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RICI HEALTHCARE HOLDINGS LIMITED

瑞慈醫療服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1526)

MAJOR TRANSACTION IN RELATION TO DISPOSALS OF RICI SHUIXIAN AND RICI RUIJING

Financial advisor to the Company



THE DISPOSALS

The Board announces that on August 18, 2022 (after trading hours), Shanghai Ruikui, the Purchaser and the Guarantors entered into the Equity Transfer Agreement, pursuant to which, Shanghai Ruikui agreed to sell and the Purchaser agreed to purchase (i) the equity interest in Rici Shuixian held by Shanghai Ruikui, representing 60% of the total equity interest in Rici Shuixian, and (ii) the total equity interest in Rici Ruijing, at a total consideration of RMB287.0 million, subject to adjustments with a mark-up not expected to exceed RMB12.0 million.

Upon completion, Shanghai Ruikui will cease to have any equity interest in Rici Shuixian and Rici Ruijing, and thus Rici Shuixian and Rici Ruijing will cease to be the subsidiaries of the Company and the financial results of Rici Shuixian and Rici Ruijing will no longer be consolidated into the consolidated financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Disposals, when aggregated, is more than 25% but all of the applicable percentage ratios are less than 75%, the Disposals, when considered as a whole, constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are subject to the announcement, circular, and shareholders' approval requirements under Chapter 14 of the Listing Rules. Since (i) so far as the Company is aware after making reasonable enquiries, no Shareholder has a material interest in the Disposals and is required to abstain from voting on the resolutions at an extraordinary general meeting if it were convened to approve the Equity Transfer Agreement and the Disposals; and (ii) in lieu of holding an extraordinary general meeting, the Company, on August 18, 2022, received an irrevocable and unconditional written approval on the Equity Transfer Agreement and the Disposals from Chelsea Grace Holdings Limited (翠慈控股有限公司), the Company's controlling shareholder which held 872,550,000 Shares (representing approximately 54.87% of the issued capital of the Company as at the date of the approval and this announcement), no extraordinary general meeting is required to be convened for the approval of the Disposals pursuant to Rule 14.44 of the Listing Rules.

The Company will despatch a circular containing, among other things, details of the Equity Transfer Agreement and the Disposals in accordance with the requirements of the Listing Rules. It is expected that the circular will be despatched to the Shareholders on or before September 8, 2022.

BACKGROUND

The Board announces that on August 18, 2022 (after trading hours), Shanghai Ruikui, the Purchaser and the Guarantors entered into the Equity Transfer Agreement, pursuant to which, Shanghai Ruikui agreed to sell and the Purchaser agreed to purchase (i) the equity interest in Rici Shuixian held by Shanghai Ruikui, representing 60% of the total equity interest in Rici Shuixian, and (ii) the total equity interest in Rici Ruijing, at a total consideration of RMB287.0 million, subject to adjustments with a mark-up not expected to exceed RMB12.0 million.

Upon completion, Shanghai Ruikui will cease to have any equity interest in Rici Shuixian and Rici Ruijing, and thus Rici Shuixian and Rici Ruijing will cease to be the subsidiaries of the Company and the financial results of Rici Shuixian and Rici Ruijing will no longer be consolidated into the consolidated financial statements of the Group.

PRINCIPAL TERMS OF EQUITY TRANSFER AGREEMENT

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

Date: August 18, 2022

Parties:

- i) Shanghai Ruikui, as the vendor;
- ii) the Purchaser; and
- iii) the Guarantors.

Assets to be disposed by Shanghai Ruikui:

- i) 60.00% of the equity interest in Rici Shuixian; and
- ii) 100.00% of the equity interest in Rici Ruijing.

Consideration: The consideration of the Equity Transfer Agreement payable to Shanghai Ruikui for the Disposals is RMB287.0 million. The consideration were negotiated on arm's length basis between the Company and the Purchaser with reference to a number of factors, including (i) the historical performance and future prospects of the Rici Shuixian; (ii) the historical contributions by the Group; (iii) the valuation of Rici Shuixian and cash inflow as a result of the Disposals; and (iv) the fact that Rici Ruijing has had no substantial operation and recorded nil revenue or assets since its incorporation.

The consideration is subject to adjustments, with a mark-up not expected to exceed RMB12.0 million, being the aggregate of (i) 50% of the working capital contributed by Shanghai Ruikui to Rici Shuixian from March 1, 2022 to June 30, 2022, which shall not exceed RMB1.5 million per month, and (ii) the entire working capital contributed by Shanghai Ruikui to Rici Shuixian from July 1, 2022 to the Closing Date, deducted by (i) the shortfall between the negative amount of RMB15,468,533.61 and the actual working capital of Rici Shuixian at the Closing Date, if such amount falls below the negative amount of RMB15,468,533.61 at the Closing Date, and (ii) the historical obligations and liabilities unless as otherwise agreed in the Equity Transfer Agreement.

