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Sinohealth Holdings Limited

中康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2361)

CONNECTED TRANSACTION

ACQUISITION OF 50.6% EQUITY INTERESTS IN ZHONGHUI MEDICAL

THE ACQUISITION

On 5 February 2024, Sinohealth Information, a subsidiary of the Group (as the Transferee), and Foshan Heheng (as the Transferor) entered into an Equity Transfer Agreement and a Partnership Property Share Transfer Agreement for the acquisition of 50.6% equity interests in Zhonghui Medical (as the Target Company) at a consideration of RMB12,238,921. Upon completion of the Acquisition, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

The Transferor is an indirect non-wholly owned subsidiary partnership of Mr. Wu Yushu and Ms. Wang Lifang, the executive Directors of the Company. Therefore, the Transferor is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios exceed 0.1% but all of them are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

EQUITY TRANSFER AGREEMENT

On 5 February 2024, the Transferee, a subsidiary of the Group, and the Transferor entered into an Equity Transfer Agreement for the acquisition of 40.8% equity interests in the Target Company at a consideration of RMB12,238,920.

The summary of the principal terms of the Equity Transfer Agreement is set forth below:

1. Date

5 February 2024

2. Parties

- (i) Transferee: Guangzhou Sinohealth Information Co., Ltd. (a wholly-owned subsidiary of the Group under the Contractual Arrangements); and
- (ii) Transferor: Foshan Heheng Equity Investment Partnership (Limited Partnership) (佛山合恒股權投資合夥企業(有限合夥)) (a non-wholly owned partnership of Mr. Wu Yushu and Ms. Wang Lifang, the executive Directors of the Company).

3. Acquisition of interests

Pursuant to the Equity Transfer Agreement, the Transferor agreed to sell, and the Transferee agreed to acquire 40.8% equity interests in the Target Company directly held by the Transferor.

4. Consideration of the Acquisition and Payment

The consideration was RMB12,238,920, which was determined after an arm's length negotiation between both parties with reference to comparable transactions, the appraised value of the entire equity interests in the Target Company and general market conditions.

The comparable transactions are based on the average value of each registered user on the platform, the valuation of registered physician users ranges from RMB1,654-2,662 per user, and the value of oncologist users on the platform is higher than that of professional physicians. The Target Company has more than 23,000 registered oncologist users, and the comparative valuation ranges from RMB38,042,000 to RMB61,226,000, and the value of total equity interests of shareholders of the Target Company determined through negotiation is RMB30 million, which is not higher than the industry level.

The parties agreed that the Transferee shall pay the consideration in one lump sum to the designated account of the Transferor within seven business days after the approval of the Acquisition by the decision-making bodies of both parties and the signing of the Equity Transfer Agreement.

5. Special terms

As at the date of this announcement, RMB2.25 million of the Transferor's total investment in the Target Company has not been paid. The parties have agreed that the Transferee shall fulfill the outstanding payment obligation.

PARTNERSHIP PROPERTY SHARE TRANSFER AGREEMENT

On 5 February 2024, the Transferee, a subsidiary of the Group, and the Transferor entered into a Partnership Property Share Transfer Agreement for the acquisition of 49.01% partnership property share in Kanghui Caizhi Partnership (one of the shareholders of the Target Company) at a consideration of RMB1.

The summary of the principal terms of the Partnership Property Share Transfer Agreement is set forth below:

1. Date

5 February 2024

2. Parties:

- (i) Transferee: Guangzhou Sinohealth Information Co., Ltd. (a wholly-owned subsidiary of the Group under the Contractual Arrangements); and
- (ii) Transferor: Foshan Heheng Equity Investment Partnership (Limited Partnership) (佛山合恒股權投資合夥企業(有限合夥)) (an indirect non-wholly owned subsidiary partnership of Mr. Wu Yushu and Ms. Wang Lifang, the executive Directors of the Company).

3. Acquisition of interests

Pursuant to the Partnership Property Share Transfer Agreement, the Transferor agreed to sell, and the Transferee agreed to acquire 49.01% property share in Kanghui Caizhi Partnership held by the Transferor, amounting to 9.8% equity interests in the Target Company indirectly held by the Transferor. Furthermore, the Transferee will become the general partner of Kanghui Caizhi Partnership to carry out partnership affairs accordingly.

