Nanyang Bank and Jinhua Hospital up to a maximum outstanding amount of RMB50 million. According to the 2024 Nanyang Guarantee Agreement, the 2023 Guarantee Agreement shall be superseded by the 2024 Nanyang Guarantee Agreement.
- (f) On November 3, 2023, Tibet Honghe Zhiyuan and Jinhua Hospital entered into the 2023 Supplemental Loan Agreement, pursuant to which the revolving loan credit limit granted by Tibet Honghe Zhiyuan to Jinhua Hospital under the Existing 2020 Loan Agreement was revised from RMB100 million to RMB20 million.
- (g) On June 6, 2023, the Company and Vanguard Glory entered into the deed of amendment and the alteration of terms of the convertible bonds in the aggregate principal amount of HK\$468,000,000 issued by the Company to Vanguard Glory contemplated thereunder.
- (h) On June 6, 2023, the Company and Hony Capital Fund VIII (Cayman), L.P. (“**Hony Fund VIII**”) entered into the deed of amendment and the alteration of terms of convertible bonds in the aggregate principal amount of HK\$773,879,717 issued by the Company to Hony Fund VIII contemplated thereunder.
- (i) On September 27, 2022, the Company entered into the 2022 Guarantee Agreement in favour of the Nanyang Bank, pursuant to which the Company agreed to provide a corporate guarantee in connection with the repayment obligations of Jinhua Hospital under the credibility limit agreement(s), working capital loan agreement(s) and other document(s) entered into or to be entered into by Nanyang Bank and Jinhua Hospital up to a maximum outstanding principal amount of RMB50 million. The 2022 Guarantee Agreement has terminated on November 3, 2023.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Ho Wing Yan. Ms. Ho is an associate member of The Hong Kong Chartered Governance Institute (“**HKCGI**”) and The Chartered Governance Institute and a holder of the Practitioner’s Endorsement issued by HKCGI.
- (b) The registered address of the Company is at PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, the address of which is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

- (d) All references to times in this circular refer to Hong Kong times.
- (e) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.hcclhealthcare.com>) for a period of 14 days from the date of this circular:

- (a) the 2024 Nanyang Guarantee Agreement;
- (b) the 2024 CCB Guarantee Agreement;
- (c) the CCB Pledge Agreement;
- (d) the 2024 Credit Loan Agreement; and
- (e) this circular.