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Hygeia Healthcare Holdings Co., Limited

海吉亚医疗控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6078)

(1) DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 0.82% EQUITY INTEREST IN SHANXIAN HYGEIA HOSPITAL CO., LTD.; AND (2) THE NEW CONTRACTUAL ARRANGEMENTS

THE ACQUISITION

Reference is made to the announcement issued by the Company on June 24, 2021 in which it was announced that the Purchaser and the Vendors entered into an equity transfer agreement in relation to the Prior Acquisition. The Board is pleased to announce that on December 21, 2021 (after trading hours), the Purchaser and the Vendors further entered into the Equity Transfer Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendors conditionally agreed to sell, an aggregate of approximately 0.82% equity interest in the Target Hospital at a total consideration of RMB11,835,625 (equivalent to approximately HK\$14,486,866).

As of the date of this announcement, the Company indirectly holds 70% equity interest in the Target Hospital through Hygeia Medical Technology and Gamma Star Tech and controls the 29.18% equity interest in the Target Hospital held by the Purchaser by virtue of the Existing Contractual Arrangements, and the Vendors hold the remaining 0.82% equity interest in the Target Hospital. The Target Hospital is therefore a non-wholly-owned subsidiary of the Company. Upon the Completion, the Company will indirectly hold 70% equity interest in the Target Hospital through Hygeia Medical Technology and Gamma Star Tech and control the 30% equity interest in the Target Hospital to be held by the Purchaser under the Existing Contractual Arrangements and the New Contractual Arrangements. Therefore, the Target Hospital will become a wholly-owned subsidiary of the Company, and the financial results of the Target Hospital will continue to be consolidated into the financial statements of the Group.

THE NEW CONTRACTUAL ARRANGEMENTS

The Purchaser, Gamma Star Tech, the Target Hospital and Xiangshang Investment will enter into the New Contractual Arrangements in respect of the approximately 0.82% equity interest in the Target Hospital to be acquired by the Purchaser upon the Completion on substantially the same terms and conditions as the Existing Contractual Arrangements, which will allow the Company to control the 0.82% equity interest in the Target Hospital and obtain the economic benefits derived therefrom.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition, when aggregated with the Prior Acquisition which was conducted within 12 months of the Acquisition, exceeds 5% but is less than 25%, the Acquisition is subject to the reporting, announcement and annual review requirements, but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirement under Chapter 14 of the Listing Rules.

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

In preparation for the Listing, the Company has sought, and the Stock Exchange has granted, the IPO Waiver from strict compliance with the applicable reporting, announcement and independent shareholders' approval requirements relating to the annual caps, three 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.

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 issued by the Company on June 24, 2021 in which it was announced that the Purchaser and the Vendors entered into an equity transfer agreement in relation to the Prior Acquisition. The Board is pleased to announce that on December 21, 2021 (after trading hours), the Purchaser and the Vendors further entered into the Equity Transfer Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendors conditionally agreed to sell, an aggregate of approximately 0.82% equity interest in the Target Hospital at a total consideration of RMB11,835,625 (equivalent to approximately HK\$14,486,866) in accordance with the terms and conditions thereof.

As of the date of this announcement, the Company indirectly holds 70% equity interest in the Target Hospital through Hygeia Medical Technology and Gamma Star Tech and controls the 29.18% equity interest in the Target Hospital held by the Purchaser by virtue of the Existing Contractual Arrangements, and the Vendors hold the remaining 0.82% equity interest in the Target Hospital. The Target Hospital is therefore a non-wholly-owned subsidiary of the Company. Upon the Completion, the Company will indirectly hold 70% equity interest in the Target Hospital through Hygeia Medical Technology and Gamma Star Tech and control the 30% equity interest in the Target Hospital to be held by the Purchaser under the Existing Contractual Arrangements and the New Contractual Arrangements. Therefore, the Target Hospital will become a wholly-owned subsidiary of the Company, and the financial results of the Target Hospital will continue to be consolidated into the financial statements of the Group.