4. Consideration of the Acquisition and Payment

The consideration was RMB1, and the parties agreed that the Transferee shall pay the consideration in one lump sum to the designated account of the Transferor within seven business days after the approval of the Acquisition by the decision-making bodies of both parties and the signing of the Partnership Property Share Transfer Agreement.

Kanghui Caizhi Partnership, one of the shareholders of the Target Company, was formed as an equity incentive shareholding platform since the establishment of the Target Company. Therefore, Kanghui Caizhi Partnership has not paid for its equity interests in the Target Company, and the Transferor, as a partner, held the interests only for the purpose of granting incentives in the future. After negotiation between both parties, the consideration for the transfer of the partnership property share is agreed to be a nominal price of RMB1.

Upon completion of the Acquisition, the Transferee, a subsidiary of the Group, will directly and indirectly hold an aggregate of 50.6% equity interests in the Target Company, and the Target Company will become an indirect non-wholly owned subsidiary of the Company.

INFORMATION OF PARTIES INVOLVED

Information of the Target Company

The Target Company is a limited company incorporated in China on 28 December 2021, and was listed as a state-level science and technology-oriented small and medium-sized enterprise in Guangdong Province in May 2023. The Target Company is mainly engaged in the provision of internet medical services in the field of oncology, such as providing MDT collaboration software based on evidence-based medicine and standardized diagnosis for oncologists, providing graphic and video MDT services for patients, and providing professional content for patients and doctors. Besides, the Target Company has built a database for scientific research of specific diseases to statistically analyze MDT data and explore the value of the data.

Based on its self-developed intelligent iMDT platform and professional operation capabilities, the Target Company provides digital products and service solutions for medical product suppliers, medical institutions and doctors in the internet medical and smart medical scenarios, and forms an inter-hospital MDT business model. Through the inter-hospital MDT model, the Target Company connects experts and doctors in the oncology field of different hospitals, and organizes and carries out multi-channel medical research, academic research, doctor education, internet medical and smart medical services for patients, including online and offline academic exchanges, online training, live broadcast of surgery and online video, national and regional expert clinical case seminars. Accordingly, the Target Company can not only help doctors improve the level of clinical diagnosis and treatment and the efficiency of scientific research, but also provide more authoritative diagnosis and treatment service plans and health management plans for tumor patients, as well as more efficient customer education and service solutions for medical product suppliers, thus creating a sound ecology of mutual benefit and win-win cooperation.

In terms of digital products and services, the intelligent iMDT platform independently developed by the Target Company has realized: (i) AI efficient image recognition (intelligent case image recognition, structured data entry, automatic speech/PPT generation); (ii) Multi-end user HD online real-time interaction (inter-hospital/remote MDT consultation); (iii) Multidimensional analysis of MDT case data; (iv) Output of patient MDT reports supported by evidence-based medicine; and (v) a database of specific diseases formed with the accumulated data of the platform to help doctors improve the level of clinical diagnosis and treatment and the efficiency of scientific research. The product quality and service capability of the Target Company have been highly recognized in the industry. From its establishment in 2021 to 31 December 2023, it has maintained rapid growth in the number of registered doctors on the iMDT platform, which has accumulated more than 23,000 registered users of oncologists, and organized more than 300 MDT diagnosis and treatment conferences per year, with the tumor types covered expanding from colorectal cancer to major high-incidence tumor types such as lung cancer, stomach cancer, liver cancer, brain glioma, colorectal cancer, and breast cancer. It has continued to operate six tumor specific MDT doctor alliances: China Colorectal Cancer MDT Alliance, Southern Brain glioma MDT Alliance, Eastern Gastrointestinal Cancer MDT Alliance, Mammary Gland MDT Cloud Academy, liver cancer MDT Specialized Organization, Lung Cancer MDT specialized organization, gathering more than 200,000 professional oncologist resources, which has created an important channel of turning doctors into members for the iMDT platform. The Target Company has also created a media promotion matrix that integrates academic content, IP creation, and live surgery, covering more than 300,000 professional groups in the oncology field, and has established a traffic platform that accurately connects doctors, patients and medical product suppliers for MDT diagnostic services.

