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) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF HEZHOU GUANGJI HOSPITAL CO., LTD.; (2) THE NEW CONTRACTUAL ARRANGEMENTS; (3) DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES; AND (4) CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

THE ACQUISITION

The Board is pleased to announce that on May 26, 2021 (after trading hours), the Purchasers, the Vendor and the Target Hospital entered into the Equity Transfer Agreement, pursuant to which the Purchasers conditionally agreed to purchase, and the Vendor conditionally agreed to sell, an aggregate of 99% equity interest in the Target Hospital. Subject to the adjustments in accordance with the terms of the Equity Transfer Agreement, the maximum Consideration shall be RMB641,569,500, which shall be satisfied by cash.

As of the date of this announcement, the Vendor directly held 99% equity interest in the Target Hospital and the remaining 1% equity interest in the Target Hospital was held by another third party. Upon the Completion, the Target Hospital will become an indirect non-wholly-owned subsidiary of the Company and the financial results of the Target Hospital will be consolidated into the financial statements of the Group.

THE NEW CONTRACTUAL ARRANGEMENTS

Pursuant to the Equity Transfer Agreement, the Purchasers, the Target Hospital and Xiangshang Investment will enter into the New Contractual Arrangements in respect of the 29% equity interest in the Target Hospital to be held by Hygeia Hospital Management upon the Completion on substantially the same terms and conditions as the Existing Contractual Arrangements, which will allow the Company to control the 29% equity interest in the Target Hospital and obtain the economic benefits derived therefrom.

THE FACILITY AGREEMENT

In order to fund part of the Consideration, on May 26, 2021, Gamma Star Tech (as the borrower) entered into the Facility Agreement with a bank (as the lender), an Independent Third Party, which provides for a loan facility in an aggregate principal amount of up to RMB272,000,000.

LISTING RULES IMPLICATIONS

The Acquisition

As the highest applicable percentage ratio in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisition, and therefore, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition.

The Company has obtained a written approval from a closely allied group of Shareholders who together held a total of 347,373,856 Shares, representing approximately 56.21% of the total number of Shares in issue as of the date of this announcement, on the Acquisition in lieu of holding a general meeting of the Company in accordance with Rule 14.44 of the Listing Rules.

A circular containing, among other things, further details of the Acquisition and the Target Hospital is expected to be despatched to the Shareholders for information only as soon as practicable and within 15 business days from the date of this announcement in accordance with the Listing Rules.

The New Contractual Arrangements

Xiangshang Investment is owned by Mr. Zhu and Ms. Zhu (both of whom are the Controlling Shareholders of the Company) as to 40% and 60%, respectively, and therefore, Xiangshang Investment is a connected person of the Company by virtue of it being an associate of Mr. Zhu and Ms. Zhu pursuant to the Listing Rules. Accordingly, the transactions contemplated under the New Contractual Arrangements constitute continuing connected transactions of the Company under 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 years 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.

The Facility Agreement

Given that the Facility Agreement contains provisions imposing specific performance obligations on the Controlling Shareholders and breach of such obligations will constitute an event of default under the Facility Agreement, such provisions give rise to announcement obligation pursuant to Rule 13.18 of the Listing Rules.

CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the Prospectus dated June 16, 2020 in relation to the listing of the Shares on the Stock Exchange by way of Global Offering. The Shares were listed on the Main Board of the Stock Exchange on June 29, 2020 and the total net proceeds from the Global Offering was approximately HK$2,391.9 million. Having considered the prospects that the Acquisition may bring to the Group and the reasons for and benefits of the Acquisition as particularized in the section headed “Reasons for and Benefits of the Acquisition” in this announcement, in order to better utilize its financial resources and to capture favorable investment opportunities, the Board has reviewed the utilization of the Net Proceeds and resolved to re-allocate the use of proceeds from the Global Offering.

As the Completion is subject to the satisfaction and/or waiver, where applicable, of the conditions precedent in the Equity Transfer Agreement, the Acquisition may or may not proceed to Completion. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

Reference is made to the announcement of the Company dated January 25, 2021, in respect of the letter of intent entered into between the Company and the Vendor, regarding, among other things, the possible acquisition of 99% equity interest in the Target Hospital.

The Board is pleased to announce that on May 26, 2021 (after trading hours), the Purchasers, the Vendor and the Target Hospital entered into the Equity Transfer Agreement, pursuant to which the Purchasers conditionally agreed to purchase, and the Vendor conditionally agreed to sell, an aggregate of 99% equity interest in the Target Hospital. Subject to the adjustments in accordance with the terms of the Equity Transfer Agreement, the maximum Consideration shall be RMB641,569,500, which shall be satisfied by cash.

As of the date of this announcement, the Vendor directly held 99% equity interest in the Target Hospital and the remaining 1% equity interest in the Target Hospital was held by another third party. Upon the Completion, the Target Hospital will become an indirect non-wholly-owned subsidiary of the Company and the financial results of the Target Hospital will be consolidated into the financial statements of the Group.

The principal terms of the Equity Transfer Agreement are summarized below:

THE EQUITY TRANSFER AGREEMENT

Date

May 26, 2021

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) GF Xinde (Zhuhai) Medical Industrial Investment Center L.P. (廣發信德(珠海)醫療產業投資中心(有限合夥)) as the Vendor; and

(4) Hezhou Guangji Hospital Co., Ltd. (賀州廣濟醫院有限公司) as the Target Hospital.

As of the date of this announcement and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor, the Target Hospital and their ultimate beneficial owner(s) are Independent Third Parties.

