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Chaoju Eye Care Holdings Limited
朝聚眼科醫療控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2219)

**COMPLETION OF THE ACQUISITIONS OF
EQUITY INTERESTS IN THE TARGET HOSPITALS**

Financial Adviser to the Company



Reference is made to the announcement dated September 26, 2022 (the “**Announcement**”) of Chaoju Eye Care Holdings Limited (the “**Company**”) in relation to the acquisitions of (i) 75% equity interest in Tangshan Jidong Hospital; (ii) 51% equity interest in Yutian Jidong Hospital; (iii) 51% equity interest in Luannan Jidong Hospital; (iv) 65% equity interest in Luanzhou Jidong Hospital; and (v) 1% general partnership interest and 53% limited partnership interest in Ningbo Gaoshi (currently known as Ningbo Juwang Minghui Investment Partnership (Limited Partnership)* (寧波聚望明暉投資合夥企業(有限合夥))) which holds 5% equity interest in Tangshan Jidong Hospital. Capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement, unless defined otherwise.

COMPLETION

The Board is pleased to announce that all the conditions precedent of the Equity Transfer Agreement and the Partnership Interest Transfer Agreement have been fulfilled. Accordingly, Completion has taken place on November 9, 2022 in accordance with the terms and conditions of the Equity Transfer Agreement and the Partnership Interest Transfer Agreement.

Following Completion, the Company (i) indirectly holds 70% equity interest in Tangshan Jidong Hospital and controls 10% equity interest in Tangshan Jidong Hospital through Xiamen Xinkangnuo by virtue of the Existing Contractual Arrangements; (ii) indirectly holds 51% equity interest in Yutian Jidong Hospital; (iii) indirectly holds 51% equity interest in Luannan Jidong Hospital; and (iv) indirectly holds 65% equity interest in Luanzhou Jidong Hospital. The Target Hospitals have become indirect non-wholly owned subsidiaries of the Company and the financial results of the Target Hospitals will be consolidated into the financial statements of the Group.

ADDITIONAL INFORMATION ON THE ACQUISITIONS

Further, the Company wishes to provide certain additional information in relation to the Acquisitions as follows:

Valuation of the Target Hospitals

Based on the valuation reports prepared by an independent professional valuer (the “**Independent Valuer**”), the Company would like to provide additional information on valuation of the Target Hospitals.

Given the characteristics of the Target Hospitals, the Independent Valuer is of the view that there are limitations on adopting either the income approach or the asset-based approach for the valuation: (i) regarding the income approach, the volatility in the Target Hospitals’ performance in connection with the COVID-19 pandemic rendered its income forecast and quantified associated risks to have relatively low referential value, the forecasts involved are dependent on very subjective key parameters and the results of such valuation only represent the intrinsic value of the Target Hospitals and do not reflect their market value; and (ii) regarding the asset-based approach, the Target Hospitals provide ophthalmic medical services which relies on, including but not limited to, on-going licenses, management personnel and expertise, relationship with various stakeholders, instead of merely a book value of “assets” that could be quantified in the financial statements which does not translate to its market value.

Based on the above, both income approach and the asset-based approach are considered inappropriate for valuing the Target Hospitals and thus, the market approach has been adopted for valuation.

Major inputs used and selection basis for comparable companies

The Independent Valuer is of the view that the enterprise value-to-sales multiples (the “**EV/S Multiples**”), calculated by using enterprise value of comparable companies for the financial year 2021 divided by its revenue for the financial year 2021, would be the appropriate multiplier when making comparisons to other comparable companies in the healthcare industry. The comparable companies were selected with the following criteria: (a) companies that are predominately in the medical service industry in the PRC and/or are subject to the same economic factors to that of the Target Hospitals; (b) companies that have been listed for over two years to ensure stability in their market prices; and (c) outliers and companies with corporate governance issues were eliminated. The comparable companies selected which were able to meet the above criteria has a range of EV/S Multiples of 3.19x to 9.25x.

Adjustments were made to the EV/S Multiples of the comparable companies based on indicators including the operations, financial positions, profitability and liquidity, which are quantified as adjustment co-efficient that are multiplied to each of the EV/S Multiples of the comparable companies. The comparable companies has a range of adjusted EV/S Multiples of 3.04x to 9.50x. The Independent Valuer took the average of the adjusted EV/S Multiples of the comparable companies as the EV/S Multiples of Target Hospitals, taking into account net liabilities and a discount for lack of liquidity as the Target Hospitals were non-listed enterprises, and came to the conclusion that the Target Hospitals’ EV/S Multiples lie within the range of the EV/S Multiples of the industry average.