Payment, conditions precedent and closing:

The consideration for the Disposals will be paid in four installments:

First installment

The first installment being RMB137.0 million shall be paid in three tranche payments and the amount of each tranche payment shall be one-third of RMB137.0 million. Subject to the last installment under the Kewan Agreement having been made and the conditions precedent as further elaborated below, one tranche payment of such first installment under the Equity Transfer Agreement shall be made each time after Rici BVI, as the subscriber under the Share Subscription Agreement, has shown the sufficient fund available for payment of a second, third or fourth installment under the Share Subscription Agreement. Please refer to the Company's announcement published on August 18 2022 in connection with the Share Subscription Agreement and the transactions contemplated thereunder for more details of the payment arrangement under the Share Subscription Agreement.

The first installment shall be subject to the following conditions precedents:

- i) each of Shanghai Ruikui, Rici Shuixian and the Company having obtained all necessary approvals and consents from their respective competent decision-making bodies in respect of the Equity Transfer Agreement and the Disposals;
- ii) Rici Shuixian and Rici Ruijing having completed the registration of the changes on their respective administration of industry and commerce filing in connection with the disposals of 59% and 99% equity interest held by Shanghai Ruikui in Rici Shuixian and Rici Ruijing, respectively;
- iii) Shanghai Ruikui having delivered to the Purchaser all the properties and materials of the Target Companies and the handover list of the delivery items having been duly signed;

- iv) no outstanding receivable from or payable to the related parties, directors, supervisors, shareholders, senior management or staff, save for what has been disclosed to and agreed by the Purchaser;
- v) the representations and warranties under the Equity Transfer Agreement remaining true, accurate and complete from the date of the Equity Transfer Agreement to the Closing Date, and Shanghai Ruikui and the Target Companies having not violated the obligations or undertakings under the Equity Transfer Agreement on or before the Closing Date;
- vi) no law in force or any agreement, contract or legal document that prohibits or restricts the completion of the Disposals (except where relevant exemptions for the transaction have been obtained), or has a material adverse effect on the ownership, operation or control of the main business and related assets of the Target Companies as of the Closing Date;
- vii) no substantial change of the Target Companies and their equity, nor have there been any events or facts that could have caused such substantial changes as of the Closing Date. Substantial change refers to the change having material adverse effects on the business operation, the financial position, the equity and the value of main assets of the Target Companies;
- viii) no litigation, arbitration, administrative penalty or investigation or other disputes involving the parties that may affect the legality of the Disposals, or have a material adverse impact on the operation or operational environment of the Target Companies as of the Closing Date; and
- ix) Shanghai Ruikui having issued the written notice to the Purchaser confirming on the satisfaction of the conditions precedent.

Second installment

On the condition that the Company receiving no comment confirmation from the Stock Exchange on the Company's circular in connection with the Disposals, the second installment being one-third of the remaining consideration after the first installment (having been adjusted as further elaborated above) shall be paid on March 31, 2023 or the date as the parties otherwise agree.

Third installment

The third installment being one-third of the remaining consideration after the first installment (having been adjusted as further elaborated above) shall be paid on, or before as requested by the Purchaser, the second anniversary of the Closing Date or the date as the parties otherwise agreed.

Fourth installment

The fourth installment being one-third of the remaining consideration after the first installment (having been adjusted as further elaborated above) shall be paid on, or before as requested by the Purchaser, the third anniversary of the Closing Date or the date as the parties otherwise agreed.

In the event where there is any qualified listing of the shares of Unicorn II Holdings Limited prior to any of the second, third and fourth installments, the Purchaser shall make a one-off payment for the then entire remaining consideration (having been adjusted as further elaborated above) within 15 business days after such listing.

The parties agreed that Rici Shuixian and Rici Ruijing will complete the registration of the changes on their respective administration of industry and commerce filing in connection with the disposals of 59% and 99% equity interest held by Shanghai Ruikui in Rici Shuixian and Rici Ruijing, respectively, prior to the first installment, and the Closing Date refers to the date on which such registration of the changes on administration of industry and commerce filing is completed. The registration of the changes on the respective administration of industry and commerce filing in connection with the disposals of the remaining 1% equity interest held by Shanghai Ruikui in each of Rici Shuixian and Rici Ruijing will be completed by March 31, 2023. Where the registration of the changes on the administration of industry and commerce filing in connection with the disposals of the targeted equity interest is completed, the title on the targeted equity interest and the shareholder's rights attached to the targeted equity interest will be duly transferred to the Purchaser.