Equity interests to be acquired

Pursuant to the Equity Transfer Agreement, Gamma Star Tech and Hygeia Hospital Management conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the 70% and 29% equity interest in the Target Hospital, respectively. The Purchasers, the Target Hospital and Xiangshang Investment will enter into the New Contractual Arrangements in respect of the 29% equity interest in the Target Hospital to be held by Hygeia Hospital Management upon the Completion. For details of the New Contractual Arrangements, please refer to the section headed "The New Contractual Arrangements" below.

Consideration

Subject to the adjustments in accordance with the terms of the Equity Transfer Agreement, the maximum Consideration shall be RMB641,569,500.

The Consideration was determined after arm's length negotiations between the Purchasers and the Vendor after the Purchasers' due diligence on the Target Group and with reference to, among other things: (i) the price-to-sales multiples of recent comparable transactions in the PRC healthcare services sector; (ii) the recent financial position and historical financial performance of the Target Group; (iii) the regional advantages, business prospects and future growth of the Target Hospital, including its expansion potential in terms of the land resources and other service capacities; and (iv) the strategic benefits to be derived by the Group from the Acquisition. For further details, please see the section headed "Reasons for and Benefits of the Acquisition" below.

The Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration will be funded by the unutilized Net Proceeds, external loan facilities provided under the Facility Agreement and to the extent that there is any shortfall due to the appreciation of RMB against HK$, the internal resources of the Group. For details of the unutilized Net Proceeds and the Facility Agreement, please refer to the sections headed "Change in Use of Proceeds from the Global Offering" and "The Facility Agreement", respectively, below.

Adjustments to the Consideration

Pursuant to the Equity Transfer Agreement, the Purchasers are entitled to review or engage an accounting firm to review the assets and liabilities of the Target Group as of the Completion Date (the "**Completion Accounts**"), and the Consideration shall be adjusted downward by the relevant amount in the following events:

(1) any reduction in assets of the Target Group, including, among others, the lands, properties and the bank deposits of the Target Group;

(2) (a) incurrence of any accounts payable outside the ordinary course of business of the Target Group, (b) declaration of dividends of the Target Hospital without the prior written consents of the Purchasers, (c) incurrence of bank loans for the construction of the new outpatient integrated building exceeding RMB50,000,000 or other borrowings or advancements, (d) any purchase of fixed assets exceeding RMB200,000 unless agreed by the Vendor and the Purchasers;

(3) the total capital expenditure for the construction and decoration of the new outpatient integrated building exceeding RMB100,000,000 (for the portion exceeding RMB95,000,000 but no more than RMB100,000,000, the Purchasers and the Vendor shall negotiate in good faith);

(4) the settlement of Historical Guarantees by the Target Group exceeding the liability cap of RMB49,178,000; and

(5) any other existing liabilities, potential liabilities and other obligations that may affect the Consideration, to the extent such expenses will be borne by the Target Group.

After the expiry of one year (*i.e.*, three hundred and sixty-five (365) calendar days) from the Completion Date, the Purchasers are entitled to further adjust the Consideration downward by RMB30,000,000 (together with the related expenses and taxation, if any) if the Vendor fails to complete the condition precedent (c) for the Final Installment, unless the Purchasers elect to waive this condition precedent.

Payment terms and the respective conditions precedent

The Consideration shall be satisfied by cash in the following manners:

(1) the first installment, representing 20% of the maximum Consideration (the "**First Installment**"), of which

   (a) RMB50,000,000 (the "**First Payment**") shall be paid to the bank account designed by the Vendor within two Business Days upon signing of the Equity Transfer Agreement; and

(b) RMB78,313,900 (the "**Escrow Amount**") shall be paid to the account opened in the name of the Vendor and jointly managed by the Vendor and Gamma Star Tech (the "**Escrow Account**") within five (5) Business Days after (i) the Escrow Account has been opened, and (ii) the Company have obtained the written Shareholders' approval from a closely allied group of the Shareholders, who together hold more than 50% in nominal value of the securities giving the right to attend and vote at the general meeting of the Company to approve the Acquisition pursuant to the Listing Rules, provided that the Escrow Amount shall be paid to the Escrow Account no later than fifteen (15) Business Days from the payment date of the First Payment;

(2) the Escrow Amount shall be released by Gamma Star Tech to the Vendor and the second installment (the "**Second Installment**", together with the First Installment, representing 80% of the Adjusted Consideration) shall be paid to the bank account designed by the Vendor within five Business Days after the Purchasers have received the written notice issued by the Vendor and the Target Hospital confirming the fulfillment of the following conditions precedent, including but not limited to, unless waived by the Purchasers:

(a) all requisite internal approvals and consents for the Acquisition having been obtained from the Purchasers, the Vendor, the Company and the Target Hospital, as the case may be;

(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 consulting service agreement between the Target Hospital and a third-party service provider having been terminated;

(d) the new outpatient integrated building of the Target Hospital having passed its lightning protection acceptance in accordance with applicable PRC laws and regulations;

(e) the Target Hospital having informed the relevant parties that should be informed of the Acquisition;

(f) all documents required for the entering into of the New Contractual Arrangements upon Completion having been obtained;

(g) the company registration procedures of the Target Hospital in relation to the 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 "**Registration Completion**");

(h) the Purchasers and the Vendor having agreed on the Completion Accounts in writing;

(i) the properties and materials of the Target Group as agreed by the Purchasers and the Vendor having been delivered to the Purchasers (the "**Properties Delivery**");

