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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Hospital Corporation of China Limited 弘和仁愛醫療集團有限公司, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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HOSPITAL CORPORATION

**Hospital Corporation of China Limited**  
**弘和仁愛醫療集團有限公司**  
(Incorporated in the Cayman Islands)  
(Stock Code: 3869)

**(1) CONNECTED TRANSACTION  
PROPOSED EXTENSION OF MATURITY DATE  
OF CONVERTIBLE BONDS  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser  
to the Independent Board Committee and the Independent Shareholders**



All capitalized terms used in this circular have the meanings set out in the section “Definitions” of this circular.

A letter from the Board is set out on pages 6 to 35 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 36 to 37 of this circular. A letter of advice from Astrum Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 58 of this circular.

A notice convening the EGM to be held at 4th Floor, Air China Century Plaza, No. 40, Xiaoyun Road, Chaoyang District, Beijing, PRC on Monday, 31 July 2023 at 3:00 p.m. is set out on 66 to 68 of this circular. A for/39275.6 (onsfcm0 0 m1.201 17.s1/39i023 )

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Articles”	the memorandum and articles of association of the Company
“Board”	the board of directors of the Company
“close associate”	has the meaning ascribed to it under the Listing Rules
“Company”	Hospital Corporation of China Limited( 弘和仁愛醫療集團有限公司 ) a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 3869)
“connected person(s)”, “core connected person(s)”	each has the meaning ascribed to it under the Listing Rules
“Current Market Price”	in respect of a Share at a particular time on a particular date, means the average of the daily volume-weighted average price of one Share for the five consecutive trading days in the Stock Exchange immediately preceding such date
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the Vanguard Glory Deed of Amendment, the Vanguard Glory Alteration of Terms contemplated thereunder, the Hony Fund Deed of Amendment, the Hony Fund Alteration of Terms contemplated thereunder, the Hony Fund Specific Mandate and the Vanguard Glory Specific Mandate
“Extended Hony Fund CB Maturity Date”	30 September 2025
“Extended Vanguard Glory CB Maturity Date”	30 September 2025
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Hony Capital”	a series of private equity investment fund, together with their respective management companies/general partners

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## DEFINITIONS

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“Hony Fund V”	Hony Capital Fund V, L.P., an exempted limited partnership formed under the laws of the Cayman Islands
“Hony Fund VIII”	Hony Capital Fund VIII (Cayman), L.P., an exempted limited liability partnership formed under the laws of the Cayman Islands
“Hony Fund Acquisition Completion”	completion of the acquisition contemplated under the Hony Fund Share Purchase Agreement
“Hony Fund Alteration of Terms”	the proposed alteration of certain terms of the Hony Fund VIII Convertible Bonds as contemplated under the Hony Fund Deed of Amendment
“Hony Fund Conditions Precedent”	the conditions precedent set out in the paragraph headed “Hony Fund Conditions Precedent” of this circular
“Hony Fund Conversion Price”	the price at which Hony Fund Conversion Shares will be issued upon conversion of the Hony Fund VIII Convertible Bonds, as more particularly described in the paragraph headed “Hony Fund Conversion Price” of this circular
“Hony Fund Conversion Share(s)”	the Share(s) to be allotted and issued by the Company upon conversion of the Hony Fund VIII Convertible Bonds, as more particularly described in the paragraph headed “Hony Fund Conversion Shares” of this circular
“Hony Fund Convertible Bond Instrument”	the convertible bond instrument executed by the Company on 7 August 2018 for the issue by the Company of the Hony Fund VIII Convertible Bonds
“Hony Fund Deed of Amendment”	the deed of amendment entered into between the Company and Hony Fund VIII on 6 June 2023 in relation to the alteration of certain terms of the Hony Fund VIII Convertible Bonds
“Hony Fund Share Purchase Agreement”	