Major assumptions of the valuation

The valuation of the Target Hospitals is subject to the following major assumptions:

- (a) the Target Hospitals and the assets and liabilities subject to evaluation are all in the process of transaction and were evaluated in a simulated market according to trading conditions;
- (b) the parties to the transaction are all on equal standings and each has the opportunity and time to obtain sufficient market information to form their reasonable judgment;
- (c) the appraisal methods and parameters and basis used to evaluate the assets will be consistent with those being used for their evaluation;
- (d) the Target Hospitals will maintain operations used the same operation methods as it currently does and the Target Hospitals will be operated as it has been and free of legal proceedings or claims with a significant impact;
- (e) no significant changes in the existing regulatory environment, laws and policies affecting the operations of the Target Hospitals;
- (f) no irresistible and unpredictable events following the valuation will occur affecting the operations of the Target Hospitals;
- (g) the information of Target Hospitals are true, complete and reliable and there are no defective matters or contingencies not provided that might adversely affect the valuation of the Target Hospitals; and
- (h) the Target Hospitals will retain competent management, key personnel and technicians to support its ongoing operations.

The Board's assessment on the valuation and consideration

The Directors have discussed with the Independent Valuer to understand the limitations imposed by the income approach and the asset-based approach which presented difficulties in deriving a meaningful valuation and that the EV/S Multiples are commonly adopted valuation benchmark in the industry. As such, the Directors have understood and concurred with the Independent Valuer that the adoption of the market approach (including the usage of EV/S Multiples) in the valuation of the Target Hospitals would be the appropriate approach.

Further, the Directors are of the view that the benchmark date of December 31, 2021 is fair and reasonable considering that is the date of the latest available audited financial information of the Target Hospitals which can be compared against the comparable companies. In addition, the consistent use of full year end audited financials would better facilitate the analysis by the Independent Valuer in comparison to using the unaudited financial information of the Target Hospitals for the six months ended June 30, 2022. According to the Standards for the Appraisal of Assets (資產評估準則), the appraised value of the Target Hospitals in the valuation reports are valid for one year from the benchmark date.

In addition to seeking reference from the valuation reports of the Target Hospitals and the fact that the EV/S Multiples of the Target Hospitals lie within the range of the EV/S Multiples of the industry average, the Company also took into account other factors in determining the amount of the Consideration including, but not limited to: (i) the historical performance of each of the Target Hospitals; (ii) the synergies to be created among the Target Hospitals and the existing hospitals of the Group's network, due partly to the fact that the Target Hospitals possess a skillful and qualified team of medical professionals in Tangshan; (iii) the eastwardly direction of the Group's expansion and its gradual interaction with the Beijing-Tianjin market; and (iv) the benefits derived from the Group's ability to control and influence over the management and operations of the Target Hospitals. For more details on the benefits of the Acquisitions, please refer to the section headed "Reasons for and Benefits of the Acquisitions and the Partnership Interest Transfer" in the Announcement. Having considered the aforesaid factors, the Directors agree with the valuation of the Target Hospitals and consider that the Consideration is fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

Further Information on Ningbo Gaoshi

As of the date of this announcement, Xiamen Xinkangnuo directly holds 1% general partnership interest and 53% limited partnership interest in Ningbo Gaoshi, and the other limited partners of Ningbo Gaoshi are Liu Shuiwei (劉淑偉) (as to 20% limited partnership interest), Zhang Yunling (張雲玲) (as to 10% limited partnership interest), Xu Bin (徐斌) (as to 6.4% limited partnership interest), Li Chunjiang (李春江) (as to 3.2% limited partnership interest), Xue Aijun (薛愛君) (as to 3.2% limited partnership interest) and Liu Ruoping (劉若屏) (as to 3.2% limited partnership interest).

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, each of the abovementioned limited partners of Ningbo Gaoshi are members of management or physicians of the Target Hospitals and are third parties independent of the Company and its associates.

All information as set out in the Announcement remain unchanged and shall continue to be valid for all purposes, while this announcement is supplemental to and should be read in conjunction with the Announcement.

By order of the Board
Chaoju Eye Care Holdings Limited
ZHANG Bozhou
Chairman

Hong Kong, November 9, 2022

As of the date of this announcement, the Board of Directors of the Company comprises Mr. ZHANG Bozhou as the chairman and executive Director; Ms. ZHANG Xiaoli, Mr. ZHANG Junfeng and Mr. ZHANG Guangdi as executive Directors; Mr. KE Xian, Mr. Richard Chen MAO, Mr. LI Zhen and Ms. ZHANG Wenwen as non-executive Directors; and Mr. HE Mingguang, Ms. GUO Hongyan, Mr. LI Jianbin and Mr. BAO Shan as independent non-executive Directors.

* *The English translation of the Chinese names denoted in this announcement is for illustration purposes only. Should there be any inconsistencies, the Chinese name shall prevail.*