(j) all governmental exemptions, consents and approvals required for the execution of the Equity Transfer Agreement and the completion of the transactions thereunder having been obtained;

(k) the representations and warranties of the Vendor and the Target Group being true, accurate and complete, and there being no material breach of the obligations or undertaking of the Equity Transfer Agreement by the Vendor and the Target Group;

(l) there being no effective laws or agreements, contracts or legal documents which shall prohibit or restrict the Acquisition (unless a waiver was obtained) or shall have a material adverse effect on the Target Group in owning, operating or controlling its principal business and the related assets;

(m) 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 Equity Transfer Agreement or the Vendor has materially remedied such material change and obtained approval from the Purchasers); and

(n) there being no litigations, arbitrations, administrative penalties or other investigations or disputes that may affect the legality of the Acquisition or have a material adverse effect on the operations or conditions of the Target Group;

(3) the third installment (the "**Third Installment**", together with the First Installment and the Second Installment, representing 90% of the Adjusted Consideration) shall be paid to the bank account designed by the Vendor within five Business Days after the Purchasers have received the written notice issued by the Vendor and the Target Hospital confirming the fulfillment of the following conditions precedent, unless waived by the Purchasers:

(a) the Second Installment has been paid; and

(b) the Historical Guarantees having been settled in the manner satisfactory to the Purchasers and, other than the liabilities capped at RMB49,178,000 to be borne by the Target Group, having been assumed by the Vendor;

(4) the final installment, representing the remaining balance of the Adjusted Consideration (the "**Final Installment**"), shall be paid to the bank account designed by the Vendor within five Business Days after the Purchasers have received the written notice issued by the Vendor and the Target Hospital confirming the fulfillment of the following conditions precedent, unless waived by the Purchasers:

(a) one year (i.e., three hundred and sixty-five (365) calendar days) having been expired from the Completion Date;

(b) the conditions precedent for the Third Installment having been fulfilled or waived; and

(c) the matter in respect of a parcel of land and its related buildings of the Target Group have been settled in the manner satisfactory to the Purchasers, failing which and after the expiry of the one-year period from the Completion Date, the Purchasers are entitled to further adjust the Consideration downward by RMB30,000,000 (together with the related expenses and taxation, if any) or the Purchasers may elect to waive this condition precedent.

The Consideration shall be paid by Gamma Star Tech and Hygeia Hospital Management in proportion to their respective equity interest to be held in the Target Hospital.

Completion

Subject to the Registration Completion, the Completion shall take place on the date of the Properties Delivery.

Upon the Completion, the Target Hospital will be owned as to 70% and 29% by Gamma Star Tech and Hygeia Hospital Management, respectively, and the New Contractual Arrangements in respect of the 29% equity interest in the Target Hospital to be held by Hygeia Hospital Management will be entered into. For details of the New Contractual Arrangements, please refer to the section headed "The New Contractual Arrangements" below. As a result, the Target Hospital will become an indirect non-wholly-owned subsidiary of the Company and the financial results of the Target Hospital will be consolidated into the financial statements of the Group.

Non-competition and Non-solicitation Undertaking by the Vendor

For a period of five years from the Completion Date, the Vendor covenants and undertakes that it shall not, and procure that GF Xinde and the entities controlled or receiving management services provided by the Vendor and GF Xinde shall not, directly or indirectly, either on its own account or on behalf of any person, without the prior written consents of the Purchasers, (i) invest in or otherwise hold any interest in any person that engages in the same or similar business with the Target Group's principal business, or competes with the Target Group (the "**Competitor**"), in Hezhou City, Guangxi Zhuang Autonomous Region, the PRC; (ii) 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 Group to terminate its cooperation with the Target Group, for the benefits of the Competitors; and (iii) 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 Equity Transfer Agreement may be terminated:

(1) by mutual written consents of the Purchasers and the Vendor;

(2) by either party serving a written notice to the other parties upon occurrence of (a) any representations or warranties made by the other party being false, untrue in any material respect or contain material omissions, (b) any material breach by the other party 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, or (c) the other party 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;

(3) by the Purchasers if the conditions precedent of the Second Installment have not been fulfilled or waived by July 20, 2021 (unless extended by the Purchasers); or

(4) by the Vendor if the Purchasers fail to pay any installment due and payable for more than fifteen (15) calendar days prior to the Completion.

Upon termination of the Equity Transfer Agreement and without prejudice to the rights and remedies of any party to indemnification or compensation thereunder, the Purchasers shall not be obliged to make any further payments and the Vendor shall (and the Target Group shall procure the Vendor shall), within five (5) calendar days from the termination, refund to the Purchasers or entities designated by the Purchasers the full amount of (i) the First Installment (together with all accrued interest of the Escrow Amount) paid by the Purchasers, (ii) other payments (if any) paid by the Purchasers and (iii) the related taxation (if any) as a result of such refund.

THE FACILITY AGREEMENT

In order to fund part of the Consideration, on May 26, 2021, Gamma Star Tech (as the borrower) entered into the Facility Agreement with a bank (as the lender), an Independent Third Party, which provides for a loan facility in an aggregate principal amount of up to RMB272,000,000. The drawdown period shall be within three (3) years from the date of signing of the Facility Agreement, of which the first drawdown period shall be within six (6) months from the date of signing the Facility Agreement. The maturity date shall be twelve (12) months after the first drawdown for 10% of the then accumulated principal drawdown amount, eighteen (18) months after the first drawdown for 10% of the then accumulated principal drawdown amount, twenty-four (24) months after the first drawdown for 10% of the then accumulated principal drawdown amount, thirty (30) months after the first drawdown for 20% of the then accumulated principal drawdown amount, and thirty-six (36) months after the first drawdown for the remaining principal drawdown amount. Interest shall be accrued on the outstanding drawdown amount from the drawdown date to the repayment date at 4.3% per annum and calculated on the basis of a 360-day per year.