THE EQUITY TRANSFER AGREEMENT

The principal terms of Equity Transfer Agreement are summarized as follows:

Date: December 21, 2021

Parties:

- (1) Hygeia Hospital Management, a subsidiary of the Company by virtue of the Existing Contractual Arrangements (as the Purchaser); and
- (2) HDZ Healthcare, Jixiang Kangda and Haiyue Kangjian, which were established as platforms for implementing the restricted share scheme of the Target Hospital (as the Vendors)

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

Equity interests to be acquired: Pursuant to the Equity Transfer Agreement, the Purchaser conditionally agreed to purchase and HDZ Healthcare, Jixiang Kangda and Haiyue Kangjian conditionally agreed to sell, approximately 0.62%, 0.14% and 0.06% equity interest in the Target Hospital, respectively.

The Purchaser, Gamma Star Tech, Xiangshang Investment and the Target Hospital will enter into the New Contractual Arrangements in respect of the approximately 0.82% equity interest in the Target Hospital to be held by the Purchaser upon the Completion. For details of the New Contractual Arrangements, please refer to the section headed "The New Contractual Arrangements" below.

Consideration: Pursuant to the Equity Transfer Agreement, the Consideration shall be RMB11,835,625 (equivalent to approximately HK\$14,486,866), of which RMB8,919,469 (equivalent to approximately HK\$10,917,476) shall be paid to HDZ Healthcare, RMB2,087,705 (equivalent to approximately HK\$2,555,362) shall be paid to Jixiang Kangda and RMB828,451 (equivalent to approximately HK\$1,014,028) shall be paid to Haiyue Kangjian, respectively.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendors on the same basis as the parties agreed for the Prior Acquisition with reference to, among other things: (i) the price-to-earnings multiples of comparable companies and recent comparable transactions in the PRC healthcare services sector; and (ii) the recent financial position and historical financial performance of the Target Hospital. 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 Group's internal resources.

Payment terms:

The Consideration shall be paid in cash by the Purchaser to the Vendors in a lump sum within ten (10) business days after all of the conditions precedent are satisfied or waived by the Purchaser by written notice, as applicable.

Conditions precedent:

- (1) All requisite internal approvals and consents for the Acquisition having been obtained from the Purchaser, the Vendors, the Company and the Target Hospital, as the case may be;
- (2) The company registration procedures of the Target Hospital in relation to the Acquisition, including the change of shareholders, and adoption of new articles of association, having been completed (the "**Registration Completion**");
- (3) The representations and warranties of the Vendors as set out the Equity Transfer Agreement being true, accurate and complete, and there being no material breach of the obligations or undertakings as set out in the Equity Transfer Agreement by the Vendors; and
- (4) There being no effective laws or agreements, contracts or legal documents which shall prohibit or restrict the Acquisition.

Completion:

The completion will take place on the date of the Registration Completion.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE ACQUISITION

Following the Prior Acquisition, the Company and the Vendors reached a further agreement in relation to the Acquisition under the Equity Transfer Agreement, which will enable the Group to further increase its interest in the Target Hospital to 100%, thereby consolidating all control and influence over the management and operation of the Target Hospital, allowing the Group to derive all economic benefits of the Target Hospital, and offering greater flexibility in business strategy to the Group.