As at the date of this announcement, the registered capital of the Target Company is RMB1,913,302, the net book value is RMB473,898.53 and the unaudited net losses for the years ended 31 December 2022 and 2023 are set out below:

	For the year ended 31 December	
	2022	2023
	<i>RMB</i>	<i>RMB</i>
Net Loss before tax	(2,901,717.09)	(1,624,384.38)
Net Loss after tax	(2,901,717.09)	(1,624,384.38)

Before the Acquisition, the Transferor directly held 40.8% equity interests in the Target Company, and the other individual shareholder who directly held 39.2% equity interests in the Target Company was an Independent Third Party. The remaining 20% equity interests in the Target Company was held by Kanghui Caizhi Partnership, which serves as an equity incentive platform. Mr. Guo Xiaoyun, general manager of the Target Company, currently serves as a general partner of Kanghui Caizhi Partnership and holds 50.99% of the property shares of Kanghui Caizhi Partnership, and the Transferor holds the remaining 49.01% of the property shares. The original cost for the Transferor to acquire 40.8% of the Target Company's equity interests and 49.1% of the property shares of Kanghui Caizhi Partnership was RMB5 million.

Upon completion of the Acquisition, the Transferee, a subsidiary of the Group, will directly hold an aggregate of 50.6% equity interests in the Target Company. Accordingly, the Target Company will become a non-wholly owned subsidiary of the Group, and its financial statements will be consolidated into the consolidated financial statements of the Group.

Information of Transferor

Foshan Heheng Equity Investment Partnership (Limited Partnership) (佛山合恒股權投資合夥企業(有限合夥)) is a limited partnership registered in China and established on 18 August 2020, with the capital contribution of RMB50 million, which is mainly engaged in equity investment business. As at the date of this announcement, an aggregate of 80% partnership property share of the Transferor is held indirectly by Mr. Wu Yushu and Ms. Wang Lifang, the executive Directors of the Company. Therefore, the Transferor is a connected person of the Company.

The remaining 20% of the partnership property shares of the Transferor is held by an Independent Third Party, Guangzhou Xien Investment Consulting Co., Ltd. (廣州西恩投資諮詢有限公司), a general partner.

Information of the Group and the Transferee

The Group is a leading provider of big data products and services in the healthcare industry in China, and based on rich big data of healthcare industry, leading artificial intelligence and cloud computing technology and industrial ecological platforms, it provides digital intelligent solutions for healthcare industry participants with efficient decision-making and accurate connection. Under the Contractual Arrangements, Sinohealth Information, the Transferee, is a wholly-owned subsidiary of the Group. Sinohealth Information is mainly engaged in the provision of multi-dimensional digital products and services such as business decision-making, marketing promotion, information, industrial resource links, covering pharmaceutical retail, pharmaceutical industry, medical, physical examination, and other professional fields.

REASONS AND BENEFITS OF THE ACQUISITION

I. The tumor treatment industry maintains high growth, and the MDT diagnosis industry is in the early stage of development in China

With the development of economy and society, especially the aging of population and changes in the way people live and work, the number of cases of malignant tumors in China is increasing year by year. According to statistics, there were 4.57 million new cancer cases in China in 2022, and the number of cases is expected to reach 5.2 million in 2025 and 5.8 million in 2030. The market size and technological progress of the tumor therapy industry in China will also show a significant growth trend, and it is estimated that by 2025, the market size of the tumor therapy industry in China will reach RMB700.3 billion.