Pursuant to the Facility Agreement, the Company shall provide guarantee for the loan under the Facility Agreement and after the Completion, the 70% equity interest to be held by Gamma Star Tech in the Target Hospital shall be pledged in favor of the lender within thirty (30) days after the first drawdown.

In addition, the following specific performance obligations are imposed on the Controlling Shareholders under the Facility Agreement:

(1) there shall be no investigations or restriction of personal freedom under applicable laws against the Controlling Shareholders for suspicion of any illegal or criminal behaviors, which had or may have a material adverse effect on Gamma Star Tech's performance of its obligations under the Facility Agreement; and

(2) there shall be no change of Controlling Shareholders of the Company.

Any breach of the above specific performance obligations will constitute an event of default under the Facility Agreement, and the lender shall have the power to take actions including without limitation ceasing the release of unreleased loan proceeds, requesting additional collaterals or guarantees, and/or declaring all outstanding amounts together with interest accrued and all other sums payable by the Company to be immediately due and payable.

As of the date of this announcement, the Controlling Shareholders are deemed to be interested in approximately 45.35% of the issued share capital of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition will further enhance the Group's regional advantages in South China region and strengthen its brand influence in the following four aspects:

(1) the Target Hospital is located in Hezhou City, Guangxi Zhuang Autonomous Region, where the resident population amounted to 2.48 million as of the end of 2019. Hezhou City, situated at the juncture of Guangdong Province, Hunan Province and Guangxi Zhuang Autonomous Region, has convenient transportation and could cover a large population in the surrounding areas. There is large demand for oncology treatment, especially radiotherapy treatment, in Guangdong Province and Guangxi Zhuang Autonomous Region which are among the regions with high incidence rate of nasopharyngeal carcinoma in the world. The resources for oncology treatment, especially radiotherapy treatment, are relatively insufficient in Hezhou City and its surrounding areas, where the number of radiotherapy equipment per million population is below the average in the PRC. As such, the Acquisition provides the Group with a larger market for the development of its oncology business, and positioning in this region is in line with the Group's development strategies;

(2) the Target Hospital is a private for-profit Class III general hospital, which can be traced back to the Pinggui Workers' Hospital (平桂工人醫院) under Pinggui Mining Bureau (平桂礦務局). Since its establishment in 1951 and with decades of development, the Target Hospital has accumulated profound cultural resources and market influence, and trained an experienced and high-caliber professional medical team. The number of patients visits (including inpatient and outpatient visits) amounted to approximately 380 thousand and 330 thousand in 2019 and 2020, respectively. It has built a good reputation in Hezhou City and even in Guangxi Zhuang Autonomous Region;

(3) the Target Hospital currently has 548 registered beds and sufficient land resources for further construction. The Group will strengthen the oncology-related business of the Target Hospital after the Completion and develop the Target Hospital into an oncology-focused general hospital to satisfy the increasing needs of the local oncology patients and unleash its potential for further business expansion in Guangxi Zhuang Autonomous Region and in the whole South China region; and

(4) the Acquisition will further expand the healthcare service network of the Group, which is of great significance and value for increasing the oncology-related healthcare service revenue of the Group and its share in the oncology healthcare service market.

After the Completion, the Group will make the following integrating efforts to optimize the existing operations of the Target Hospital:

(1) introducing the oncology-focused feature of the Group into the Target Hospital to improve its oncology-related academic position, enrich its oncology treatment methods, highlight the oncology specialties, refine its treatment methods, and further enhance the core competitiveness of the Target Hospital;

(2) developing the Target Hospital's multi-disciplinary oncology diagnosis and treatment businesses covering radiotherapy, surgery, chemotherapy and other treatment methods and providing one-stop oncology treatment services to satisfy the increasing demand of oncology patients, so as to further expand its business model and increase its market share, and further increase its revenue and profit level;

(3) introducing the Group's standardized and refined management system to the Target Hospital to reduce its operational expenses and improve its overall operating efficiency.