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

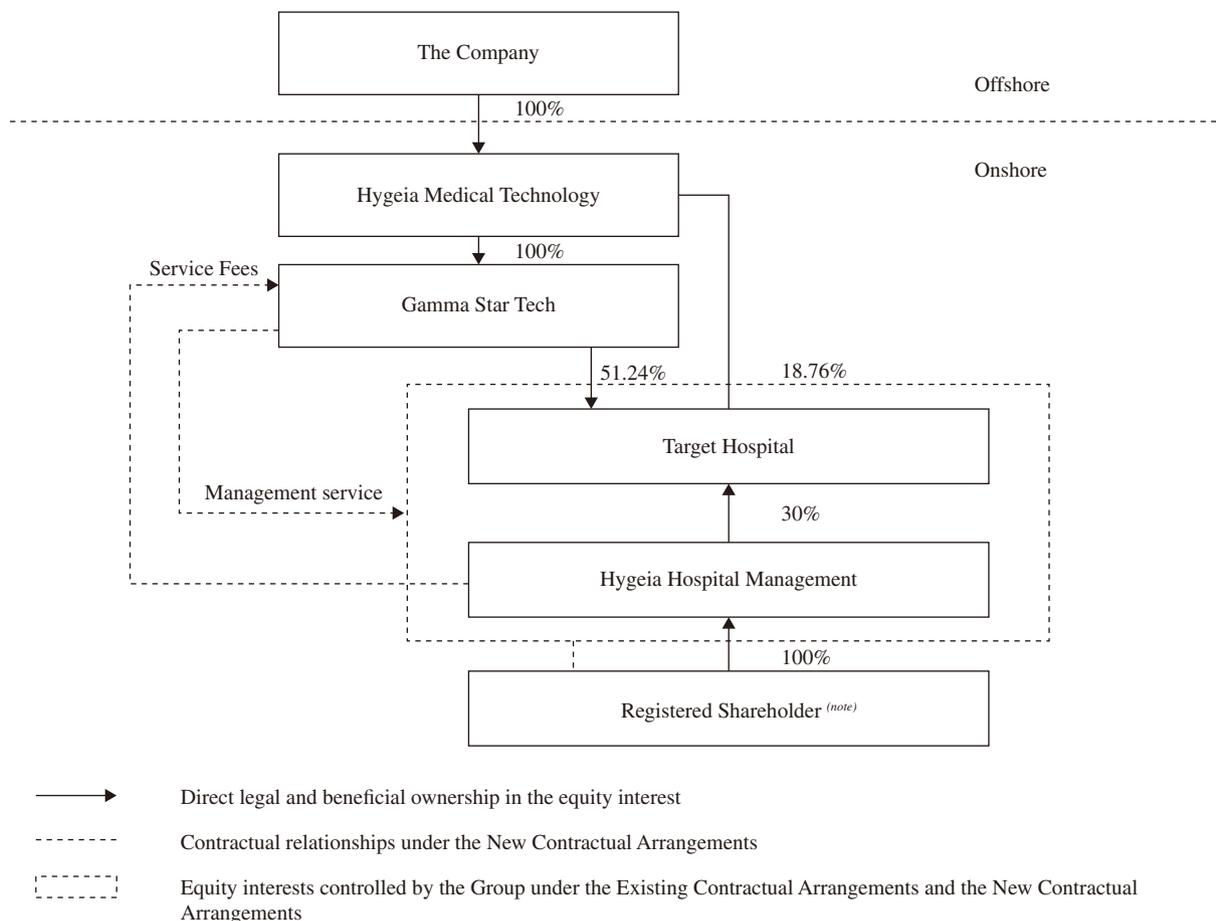
Reasons for the New Contractual Arrangements

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 operates 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, Hygeia Medical Technology, Gamma Star Tech and the Purchaser will directly hold 18.76%, 51.24% and 30% equity interest in the Target Hospital, respectively. In order to obtain the approximately 0.82% economic benefits of the Target Hospital to be attributable to the Purchaser, and to prevent leakages of equity and values to the minority shareholders of the Target Hospital, each of the Purchaser, Gamma Star Tech, 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 benefits from the Target Hospital to the Group under the Existing Contractual Arrangements and The New Contractual Arrangements:



Note: 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 0.82% 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 undertakes 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 0.82% equity interest in the Target Hospital held by it, 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 StarTech, upon issuing a written notice to the pledgors, will be entitled to all remedies available under PRC laws and the New Contractual Arrangements, including but not limited to disposing of the equity interests pledged in its favor.

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

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

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

(5) Spousal Undertakings

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

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

Common terms of the New Contractual Arrangements

Dispute Resolution

Each of the agreements under the New Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the New Contractual Arrangements, any party has the right to submit the relevant dispute to the Shanghai Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of Hygeia Hospital Management and the Target Hospital or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Hygeia Hospital Management and the Target Hospital; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company), the PRC and the places where the principal assets of Gamma Star Tech or Hygeia Hospital Management or the Target Hospital are located for interim remedies or injunctive relief.

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

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

Succession

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

Conflicts of Interests

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

Loss Sharing

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

Liquidation

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

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

Insurance

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

Legality of the New Contractual Arrangements

The PRC Legal Advisor 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 of the PRC and other applicable PRC laws and regulations and would not fall within the circumstances which will lead such arrangements as invalid civil juristic act under the Civil Code of the PRC;
- (5) none of the agreements under the New Contractual Arrangements will violate any provisions of the existing articles of association of each of Gamma Star Tech, Hygeia Hospital Management and the Target Hospital; and
- (6) the execution and performance of the New Contractual Arrangements do not require any approvals from any PRC governmental agency, except that the Equity Pledge Agreements are subject to registration requirements with the relevant administration for market regulation and the exercising of the exclusive options by Gamma Star Tech according to the Exclusive Option Agreements shall be subject to the then effective PRC laws and regulations and relevant approving procedures (if applicable).

