

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **RICI HEALTHCARE HOLDINGS LIMITED**

**瑞慈醫療服務控股有限公司**

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

**(Stock Code: 1526)**

### **SUPPLEMENTAL ANNOUNCEMENT CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS ACQUISITION OF EQUITY INTEREST IN CERTAIN SUBSIDIARIES FROM A CONNECTED PERSON AT THE SUBSIDIARY LEVEL**

Reference is made to the announcement of Rici Healthcare Holdings Limited (the “**Company**”) dated July 17, 2020 (the “**Announcement**”) in respect of the acquisition of equity interest in certain subsidiaries of the Company from a connected person at the subsidiary level of the Company. Capitalized terms used herein shall have the same meanings as those defined in the Announcement unless otherwise stated.

The Company would like to provide additional information in relation to the acquisition as described in the Announcement.

#### **Information of the Vendor’s Beneficial Owners**

To the best knowledge and belief of the Company after making all reasonable enquires, as at the date of the Announcement, the Vendor was owned by Soochow Fund Management Co., Ltd. (東吳基金管理有限公司) and Kunshan Yongjin Investment Management Center (Limited Partnership) (昆山永進投資管理中心(有限合夥)) (“**Kunshan Yongjin**”) as to 70% and 30%, respectively.

As at the date of the Announcement, Soochow Fund Management Co., Ltd. was controlled by Soochow Securities Co., Ltd. (東吳證券股份有限公司), a company holding 70% equity interest in Soochow Fund Management Co., Ltd. and listed on the Shanghai Stock Exchange (stock code: 601555). The remaining 30% equity interest in Soochow Fund Management Co., Ltd. was owned by Heilan Group Co., Ltd. (海瀾集團有限公司), which was principally engaged in garment business in China. Heilan Group Co., Ltd. is a wholly-owned subsidiary of Jiangyin Heilan Investment Holdings Co., Ltd. (江陰市海瀾投資控股有限公司) (“**Jiangyin Heilan**”), an investment holding company whose shareholding structure as at the date of the Announcement is set out below:

<b>Name of the Shareholder</b>	<b>Percentage of the Shareholding</b>
Zhou Jianping (周建平)	52.0%
Ye Huili (葉惠麗)	7.0%
Zhou Yanqi (周晏齊)	5.0%
Tao Xiaohua (陶曉華)	5.0%
Zhao Guoying (趙國英)	3.9%
Zhou Lichen (周立晨)	3.9%
Zhao Zhiqiang (趙志强)	3.7%
Chen Furong (陳富榮)	3.7%
Sheng Zhengxiang (盛正祥)	3.7%
Tao Guohua (陶國華)	3.5%
Zhuang Chen (莊晨)	2.0%
Zhao Weidong (趙衛東)	1.8%
Zhao Fangwei (趙方偉)	1.6%
Jiang Nan (江南)	1.6%
Gu Dongsheng (顧東升)	1.6%

As at the date of the Announcement, Kunshan Yongjin was owned by several individuals, namely Chen Chongchong (陳衝衝), Zhou Xiaoyong (周小邕), Huang Can (黃燦), Zhang Luoran (張犖然), Chen Qiming (陳啟明), Sun Ye (孫野), Dong Yiming (董一鳴), Chi Junbo (郗俊波), Xu Yongbin (許永斌), Zhang Qingsheng (張清生), Xu Jun (徐俊), Li Junhua (李俊華), Li Mian (李勉), Song Wenxi (宋文熙) and Dai Yang (戴颺).

Each of the Vendor, Soochow Fund Management Co., Ltd. and Soochow Securities Co., Ltd. is a licensed financial institution under the supervision of China Securities Regulatory Commission as at the date of the Announcement. To the best knowledge and belief of the Company after making all reasonable enquires, other than the fact that the Vendor is a connected person of the Company at the subsidiary level before the Completion of the Transactions, Heilan Group Co., Ltd., Jiangyin Heilan, Kunshan Yongjin and the shareholders of Jiangyin Heilan and Kunshan Yongjin are third parties independent of the Company and its connected persons.

## Basis of the Consideration

As disclosed in the Announcement, the aggregate consideration for the Transactions (the “**Consideration**”) in the amount of RMB155.0 million was arrived at after arm’s length negotiations between the Purchaser and the Vendor which did not hold any interest in the Group other than its equity interest in the Target Companies as at the date of the Equity Transfer Agreements. The Company would like to supplement that the following factors were also taken into account when determining the Consideration.

### (i) Total Investment and Contribution from the Vendor

The Vendor acquired 30% equity interest in each of the Target Companies from the original independent third party shareholder in 2017 for the purpose of receiving capital return in the future. The aggregate original acquisition cost paid by the Vendor was RMB113.4 million. During the negotiations between the Parties on the Equity Transfer Agreements, the Vendor, as a licensed private equity investment firm under the supervision of China Securities Regulatory Commission, legitimately expected to receive capital return on top of cost of funds from the Target Companies since its investment in the third quarter of 2017 comparable to capital return that the Vendor would have expected to receive from negotiation with potential independent third party buyers. The Consideration represents an annual return of 10.98% to the Vendor upon its cessation of being a shareholder of the Target Companies.