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

THE NEW CONTRACTUAL ARRANGEMENTS

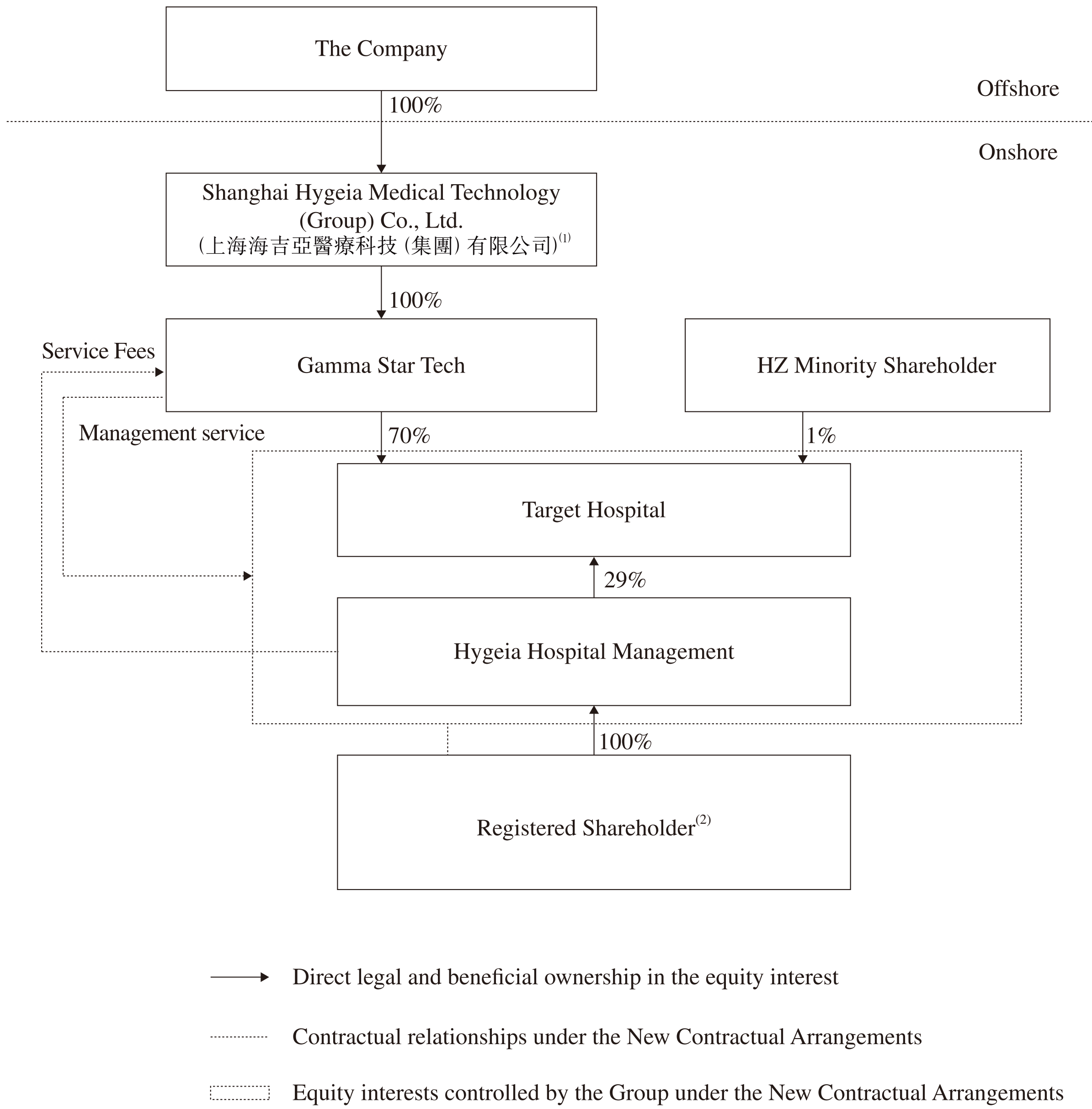
Reasons for the New Contractual Arrangements

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 of the Company, 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 ("**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 Equity Transfer Agreement, upon Completion, Gamma Star Tech and Hygeia Hospital Management will directly hold 70% and 29% 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 29% economic benefits of the Target Hospital to be attributable to Hygeia Hospital Management, each of the Purchasers, the Target Hospital and Xiangshang Investment will enter into the New Contractual Arrangements upon Completion.

Details of the New Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefit 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 and Ms. Zhu as to 40% and 60%, respectively.

The principal terms of the New Contractual Arrangements to be entered into upon 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 29% 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 all 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 PPC 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 industry and commerce 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 Gamma Star Tech's 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 of the Company, 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 and other applicable PRC laws and regulations and shall not be deemed as "concealing illegal intentions with a lawful form" resulting in the invalidity of the agreements under the New Contractual Arrangements;

(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 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 owns 70% equity interests in the Target Hospital directly and as a result of the New Contractual Arrangements, the Company has obtained control of the remaining 29% equity interest of the Target Hospital through Gamma Star Tech. As such, the Company can receive substantially all 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 99% 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.

Risk 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 substantially all 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. In addition, certain PRC court rulings invalidated certain contractual agreements which were considered to be entered into with the intention of circumventing foreign investment restrictions in the PRC in contravention of the PRC Civil Code. Accordingly, there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of the Group's 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 became 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 fail 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 us 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 us 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 29% 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. However, the legal frameworks of the PRC and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime.

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 29% 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 1% equity ownership interest held by an independent third party.

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 us 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, we 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 99% 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 29% equity interest in the Target Hospital upon 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 we may be unable to continue to control Hygeia Hospital Management and may not enjoy the 99% 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 equity transfer may be subject to approvals from and filings with the MOFCOM or its local counterparts. In addition, the equity transfer 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

Information of the Target Hospital

As of the date of this announcement, the Target Hospital was held by the Vendor and HZ Minority Shareholder as to 99% and 1%, respectively.

The Target Hospital is a private for-profit Class III general hospital located in Hezhou City, Guangxi Zhuang Autonomous Region, the PRC, and has been operating for over 70 years. It was previously a private not-for-profit hospital, known as Hezhou Guangji Hospital (賀州廣濟醫院), and has obtained a valid Medical Institution Practicing License (醫療機構執業許可證) as a for-profit hospital in June 2020. The Target Hospital provides healthcare services in a wide range of specialties, including but not limited to oncology, orthopedics, urology, gynecology and ICU (intensive care unit). As of December 31, 2020, it had 548 registered beds. The number of inpatient visits was approximately 30 thousand, and the number of outpatient visits was approximately 300 thousand for the year ended December 31, 2020.