Guarantee:

The Guarantors jointly and severally undertakes to be jointly and severally liable for the payment obligations of the Purchaser for the second to fourth installments. For each of such installments, the guarantee period is three years starting from the date where the payment obligation under such installment is accrued.

Termination:

The Equity Transfer Agreement may be terminated,

- i) if the parties to the Equity Transfer Agreement reach a written consensus;
- ii) by the Purchaser and before the Closing Date, when any of the following circumstances occurs, unless otherwise stipulated in the Equity Transfer Agreement:
 - a) either Rici Shuixian or Rici Ruijing has not completed the registration of the changes on their respective administration of industry and commerce filing in connection with the disposals of 59% and 99% equity interest held by Shanghai Ruikui in Rici Shuixian and Rici Ruijing within two months (inclusive) after the date of the Equity Transfer Agreement, except that such situation is not caused by the Purchaser or as a result of force majeure or pandemic;

- b) the representations and warranties of Rici Shuixian, Rici Ruijing or Shanghai Ruikui under the Equity Transfer Agreement are seriously false or untrue (for avoidance of doubt, including omissions);
 - c) Rici Shuixian, Rici Ruijing or Shanghai Ruikui materially violate the Equity Transfer Agreement and fail to make a remedy to the Purchaser's reasonable satisfaction after 15 days of written notice from the Purchaser;
 - d) any of Shanghai Ruikui or the Target Companies enter into any voluntary or compulsory bankruptcy proceedings (unless such proceedings are withdrawn within thirty days of commencement), or is declared bankrupt or liquidated by a court or other governmental authority.
- iii) by Shanghai Ruikui where it has fulfilled its obligations under the Equity Transfer Agreement, and the conditions precedent have been satisfied, whereas the Purchaser fails to make payment which is overdue for more than 30 days (unless the overdue is not caused by the Purchaser); and
- iv) by either party if the Kewan Agreement is terminated.

INFORMATION OF RICI SHUIXIAN AND RICI RUIJING

Rici Shuixian

Located in Shanghai, Rici Shuixian is one of the Group's OGP specialty hospitals with an aim to providing medical services to high-net-worth individuals in Yangtze River Delta region. As at the date of this announcement, Rici Shuixian was owned as to 60.00% by Shanghai Ruikui and 40.00% by Kewan, which was wholly owned by HU Di (胡迪), an Independent Third Party (except for the equity interest held by Kewan in Rici Shuixian). Kewan is principally engaged in providing nutrition and health consulting services and research and development of medical technology.

Set out below is certain financial information of Rici Shuixian under the Hong Kong Financial Reporting Standards:

	For the year ended		As at
	December 31,		December 31,
	2020	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Net assets	—	—	26,667
Total assets	—	—	327,656
Loss before taxation	20,681	60,522	—
Loss after taxation	23,765	45,805	—

Rici Ruijing

Rici Ruijing is a general outpatient department and was incorporated on March 11, 2022. As at the date of this announcement, Rici Ruijing was wholly owned by Shanghai Ruikui. Rici Ruijing has had no substantial operation and recorded nil revenue, profit, total assets or net assets since its incorporation.

INFORMATION RELATING TO THE COMPANY, SHANGHAI RUIKUI, THE PURCHASER AND THE GUARANTORS

The Company

The Company was incorporated under the laws of Cayman Islands on July 11, 2014 as an exempted company with limited liability. The principal activity of the Company is investment holding. The Group is principally engaged in the operation of general hospital, specialty hospital, medical examination centers and clinics in the PRC.

Shanghai Ruikui

Shanghai Ruikui is a company incorporated under the laws of the PRC with limited liability on August 25, 2014 and an indirectly wholly-owned subsidiary of the Company. The principal activity of Shanghai Ruikui is investment holding.

The Purchaser

The Purchaser is a company incorporated under the laws of the PRC with limited liability on March 25, 2022 and is owned as to 70% by Hainan Qinmu Medical Management Co., Ltd. (海南沁睦醫療管理有限公司) and as to 30% by Shanghai Yuanmu Enterprise Management Co., Ltd. (上海元睦企業管理有限公司). Hainan Qinmu Medical Management Co., Ltd. is wholly owned by Hainan New Frontier United Family Healthcare Management Co., Ltd. (海南新風和睦家醫療管理有限公司), which is in turn wholly owned by United Family Healthcare Limited (和睦家醫療有限公司). Shanghai Yuanmu Enterprise Management Co., Ltd. is owned as to 99% by Chen Yue and as to 1% by Wang Shuo. The Purchaser is a member of United Family Healthcare, a leading private healthcare provider offering comprehensive premium healthcare services in China. The United Family Healthcare platform consists of a network of nine private hospitals and affiliated clinic network. United Family Healthcare is owned and operated by New Frontier Health Corporation, a wholly owned subsidiary of Unicorn II Parent Limited. Unicorn II Parent Limited is a holding company incorporated under the laws of Cayman Islands and a wholly-owned subsidiary of Unicorn II Holdings Limited.