The Board's view on the New Contractual Arrangements

Based on the above, the Board is of the view that the New Contractual Arrangements are narrowly tailored as they are used to enable the Group to conduct businesses in industries that are subject to Foreign Ownership Restriction in the PRC. Upon the Completion, the Company indirectly holds 70% equity interest in the Target Hospital through Hygeia Medical Technology and Gamma Star Tech, and controls the 30% equity interest in the Target Hospital to be held by the Purchaser by virtue of the Existing Contractual Arrangements and the New Contractual Arrangements. As such, the Company can receive 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 100% equity interest in the Target Hospital if there is no prescribed limit on the percentage of equity interest permitted to be held by foreign investors.

Compliance with the New Contractual Arrangements

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

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

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

- (1) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, among others, that in the event of conflict of interest in any contract or transaction calling for vote, the Director who is so interested shall declare the nature of his or her interest at the earliest time before or at meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;
- (2) each of the Directors is aware of his or her fiduciary duties as a Director which requires, among others, that he or she acts for the benefits and in the best interests of the Group;
- (3) the Company has appointed three independent non-executive Directors, comprising one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and
- (4) the Group will disclose in its announcements, circulars and annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Risks relating to the New Contractual Arrangements

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

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

The Company is an exempted company incorporated in the Cayman Islands, as such, the Company is classified as a foreign enterprise under PRC laws and regulations. Through the Group's indirect wholly-owned PRC subsidiary, Gamma Star Tech, the Group will enter into a series of New Contractual Arrangements with each of Xiangshang Investment (which holds 100% equity interest in Hygeia Hospital Management), Hygeia Hospital Management and the Target Hospital. Please see the section headed "The New Contractual Arrangements" for a detailed description of the New Contractual Arrangements. Through the Group's shareholdings and the New Contractual Arrangements, the Company controls the Target Hospital through Gamma Star Tech and Hygeia Medical Technology and, at the Company's sole discretion, can receive 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 Contract Law and the General Principles of the PRC Civil Law in effect at that time. 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 become effective on January 1, 2020. According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (hereinafter referred to as "Foreign Investors"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or guidelines of the State Council of the PRC (中華人民共和國國務院) ("State Council"). However, the interpretation and application of the FIL remain uncertain. In addition, the FIL stipulates that foreign investment includes "Foreign Investors investing in China through many other methods under laws, administrative regulations or provisions prescribed by the State Council." The Group cannot assure the investors that the New Contractual Arrangements will not be deemed as a form of foreign investment under laws, regulations or provisions prescribed by the State Council in the future, as a result of which, it will be uncertain whether the New Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and the impact on the New Contractual Arrangements.

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

- levying fines on the Group;
- confiscating the Group's income or the income of Gamma Star Tech, Hygeia Hospital Management or the Target Hospital;
- revoking the Group's business licenses and/or operating licenses;
- shutting down the Group's institutions;
- discontinuing or placing restrictions or onerous conditions on the Group's operations, requiring the Group to undergo a costly and disruptive restructuring; and
- taking other regulatory or enforcement actions that could be harmful to the Group's business.

Any of these actions could cause significant disruption to the Group's business operations and severely damage the Group's reputation, which would result in 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 30% equity interest in the Target Hospital to be held by Hygeia Hospital Management is based upon the Existing Contractual Arrangements and 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 30% 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 Existing Contractual Arrangements and the New Contractual Arrangements with the Target Hospital, Hygeia Hospital Management and Xiangshang Investment to control the remaining 30% equity ownership interests in the Target Hospital.

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 100% 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 30% 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 100% 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 OF THE PARTIES

The Company

The Company was incorporated in Cayman Islands as an exempted company with limited liability on September 12, 2018, the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of healthcare services and radiotherapy business in the PRC. 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.

Gamma Star Tech

Gamma Star Tech is a limited liability company established in the PRC on May 20, 2004 and an indirect wholly-owned subsidiary of the Company. Gamma Star Tech is a manufacturer and research and development enterprise of patented equipment in the radiotherapy business and holds certain license and certificate in China.