Set out below is the unaudited financial information of the Target Hospital for the two years ended December 31, 2019 and 2020 or as of December 31, 2020.

	For the year ended December 31,	
	2019	**2020**
	RMB'000	*RMB'000*
Revenue	374,528	362,329
Net profit/(loss) before taxation	16,263	21,896
Net profit/(loss) after taxation	12,546	18,422

	As of December 31, 2020
	RMB'000
Total assets	338,087
Net assets/(liabilities)	103,474

Information of the Vendor

The Vendor is an equity investment fund established in October 2013 in the PRC, the general partner of which is GF Xinde, holding approximately 18.09% partnership interest, and the limited partners of which include 12 institutional and individual investors with GF Asset Management (as trustee for the Guangfa Hengxin-Xinde Medical Collective Asset Management Plan (廣發恆信－信德醫療集合資產管理計劃)) holding the largest partnership interest (approximately 34.48%). GF Xinde and GF Asset Management are wholly-owned subsidiaries of GF Securities. The A shares and H Shares of GF Securities are listed on the Shenzhen Stock Exchange (stock code: 000776) and the Stock Exchange (stock code: 1776), respectively.

GF Securities mainly engages in private fund management business through GF Xinde, focusing on industries such as biomedicine, intelligent manufacturing and corporate services. As of the end of 2020, GF Xinde set up and managed over 40 private funds, the total size of customers' assets under management was more than RMB10 billion.

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, 2020, the Group (i) owned and operated seven private for-profit hospitals; (ii) managed three private not-for-profit hospitals; and (iii) provided services to 17 hospital partners for their radiotherapy centers.

LISTING RULES IMPLICATIONS

The Acquisition

As the highest applicable percentage ratio in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisition, and therefore, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. Pursuant to Rule 14.44 of the Listing Rules, the Company may apply the written shareholders' approval in lieu of holding a general meeting of the Company to approve the Acquisition.

The Company has obtained a written approval from a closely allied group of Shareholders (details of their respective shareholding is set out below), who together held a total of 347,373,856 Shares, representing approximately 56.21% of the total number of the Shares in issue as of the date of this announcement. As such, the Company is not required to convene a general meeting to consider and approve the Acquisition.

Name of Shareholder	Number of Shares held as of the date of this announcement	Approximate percentage of shareholding
Century River [(1)]	111,668,436	18.07%
Red Palm [(2)]	82,774,691	13.39%
Amber Tree [(2)]	82,774,691	13.39%
Spruce Wood Investment Holdings Limited [(3)]	2,400,000	0.39%
Fountain Grass [(4)]	67,756,038	10.96%
Total	**347,373,856**	**56.21%**

Notes:

(1) Century River is indirectly wholly-owned by Mr. Zhu, the founder of the Group.

(2) Red Palm and Amber Tree are indirectly wholly-owned by Ms. Zhu, the daughter of Mr. Zhu.

(3) Spruce Wood Investment Holdings Limited is wholly-owned by Mr. Ren Ai, the spouse of Ms. Zhu and son-in-law of Mr. Zhu and an executive Director.

(4) Fountain Grass is one of the Company's pre-IPO investors and an affiliate of Warburg Pincus LLC.

The New Contractual Arrangements

Xiangshang Investment is owned by Mr. Zhu, a non-executive Director, the vice chairman of the Board and a Controlling Shareholder, and Ms. Zhu, a Controlling Shareholder, as to 40% and 60%, respectively, and therefore, Xiangshang Investment is a connected person of the Company by virtue of it being an associate of Mr. Zhu and Ms. Zhu pursuant to the Listing Rules. Accordingly, the transactions contemplated under the New Contractual Arrangements constitute continuing connected transactions of the Company under 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 years 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.

The Facility Agreement

Given that the Facility Agreement contains provisions imposing specific performance obligations on the Controlling Shareholders and breach of such obligations will constitute an event of default under the Facility Agreement, such provisions give rise to announcement obligation pursuant to Rule 13.18 of the Listing Rules.

The Company will comply with the continuing disclosure requirements pursuant to Rule 13.21 of the Listing Rules for so long as the circumstances giving rise to the obligation continue to exist.

CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

Use of Proceeds

The net proceeds from the Global Offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK$2,391.9 million, which will be utilized in accordance with the purposes as set out in the Prospectus. The Company intended to use the Net Proceeds for the following purposes:

(1) approximately 60% (or HK$1,435.1 million) for upgrading Shanxian Hygeia Hospital, Chongqing Hygeia Hospital and Chengwu Hygeia Hospital, all of which are the Group's self-owned for-profit hospitals, and establishing new hospitals in Liaocheng, Dezhou, Suzhou and Longyan;

(2) approximately 30% (or HK$717.6 million) for acquiring hospitals, when appropriate opportunities arise, in new markets which has sizable population and relatively high level of demand for oncology healthcare services;

(3) approximately 5% (or HK$119.6 million) for upgrading information technology systems; and

(4) approximately 5% (or HK$119.6 million) for working capital and other general corporate purposes.