The Guarantors

Unicorn II Holdings Limited is a company incorporated under the laws of Cayman Islands and is ultimately controlled by Mr. Kam Chung Leung and Mr. Carl Wu. Both Unicorn II Parent Limited and Unicorn II Holdings Limited are holdings vehicles of New Frontier Health Corporation.

Beijing Jingbei Women & Children United Family Hospital Co., Ltd. (北京和睦家京北婦兒醫院有限公司) is a company incorporated under the laws of the PRC with limited liability on March 28, 2018 and is an indirectly wholly-owned subsidiary of New Frontier Health Corporation. It is a specialty hospital focusing on obstetrician gynecologist, pediatric, reproductive and other specialties in Beijing.

Tianjin United Family Hospital (天津和睦家醫院有限公司) is a company incorporated under the laws of the PRC with limited liability on December 16, 2010 and is an indirectly wholly-owned subsidiary of New Frontier Health Corporation. It is principally engaged in providing comprehensive healthcare services in Tianjin.

Qingdao United Family Hospital (青島和睦家醫院有限公司) is a company incorporated under the laws of the PRC with limited liability on December 24, 2013 and is an indirectly wholly-owned subsidiary of New Frontier Health Corporation. It is principally engaged in providing comprehensive healthcare services in Qingdao.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as of the date of this announcement, each of the Purchaser, the Guarantors and their ultimate beneficial owners was an Independent Third Party.

REASONS AND BENEFITS FOR THE DISPOSALS

Rici Shuixian is one of the loss-making OGP specialty hospitals under the Group's OGP specialty hospital business. In light of the historical financial performance of Rici Shuixian, the Directors consider that the disposal of Rici Shuixian offers an opportunity for the Group to optimize its financial performance and better utilize its resources with a focus on the development of the Group's other business. The disposal of Rici Shuixian will enable the Group to increase its working capital and therefore improve its liquidity and strengthen its overall financial position.

Rici Ruijing is a recently-established general outpatient department located at the same location as Rici Shuixian. The original intention of the Group to set up Rici Ruijing was to enable it to come into a synergistic effect with Rici Shuixian in acquiring customers and providing comprehensive healthcare services. Given the Group's recent change of its business strategy, the disposal of Rici Shuixian and that Rici Ruijing has not yet commenced operation, the Directors consider that it would be in the Company's best interest to dispose of Rici Ruijing along with Rici Shuixian.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the Disposals are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT AND USE OF PROCEEDS

The Disposals will generate a total cash inflow to the Group of RMB287.0 million and the Company estimates that it will recognize a total unaudited gain from the Disposals of RMB219.9 million, being the amount equal to the consideration receivable by Shanghai Ruikui in connection with the Disposals partially offset by the net assets value of Rici Shuixian attributable to Shanghai Ruikui as of July 31, 2022 of RMB67.1 million. The above figure is for illustrative purpose only. The actual amount of gain or loss on the Disposals to be recognized in the consolidated financial statements of the Group will be based on the carrying value of the net assets value of Rici Shuixian as of the Closing Date and therefore may vary from the amount mentioned above.

Upon completion of the Disposals, Shanghai Ruikui will cease to have any equity interest in Rici Shuixian and Rici Ruijing, and thus Rici Shuixian and Rici Ruijing will cease to be the subsidiaries of the Company and the financial results of Rici Shuixian and Rici Ruijing will no longer be consolidated into the consolidated financial statements of the Group.

The Company intends to apply the net proceeds from the Disposals as general working capital and capital expenditure to finance the business operation and activities of the Group within its ordinary course of business.