Tumor is a systemic disease, the treatment of which involves multiple disciplines. The MDT joint diagnosis and treatment of tumor is conducted by oncology experts, with the participation of an expert team composed of internal medicine, surgical, imaging, interventional and radiotherapy departments, who jointly make a comprehensive assessment on the patients' condition, provide comprehensive, whole-course and personalized diagnosis and treatment services, and improve the quality of accurate diagnosis and treatment. MDT can effectively create patient value, which is in line with doctors' values and national policy guidance. The MDT diagnosis and treatment has been developed for about 70 years around the world and has been constantly promoted and improved in the European and American countries. Among them, the United Kingdom has taken the lead in promoting the MDT model since the 1990 s, and the proportion of patients treated with MDT model increased from 20% to over 80% from 1994 to 2004. Currently, cancer diagnosis and treatment guidelines in many European and American countries clearly stipulate that tumor patients shall undergo MDT consultation before receiving further treatment, and the MDT diagnosis and treatment has become a necessary link in tumor diagnosis and treatment. However, the MDT diagnosis and treatment started late in China, with low penetration rate, which demonstrates a wider space for growth. In January 2018, the Action Plan for Further Improving Medical Services (2018-2020) issued by the National Health Commission of the PRC proposed to promote a patient-centered, multidisciplinary diagnosis and treatment model, and for the first time, MDT was promoted as the focus of innovative services. Given that China's medical resources are mainly concentrated in first-tier and second-tier cities with uneven geographical distribution, the Target Company is able to reduce the cost of MDT activities carried out by medical institutions and doctors through the Internet + cross-regional inter-hospital MDT diagnosis and treatment mode, and improve the efficiency of MDT, showing a good market prospect.

The products and services of the Target Company have been recognized by the market, and the MDT business of the Target Company is in a stage of sound growth, and it is expected that the total number of MDT sessions will exceed 2,400 in the next three years with the registered users of more than 50,000, and profitability will be achieved.

II. The business and resources of the Target Company are an important path for the Group to develop the serious medical/in-hospital market

On 4 January 2024, the National Data Bureau, the National Health Commission of PRC and other departments issued the “Data Elements ×” Three-Year Action Plan (2024-2026)”, which mentioned in the “Data Elements × Medical Health” scenario that “orderly release the value of health and medical data, improve personal health data archives, integrate physical examinations, medical treatment, disease control and other data, strengthen medical data integration and innovation, and explore new models and new business forms of data application such as smart medical treatment and smart health management.” Driven by the policy of “Data Elements × Medical Health”, the MDT diagnosis and treatment will form a high degree of synergy with the Group’s health big data industry layout, and jointly create greater social and commercial value.

The acquisition of the Target Company will bring some benefits to the Group: (i) Despite the high compliance of oncology medical services and high value of the industrial chain, there is also a high industrial threshold. Relying on the professional oncology physician resources accumulated by the Target Company, MDT oncology database and academic and professional content platform, it will provide important resources and paths for the Group to rapidly expand the high-value oncology field and enter into the in-hospital market; (ii) The physician and customers resources of the Target Company will further expand the health industry platform resources of the Group, and in particular, will help the Group accelerate its entry into the field of innovative drugs and provide oncology treatment services; (iii) The data owned by the Target Company will further expand the types of data in the Group’s database and improve the quality of data. Through the Group’s professional data governance technology and data value mining capabilities, it will provide medical product suppliers with digital tools and services for commercial promotion, doctor-patient education and drug R&D support in oncology treatment scenarios, more closely connect doctors at all levels, enhance the academic influence of products, and improve the clinical application and transformation sales of oncology drugs; (iv) It will improve the “patient-centered” health management service system, realize the full chain and multi-level professional services of in-hospital + out-of-hospital, drug retail, health examination and diagnosis and treatment, improve personal health data archives, and build a closed loop of health management in the whole life cycle that integrates “prevention, treatment, maintenance, body and mind”.

LISTING RULES IMPLICATIONS

The Transferor is an indirect non-wholly owned subsidiary partnership of Mr. Wu Yushu and Ms. Wang Lifang, the executive Directors of the Company. Therefore, the Transferor is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios exceed 0.1% but all of them are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