Change in Use of Proceeds

Having considered the prospects that the Acquisition may bring to the Group and the reasons for and benefits of the Acquisition as set out in the section headed "Reasons for and Benefits of the Acquisition" above, in order to better utilize its financial resources and to capture favorable investment opportunities, the Board has reviewed the utilization of the Net Proceeds and resolved to re-allocate the proposed use of the Net Proceeds. The table below sets out the details of the intended use of the Net Proceeds, the original allocation of the Net Proceeds, the utilized amount of the Net Proceeds as of the date of this announcement, the unutilized amount of the Net Proceeds as of the date of this announcement, and the balance of the unutilized Net Proceeds after re-allocation:

Intended Use of Proceeds	**Original allocation of Net Proceeds** *HK$ million approximately*	**Utilized amount of the Net Proceeds as of the date of this announcement** *HK$ million approximately*	**Unutilized amount of the Net Proceeds as of the date of this announcement** *HK$ million approximately*	**Balance of the unutilized Net Proceeds after re-allocation** *HK$ million approximately*
Upgrading Shanxian Hygeia Hospital, Chongqing Hygeia Hospital and Chengwu Hygeia Hospital, all of which are the Group's self-owned for-profit hospitals, and establishing new hospitals in Liaocheng, Dezhou, Suzhou and Longyan	1,435.1	298.7	1,136.4	686.4(1)
Acquiring hospitals, when appropriate opportunities arise, in new markets which has sizable population and relatively high level of demand for oncology healthcare services	717.6	717.6	–	450.0(2)
Upgrading information technology system	119.6	4.4	115.2	115.2
Working capital and other general corporate purposes	119.6	119.6	–	N/A
Total	**2,391.9**	**1,140.3**	**1,251.6**	**1,251.6**

Notes:

(1) As disclosed in the circular of the Company dated May 14, 2021 (the "**Circular**"), the Company has acquired the 98% equity interest in a hospital in Suzhou, which, among others, could offer the Group larger room and space for its business developments in Suzhou. Currently the Group has no imminent need to establish a new hospital in Suzhou and therefore could adjust its project timetable to allow more time for strategic planning and location selection in Suzhou. Taking into account the capital requirements of the Group's plan for upgrading its existing hospitals and establishing new hospitals and the cash flow of the Group, the Board is of the view that at the current stage it is more beneficial for the Company to re-allocate approximately HK$450 million of the unutilized Net Proceeds which were originally allocated for upgrading existing hospitals and establishing new hospitals to fund part of the Consideration for the Acquisition, thereby utilizing the Net Proceeds in a more efficient manner.

(2) As disclosed in the Circular, the full amount of the Net Proceeds which were originally allocated for acquiring hospitals has been utilized to fund part of the consideration for the acquisition of the 98% equity interest in a hospital in Suzhou. Approximately HK$450 million of the unutilized Net Proceeds as re-allocated for acquiring hospitals will be fully utilized to fund part of the Consideration for the Acquisition.

The Board is of the view that the re-allocation of the Net Proceeds as set out above is in line with the business strategy of the Group and is beneficial for the continued and rapid development of the Group, and such re-allocation will allow the Company to better utilize its financial resources in a more efficient manner, support the Group in further deepening its existing business layout, and strengthen the future development of the Group in the long run. The Board believes that such change of the use of proceeds from the Global Offering is fair and reasonable and will not have any material adverse effect on the existing business and operation of the Group, and is in the best interests of the Company and its Shareholders as a whole.

DESPATCH OF CIRCULAR

A circular containing, among other things, further details of the Acquisition and the Target Hospital is expected to be despatched to the Shareholders for information only as soon as practicable and within 15 business days from the date of this announcement in accordance with the Listing Rules.

As the Completion is subject to the satisfaction and/or waiver, where applicable, of the conditions precedent in the Equity Transfer Agreement, the Acquisition may or may not proceed to 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, the following expressions have the meanings set out below unless the context otherwise requires:

"Acquisition"	the acquisition of the 99% equity interest in the Target Hospital and the transactions contemplated under the Equity Transfer Agreement
"Adjusted Consideration"	the Consideration after adjustments, details of which are set out in the section headed "Adjustments to the Consideration" in this announcement
"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 8, 2020 which has become effective on June 29, 2020, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	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
"Chengwu Hygeia Hospital"	Chengwu Hygeia Hospital Co., Ltd.* (成武海吉亞醫院有限公司) (formerly known as Chengwuxian Tonghui Hospital Co., Ltd.* (成武縣同慧醫院有限公司)), a limited liability company established in the PRC on November 25, 2016 and a subsidiary of the Company

"China" or "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
"Chongqing Hygeia Hospital"	Chongqing Hygeia Cancer Hospital Co., Ltd.* (重慶海吉亞腫瘤醫院有限公司) (formerly known as Chongqing Hygeia Hospital Management Co., Ltd.* (重慶海吉亞醫院管理有限公司)), a limited liability company established in the PRC on November 9, 2015 and a subsidiary of the Company
"Class III"	the largest and best regional hospitals designated as Class III hospitals by the NHFPC hospital classification system, typically having more than 500 beds, as for a comprehensive hospital providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
"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"	completion of the Acquisition, as more particularly described in the section headed "Completion" in this announcement
"Completion Date"	the date on which the Completion takes place
"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
"Consideration"	the consideration payable by the Purchasers to the Vendor pursuant to the Equity Transfer Agreement, details of which are set out in the section headed "Consideration" in this announcement
"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