IMPLICATION OF THE LISTING RULES

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Disposals, when aggregated, is more than 25% but all of the applicable percentage ratios are less than 75%, the Disposals, when considered as a whole, constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are subject to the announcement, circular, and shareholders' approval requirements under Chapter 14 of the Listing Rules. Since (i) so far as the Company is aware after making reasonable enquiries, no Shareholder has a material interest in the Disposals and is required to abstain from voting on the resolutions at an extraordinary general meeting if it were convened to approve the Equity Transfer Agreement and the Disposals; and (ii) in lieu of holding an extraordinary general meeting, the Company, on August 18, 2022, received an irrevocable and unconditional written approval on the Equity Transfer Agreement and the Disposals from Chelsea Grace Holdings Limited (翠慈控股有限公司), the Company's controlling shareholder which held 872,550,000 Shares (representing approximately 54.87% of the issued capital of the Company as at the date of the approval and this announcement), no extraordinary general meeting is required to be convened for the approval of the Disposals pursuant to Rule 14.44 of the Listing Rules.

The Company will despatch a circular containing, among other things, details of the Equity Transfer Agreement and the Disposals in accordance with the requirements of the Listing Rules. It is expected that the circular will be despatched to the Shareholders on or before September 8, 2022.

DEFINITIONS

“Board”	the board of Directors
“Company”	Rici Healthcare Holdings Limited (瑞慈醫療服務控股有限公司), a company incorporated in the Cayman Islands with limited liability on July 11, 2014 and the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Closing Date”	the date on which Rici Shuixian and Rici Ruijing complete the registration of the changes on their respective administration of industry and commerce filing in connection with the disposals of 59% and 99% equity interest held by Shanghai Ruikui in Rici Shuixian and Rici Ruijing, to the Purchaser, respectively
“Director(s)”	the director(s) of the Company
“Disposals”	the disposal transactions contemplated under the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated August 18, 2022 entered into by Shanghai Ruikui, the Purchaser and the Guarantors, pursuant to which, Shanghai Ruikui agreed to sell and the Purchaser agreed to purchase (i) the equity interest in Rici Shuixian held by Shanghai Ruikui, representing 60% of the total equity interest in Rici Shuixian, and (ii) the total equity interest in Rici Ruijing, at a total consideration of RMB287.0 million
“Guarantors”	Unicorn II Holdings Limited, Beijing Jingbei Women & Children United Family Hospital Co., Ltd. (北京和睦家京北婦兒醫院有限公司), Tianjin United Family Hospital (天津和睦家醫院有限公司) and Qingdao United Family Hospital (青島和睦家醫院有限公司)
“Group”	the Company and its subsidiaries

“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Kewan”	Shanghai Kewan Health Consulting Co., Ltd. (上海軻苑健康諮詢有限公司), a company incorporated under the laws of the PRC with limited liability on May 7, 2018 and a minority shareholder of Rici Shuixian as at the date of this announcement
“Kewan Agreement”	the equity transfer agreement dated August 18, 2022 between Kewan and the Purchaser in connection with the disposal of 40% equity interest in Rici Shuixian by Kewan to the Purchaser
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“OGP”	obstetrics, gynecology and pediatrics
“PRC”	The People’s Republic of China, which expression for the purpose of this announcement, except where the context requires otherwise, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Hainan Xinmu Medical Management Co., Ltd. (海南新睦醫療管理有限公司), a company incorporated under the laws of the PRC with limited liability on March 25, 2022 and the purchaser under the Equity Transfer Agreement
“Rici BVI”	Rici Healthcare Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on July 11, 2014, which is a directly wholly-owned subsidiary of the Company
“Rici Ruijing”	Shanghai Rici Ruijing Clinic Co., Ltd. (上海瑞慈瑞靜門診部有限公司), a company incorporated under the laws of the PRC with limited liability on March 11, 2022, an indirectly wholly-owned subsidiary of the Company prior to the completion of the Disposals and a target of the Disposals

“Rici Shuixian”	Rici Shuixian Obstetrics & Gynecology Hospital Co. Ltd. (上海瑞慈水仙婦兒醫院有限公司), a company incorporated under the laws of the PRC with limited liability on October 17, 2016, an indirectly non-wholly-owned subsidiary of the Company prior to the completion of the Disposals and a target of the Disposals
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Ruikui”	Shanghai Ruikui Health Consulting Co., Ltd. (上海瑞魁健康諮詢有限公司), a company incorporated under the laws of the PRC with limited liability on August 25, 2014, an indirectly wholly-owned subsidiary of the Company and the direct holding company of Rici Shuixian prior to the completion of the Disposals
“Shareholder(s)”	shareholder(s) of the Company
“Share Subscription Agreement”	the share subscription agreement entered into on August 18, 2022 among Rici BVI, Unicorn II Holdings Limited and New Frontier Public Holding Ltd. in connection with the subscription of certain shares of Unicorn II Holdings Limited by Rici BVI
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, Rici Ruijing, Rici Shuixian and the subsidiary of Rici Shuixian

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

Shanghai, the PRC, August 18, 2022

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