The Target Hospital

As of the date of this announcement, the Target Hospital is a subsidiary of the Company. The Company indirectly holds 70% equity interest in the Target Hospital through Hygeia Medical Technology and Gamma Star Tech and controls the 29.18% equity interest in the Target Hospital held by the Purchaser by virtue of the Existing Contractual Arrangements. The remaining 0.82% equity interest in the Target Hospital is held by the Vendors.

The Target Hospital was established in November 2012 and commenced operations in May 2016. The Target Hospital is currently a private for-profit Class II general hospital located in Heze City, Shandong Province, the PRC. The Target Hospital currently holds valid Medical Institution Practicing License (醫療機構執業許可證), Radiation Treatment License (放射診療許可證) and Radiation Safety License (輻射安全許可證), and provides healthcare services in a wide range of specialties, including but not limited to oncology, orthopedics, cardiology, ICU (intensive care unit), ophthalmology and renal hemodialysis. As of December 31, 2020, it had 400 registered beds.

The unaudited net assets of the Target Hospital as at December 31, 2020 was RMB399.198 million. The unaudited net profit (both before and after taxation) of the Target Hospital for the two years ended December 31, 2019 and 2020 were as follows:

	For the year ended	
	December 31,	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit/(loss) before taxation	55,797	84,015
Net profit/(loss) after taxation	41,632	62,737

The Vendors

HDZ Healthcare is a limited partnership established in the PRC on April 21, 2017 and a platform for implementing the restricted share scheme of the Target Hospital. HDZ Healthcare has a total of 22 partners, who are employees participating in the restricted share scheme of the Target Hospital, and are all doctors or other medical professionals of the Target Hospital or the Group. The partner with the highest percentage of interest holds approximately 7.73% interest in HDZ Healthcare.

Jixiang Kangda is a limited partnership established in the PRC on May 10, 2018 and a platform for implementing the restricted share scheme of the Target Hospital. Jixiang Kangda has a total of 46 partners, who are employees participating in the restricted share scheme of the Target Hospital, and are all doctors or other medical professionals of the Target Hospital or the Group. The partner with the highest percentage of interest holds approximately 4.17% interest in Jixiang Kangda.

Haiyue Kangjian is a limited partnership established in the PRC on May 9, 2018 and a platform for implementing the restricted share scheme of the Target Hospital. Haiyue Kangjian has a total of 47 partners, who are employees participating in the restricted share scheme of the Target Hospital, and are all doctors or other medical professionals of the Target Hospital or the Group. The partner with the highest percentage of interest holds approximately 6.03% interest in Haiyue Kangjian.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition, when aggregated with the Prior Acquisition which was conducted within 12 months of the Acquisition, exceeds 5% but is less than 25%, the Acquisition is subject to the reporting, announcement and annual review requirements, but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirement under Chapter 14 of the Listing Rules.

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

In preparation for the Listing, the Company has sought, and the Stock Exchange has granted, the IPO Waiver from strict compliance with the applicable reporting, announcement and independent shareholders' approval requirements relating to the annual caps, three 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.

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, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the approximately 0.82% equity interest in the Target Hospital and the transactions contemplated under the Equity Transfer Agreement
"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)"	having the meaning ascribed thereto it under the Listing Rules
"Board"	the board of directors of the Company
"China" or the "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“Class II”	the regional hospital designated as Class II hospital by the NHFPC hospital classification system, typically having 100 to 500 beds, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions
“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 under the section headed “Completion” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Vendors pursuant to the Equity Transfer Agreement, details of which are set out under the section “Consideration” in this announcement
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	an agreement dated December 21, 2021 (after trading hours) entered into among the Purchaser and the Vendors, in relation to, among other things, the acquisition of the approximately 0.82% 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 and in the section headed “The New Contractual Arrangements” in the announcement dated June 24, 2021
“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
“Group”, “we” or “us”	the Company together with its subsidiaries