To the best knowledge and belief of the Company, such financial investment return is not anomalous and uncommon in respect of financial investment in medical examination market in China. According to the Report of Execution of China’s Currency Policies in the Third Quarter of 2017 (2017年第三季度中國貨幣政策執行報告) issued by the People’s Bank of China, the then weighted average interest rate of loans from non-financial institutions and other departments was 5.76%, and to the best knowledge and belief of the Company after making all reasonable enquiries, the then return rate of private equity investment products could reach 8% to 12%. Besides, according to the Report of Study on Investment Returns Realized at Exits from China’s VC/PE Projects in 2019 (2019年中國VC/PE項目退出收益研究報告) issued by Zero2IPO (清科研究), the investment returns realized at exits from China’s VC/PE projects in medical and biological industries are generally higher than the market level. Considering that the Vendor bore higher risks in the private equity investment in the Target Companies and its expectation and stance for a fair return during the negotiations with the Company, the Company is of the view that the financial investment return at a rate of 10.98% is fair and reasonable as a result of arm-length negotiation between the Parties.

(ii) Target Companies' Current Financial Performance and Future Profitability

The medical examination centers operated by the Target Companies locate at central areas of certain first-and second-tier cities in Yangtze River Delta or Guangdong-Hong Kong-Macao Greater Bay Area with affluent population and high urbanization. Equipped with imported medical equipment, such medical examination centers provide mid-to high-end medical examination services to customers, realizing a rapid growth since their respective commencement of operation and achieving average revenue per center of approximately RMB24 million in 2019 with great potential for future development.

To illustrate the growth potential, the revenue of each of the Target Companies for 2017, 2018 and 2019, respectively, is set out in the table below:

<b>Target Company</b>	<b>Revenue for 2017 (RMB'000)</b>	<b>Revenue for 2018 (RMB'000)</b>	<b>Revenue for 2019 (RMB'000)</b>
Guangzhou Rich	12,543	20,246	25,431
Suzhou Rich	9,320	23,826	28,362
Nanjing Rich	11,154	31,628	45,201
Nantong Rich	16,383	27,940	38,962
Wuxi Rich	2,045	7,096	9,031
Yangzhou Rich	3,669	14,936	21,583
Xuzhou Rich	1,498	12,695	21,982

(iii) Fair Market Value of Comparable Companies

The Consideration was in line with fair market valuation using price-to-sales ratio comparable to certain industry peers of the Target Companies. For example, based on publicly available information of a company listed on the Shenzhen Stock Exchange (the "**Peer Listed Company**") with medical examination business operation across China and a major market peer of the Company, acquired medical examination business in various areas in China to expand its business with a price-to-sales ratio primarily ranging from 1.8x to 3.4x. The range of price-to-sales ratio under the Transactions was from 2.0x to 2.9x, which was comparable to those of the Peer Listed Company considering the superior location of medical examination centers operated by the Target Companies.

It is general market practice to use price-to-sales ratios to value loss-making business in the medical examination industry. As some of the Target Companies with growth potential had not yet generated profits as at December 31, 2019 and price-to-earnings ratios were not applicable, the Parties agreed to adopt price-to-sales ratios as parameter, which, to the best knowledge and belief of the Company, was in line with the market practice.

The Company referred to the Peer Listed Company's acquisitions of medical examination business, as the Peer Listed Company is a comparable market player with reliable public disclosures and also one of the largest medical examination services providers in China in terms of revenue, number of medical examination centers and geographical coverage of its services, and the most active player in respect of mergers and acquisitions in the industry. As the top industry consolidator, its practice drives the valuation level of the industry and is commonly regarded as the benchmark for medical examination business mergers and acquisitions activities, and thus the Company is of the view that it is reasonable to select the Peer Listed Company as industry peer with reliable public disclosures and refer to the price-to-sales ratios range in its acquisitions.

Accordingly, the Company and the Directors are of the view that the Consideration was determined after arm's length negotiations taking into account the foregoing reasonable commercial factors and is fair and reasonable.

Save as stated above, all other information set out in the Announcement remains unchanged.

By Order of the Board  
**Rici Healthcare Holdings Limited**  
**Fang Yixin**  
*Chairman and Chief Executive Officer*

Shanghai, the PRC, September 3, 2020

*As of the date of this announcement, the Board comprises four executive Directors, namely, Dr. Fang Yixin, Dr. Mei Hong, Mr. Fang Haoze and Ms. Lin Xiaoying; one non-executive Director, namely Ms. Jiao Yan; and three independent non-executive Directors, namely, Dr. Wang Yong, Mr. Jiang Peixing and Ms. Wong Sze Wing.*