APPROVAL AND OPINION OF THE BOARD

The Equity Transfer Agreement, the Partnership Property Share Transfer Agreement, and the Acquisition contemplated thereunder have been unanimously approved by the Directors (including independent non-executive directors). At the meeting of the Board of Directors, Mr. Wu Yushu and Ms. Wang Lifang, who are executive Directors and have indirect interests in the Target Company, abstained from voting on resolutions related to the Equity Transfer Agreement, the Partnership Property Share Transfer Agreement and the Acquisition contemplated thereunder. Save as disclosed above, none of any other Directors has any material interest in the Equity Transfer Agreement, the Partnership Property Share Transfer Agreement and the Acquisition contemplated thereunder and is required to abstain from voting on the above resolutions.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Equity Transfer Agreement, Partnership Share Transfer Agreement and the Acquisition which were determined by the parties after arm's length negotiation, although not in the ordinary and usual course of business of the Group, are fair and reasonable, on normal commercial terms or better, and in the interests of the Company and its shareholders as a whole.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Acquisition”	the acquisition of 50.6% equity interests in the Target Company held directly and indirectly by the Transferor, pursuant to the Equity Transfer Agreement and the Partnership Property Share Transfer Agreement
“Board”	the Board of Directors of the Company
“Company”	Sinohealth Holdings Limited (中康控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, its shares are listed on the Main Board of the Stock Exchange (stock code: 2361)
“Connected Person”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the consideration payable to the Transferor in relation to the Acquisition
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, the Transferee, on 8 June 2021 and 6 May 2022
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the Director(s) of the Company
“Equity Transfer Agreement”	Equity Transfer Agreement of Zhonghui Medical dated 5 February 2024 entered into between the Transferee, a subsidiary of the Group, and the Transferor
“Foshan Heheng” or the “Transferor”	Foshan Heheng Equity Investment Partnership (Limited Partnership) (佛山合恒股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on 18 August 2020, directly held 40.8% equity interests in the Target Company and indirectly held 9.8% equity interests in the Target Company through Kanghui Caizhi Partnership before the Acquisition
“Group”	the Company and its subsidiaries
“In-hospital market”	the market of public medical institutions at all levels, which mainly focuses on disease diagnosis and health management
“Independent Third Party”	a third party independent of and not connected with the Company and its subsidiaries and its connected persons
“Kanghui Caizhi Partnership”	Guangzhou Kanghui Caizhi Enterprise Management Partnership (Limited Partnership) (廣州康惠財智企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on 7 January 2022, directly held 20% equity interests in the Target Company before the Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MDT”	The full name is Multi-Disciplinary Treatment. It is a process in which senior experts from multiple disciplines formulate personalized diagnosis and treatment plans for patients through joint discussions. In the MDT model, patients can get comprehensive evaluation by an expert team composed of experts in internal medicine, imaging department and related disciplines before treatment, so as to jointly formulate scientific, reasonable and standardized treatment plans.

“National-level science and technology-oriented small and medium-sized enterprises”	Small and medium-sized enterprises promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, and approved by the Department of Science and Technology of Guangdong Province, which rely on a certain number of scientific and technological personnel to engage in scientific and technological research and development activities, obtain independent intellectual property rights and transform them into high-tech products or services, so as to achieve sustainable development
“Partnership Property Share Transfer Agreement”	Property Share Transfer Agreement of Guangzhou Kanghui Caizhi Enterprise Management Partnership (Limited Partnership) dated 5 February 2024 entered into between the Transferee, a subsidiary of the Group, and the Transferor
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of China
“Serious medical”	a medical program provided by professional doctors and medical institutions that emphasizes medical expertise, clinical practice and scientific evidence, with a focus on the treatment and management of disease and health problems
“Shareholder(s)”	holder(s) of the shares
“Sinohealth Information” or the “Transferee”	Guangzhou Sinohealth Information Co., Ltd. (廣州中康資訊股份有限公司), a joint stock company with limited liability established in PRC on 20 December 2007 and deemed to be a wholly-owned subsidiary of the Group under the Contractual Arrangements
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

““Zhonghui Medical” or
the Target Company”

Guangzhou Zhonghui Medical Technology Company Limited (廣州中
惠醫療科技有限公司), a limited liability company established in the
PRC on 28 December 2021, a subsidiary of the Group

“%”

per cent

By Order of the Board
Sinohealth Holdings Limited
Wu Yushu
Chairman

Hong Kong, 5 February 2024

As of the date of this announcement, the executive Directors are Mr. Wu Yushu and Ms. Wang Lifang, the non-executive Director is Mr. Fu Haitao, and the independent non-executive Directors are Ms. Wang Danzhou, Ms. Du Yilin and Mr. Wei Bin.