“Haiyue Kangjian”	Heze Haiyue Kangjian Medical Service Center (Limited Partnership)* (荷澤市海悅康健醫療服務中心 (有限合夥)), a limited partnership established in the PRC on May 9, 2018 and a platform for implementing the restricted share scheme of the Target Hospital holding approximately 0.06% equity interest in the Target Hospital as at the date of this announcement
“HDZ Healthcare”	Heze Development Zone Healthcare Information Technology Service Center (Limited Partnership)* (荷澤開發區衛健醫療信息技術服務中心 (有限合夥)), a limited partnership established in the PRC on April 21, 2017 and a platform for implementing the restricted share scheme of the Target Hospital holding approximately 0.62% equity interest in the Target Hospital as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hygeia Hospital Management” or the “Purchaser”	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
“Hygeia Medical Technology”	Shanghai Hygeia Medical Technology (Group) Co., Ltd.* (上海海吉亞醫療科技 (集團) 有限公司) (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), Gamma Star Medical Industrial (Shanghai) Co., Ltd.* (伽瑪星醫療工業 (上海) 有限公司)), a limited liability company established in the PRC on January 10, 2007 and a wholly-owned subsidiary of the Company
“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
“Jixiang Kangda”	Heze Jixiang Kangda Medical Service Center (Limited Partnership)* (荷澤市吉祥康達醫療服務中心 (有限合夥)), a limited partnership established in the PRC on May 10, 2018 and a platform for implementing the restricted share scheme of the Target Hospital holding approximately 0.14% equity interest in the Target Hospital as at the date of this announcement
“Listing”	the listing of the shares of the Company on the Main Board of the Stock Exchange on June 29, 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Zhu”	Mr. Zhu Yiwen (朱義文), father of Ms. Zhu, the founder of the Group, chairman of the Board, an executive Director and one of the Controlling Shareholders
“Ms. Zhu”	Ms. Zhu Jianqiao (朱劍喬), daughter of Mr. Zhu and one of the Controlling Shareholders

“New Contractual Arrangements”	a series of contractual arrangements to be entered into among each of the Purchaser, Gamma Star Tech, the Target Hospital and Xiangshang Investment, details of which are described in the section headed “New Contractual Arrangements” in this announcement
“NHFPC”	National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會), currently known as National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
“PRC Legal Advisor”	Tian Yuan Law Firm, the legal advisor to the Company as to the laws of the PRC
“Prior Acquisition”	the acquisition of 17.62% equity interest in the Target Hospital by the Purchaser from the Vendors for cash consideration of RMB254,273,715 pursuant to the equity transfer agreement entered into between the Purchaser and the Vendors on June 24, 2021
“Prospectus”	the prospectus of the Company published on June 16, 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it in the Listing Rules
“Target 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 by virtue of the Existing Contractual Arrangements
“United States”	the United States of America, its territories, possessions, and all areas subject to its jurisdiction
“Vendors”	collectively, HDZ Healthcare, Jixiang Kangda and Haiyue Kangjian, all of which were established as platforms for implementing the restricted share scheme of the Target Hospital, and owned an aggregate of approximately 0.82% equity interest in the Target Hospital as at the date of this announcement

“VIE Hospitals”	collectively, the Target Hospital, Heze Hygeia Hospital Co., Ltd.* (荷澤海吉亞醫院有限公司), Suzhou Canglang Hospital Co., Ltd.* (蘇州滄浪醫院有限公司), Chongqing Hygeia Cancer Hospital Co., Ltd.* (重慶海吉亞腫瘤醫院有限公司), Longyan Boai Hospital Co., Ltd.* (龍巖市博愛醫院有限公司), Longyan Hygeia Hospital Co., Ltd.* (龍巖海吉亞醫院有限公司), Chengwu Hygeia Hospital Co., Ltd.* (成武海吉亞醫院有限公司), Anqiu Hygeia Hospital Co., Ltd.* (安丘海吉亞醫院有限公司), Liaocheng Hygeia Hospital Co., Ltd.* (聊城海吉亞醫院有限公司), Dezhou Hygeia Hospital Co., Ltd.* (德州海吉亞醫院有限公司), Wuxi Hygeia Hospital Co., Ltd.* (無錫海吉亞醫院有限公司), Changshu Hygeia Hospital Co., Ltd.* (常熟海吉亞醫院有限公司), Anyang Hygeia Hospital Co., Ltd.* (安陽海吉亞醫院有限公司), and Hezhou Guangji Hospital Co., Ltd.* (賀州廣濟醫院有限公司)
“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

Unless otherwise specified in this announcement, amounts denominated in RMB have been converted into Hong Kong dollars at the rate of HK\$1.00 = RMB0.81699, being the central parity rate published by the People’s Bank of China as at December 21, 2021. This exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

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

Hong Kong, December 21, 2021

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