"Equity Transfer Agreement"	an agreement dated May 26, 2021 entered into among the Purchasers, the Vendor and the Target Hospital, in relation to, among other things, the acquisition of the 99% equity interest in the Target Hospital
"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, details of which are described in the section headed "Contractual Arrangements" in the Prospectus
"Facility Agreement"	the loan facility agreement entered into between Gamma Star Tech (as the borrower) and a bank (as the lender), an Independent Third Party, on May 26, 2021
"Fountain Grass"	Fountain Grass Investment Ltd, a limited liability company incorporated under the laws of Mauritius and an affiliate of Warburg Pincus LLC
"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 on May 20, 2004 and a wholly-owned subsidiary of the Company
"GF Asset Management"	GF Securities Asset Management (Guangdong) Co., Ltd.* (廣發証券資產管理(廣東)有限公司), a limited liability company established in the PRC on January 2, 2014 and a wholly-owned subsidiary of GF Securities
"GF Securities"	GF Securities Co., Ltd. (廣發証券股份有限公司), a joint stock company established in Guangdong province, the PRC with limited liability in accordance with PRC laws, the A shares of which are listed on the Shenzhen Stock Exchange with the stock code 000776, and the H shares of which are listed on the Stock Exchange with the stock code 1776
"GF Xinde"	GF Xinde Investment Management Co., Ltd.* (廣發信德投資管理有限公司), a company with limited liability incorporated in the PRC, and a wholly-owned subsidiary of GF Securities
"Global Offering"	has the meaning ascribed to it in the Prospectus
"Group", "we", or "us"	the Company together with its subsidiaries
"Historical Guarantees"	the outstanding guarantees provided by the Target Group (including any indemnity and compensation relating thereto) as disclosed by the Vendor to the Purchasers under the Equity Transfer Agreement

"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"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 on March 6, 2019, wholly-owned by Xiangshang Investment and a subsidiary of the Company by virtue of the Existing Contractual Arrangements
"HZ Minority Shareholder"	Wuzhou Baoshiyuan Construction Development Co., Ltd.* (梧州寶石園建設開發有限公司), a limited liability company established in the PRC on June 23, 2003, an Independent Third Party
"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 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, a non-executive Director, vice Chairman and one of the Controlling Shareholders

"Ms. Zhu"	Ms. Zhu Jianqiao (朱劍喬), daughter of Mr. Zhu and one of the Controlling Shareholders
"Net Proceeds"	net proceeds from the Global Offering, amounting to approximately HK$2,391.9 million
"New Contractual Arrangements"	a series of contractual arrangements to be entered into by and among each of the Purchasers, the Target Hospital and Xiangshang Investments, 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)
"percentage ratio"	the percentage ratio(s) set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
"PRC Legal Advisor"	JunHe LLP, the legal advisor to the Company as to the laws of the PRC
"Predecessor Hospital"	Hezhou Guangji Hospital* (賀州廣濟醫院), a private not-for-profit hospital and the predecessor of the Target Hospital which obtained the Medical Institution Practicing License as a for-profit hospital in June 2020
"Prospectus"	the prospectus of the Company published on June 16, 2020
"Purchasers"	collectively, Gamma Star Tech (as to the acquisition of the 70% equity interest in the Target Hospital) and Hygeia Hospital Management (as to the acquisition of the 29% equity interest in the Target Hospital through the New Contractual Arrangements)
"Red Palm"	Red Palm Holdings Limited, a BVI business company incorporated under the laws of BVI on August 31, 2018 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 on April 16, 2019 and directly wholly-owned by Ms. Zhu, one of the Controlling Shareholders
"RMB"	the lawful currency of the PRC

"Shanxian Hygeia Hospital"	Shanxian Hygeia Hospital Co., Ltd.* (單縣海吉亞醫院有限公司) (formerly known as Shanxian Hygeia Hospital Investment Co., Ltd.* (單縣海吉亞醫院投資有限公司)), a limited liability company established in the PRC on November 20, 2012 and a subsidiary of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.00001
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning ascribed to it in the Listing Rules
"Target Group"	the Target Hospital, its subsidiaries and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before the Predecessor Hospital transformed into the Target Hospital, the entities which carries on the business of the Target Hospital at the relevant time
"Target Hospital"	Hezhou Guangji Hospital Co., Ltd.* (賀州廣濟醫院有限公司), a limited liability company incorporated under the laws of the PRC on March 4, 2020 and owned by the Vendor and the HZ Minority Shareholder as to 99% and 1%, respectively
"United States"	the United States of America, its territories, possessions, and all areas subject to its jurisdiction
"US$"	US dollar, the lawful currency of the United States
"Vendor"	GF Xinde (Zhuhai) Medical Industrial Investment Center L.P.* (廣發信德(珠海)醫療產業投資中心(有限合夥)), an equity investment fund, established in October 2013 in the PRC
"VIE Hospitals"	collectively, Shanxian Hygeia Hospital, Heze Hygeia Hospital Co., Ltd.* (菏澤海吉亞醫院有限公司, a subsidiary of the Group), Suzhou Canglang Hospital Co., Ltd.* (蘇州滄浪醫院有限公司, a subsidiary of the Group), Chongqing Hygeia Hospital, Longyan Boai Hospital Co., Ltd.* (龍岩市博愛醫院有限公司, a subsidiary of the Group), Chengwu Hygeia Hospital, Anqiu Hygeia Hospital Co., Ltd.* (安丘海吉亞醫院有限公司, a subsidiary of the Group), Liaocheng Hygeia Hospital Co., Ltd.* (聊城海吉亞醫院有限公司, a subsidiary of the Group), Dezhou Hygeia Hospital Co., Ltd.* (德州海吉亞醫院有限公司), a subsidiary of the Group) and Wuxi Hygeia Hospital Co., Ltd.* (無錫海吉亞醫院有限公司, a subsidiary of the Group)

"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 on September 1, 2015 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. Fang Min
Chairman

Hong Kong, May 26, 2021

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