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## DEFINITIONS

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“Hony Fund VIII Convertible Bonds”	the convertible bond(s) with an aggregate principal amount of HK\$773,879,717 issued by the Company to Hony Fund VIII on 7 August 2018
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors which has been established by the Board to advise the Independent Shareholders pursuant to the Listing Rules
“Independent Financial Adviser” or “Astrum Capital”	Astrum Capital Management Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Vanguard Glory Deed of Amendment, the Vanguard Glory Alteration of Terms contemplated thereunder, the Hony Fund Deed of Amendment, the Hony Fund Alteration of Terms contemplated thereunder, the Vanguard Glory Specific Mandate and the Hony Fund Specific Mandate
“Independent Shareholders”	the Shareholders other than those that are required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
“Last Trading Day”	5 June 2023, being the last full Trading Day immediately prior to the date of entering into the Vanguard Glory Deed of Amendment and the Hony Fund Deed of Amendment
“Latest Practicable Date”	4 July 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Oriental Ally”	Oriental Ally Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and was owned as to 100% by Hony Fund VIII prior to the Hony Fund Acquisition Completion
“PRC” or “China”	The People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)

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## DEFINITIONS

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“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	the ordinary share(s) of HK\$0.001 each in the issued capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“Trading Day”	a day on which trading of the Shares is conducted on the Stock Exchange in accordance with the rules and regulations of the Stock Exchange promulgated from time to time
“Vanguard Glory”	Vanguard Glory Limited( 譽鋒有限公司 ), a company incorporated in the British Virgin Islands as a limited liability company and the immediate holding company that holds approximately 70.19% issued share capital of the Company as at the Latest Practicable Date
“Vanguard Glory Alteration of Terms”	the proposed alteration of certain terms of the Vanguard Glory Convertible Bonds as contemplated under the Vanguard Glory Deed of Amendment
“Vanguard Glory Closing Date”	5 March 2018, being the date of completion of the subscription in accordance with the terms of the Vanguard Glory Subscription Agreement
“Vanguard Glory Conditions Precedent”	The conditions precedent set out in the paragraph headed “Vanguard Glory Conditions Precedent” of this circular
“Vanguard Glory Conversion Price”	the price at which Vanguard Glory Conversion Shares will be issued upon conversion of the Vanguard Glory Convertible Bonds, as more particularly described in the paragraph headed “Vanguard Glory Conversion Price” of this circular
“Vanguard Glory Conversion Share(s)”	the Share(s) to be allotted and issued by the Company upon conversion of the Vanguard Glory Convertible Bonds, as more particularly described in the paragraph headed “Vanguard Glory Conversion Shares” of this circular

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## DEFINITIONS

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“Vanguard Glory Convertible Bond(s)”	the convertible bond(s) with an aggregate principal amount of HK\$468,000,000 issued by the Company on 5 March 2018 pursuant to the Vanguard Glory Subscription Agreement and constituted by the Vanguard Glory Convertible Bonds Instrument
“Vanguard Glory Convertible Bond Instrument”	the convertible bond instrument executed by the Company on 5 March 2018 for the issue by the Company of the Vanguard Glory Convertible Bonds
“Vanguard Glory Deed of Amendment”	the deed of amendment entered into between the Company and Vanguard Glory on 6 June 2023 in relation to the alteration of certain terms of the Vanguard Glory Convertible Bonds
“Vanguard Glory Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Directors for the allotment and issue of the Vanguard Glory Conversion Shares upon exercise of the conversion rights attaching to the Vanguard Glory Convertible Bonds
“Vanguard Glory Subscription Agreement”	the subscription agreement dated 25 January 2018 entered into between the Company and Vanguard Glory for the subscription of the Vanguard Glory Convertible Bonds
“%”	Per cent

*Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures. Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.*

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LETTER FROM THE BOARD

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HOSPITAL CORPORATION

Hospital Corporation of China Limited

弘和仁愛醫療集團有限公司

(Incorporated in the Cayman Islands)

(Stock Code: 3869)



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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further details of the Vanguard Glory Deed of Amendment, the Vanguard Glory Alteration of Terms contemplated thereunder, the Hony Fund Deed of Amendment and the Hony Fund Alteration of Terms contemplated thereunder; (ii) further details of the Vanguard Glory Specific Mandate and the Hony Fund Specific Mandate; (iii) a letter of recommendation from the Independent Board Committee in relation to the Vanguard Glory Deed of Amendment, the Vanguard Glory Alteration of Terms contemplated thereunder, the Hony Fund Deed of Amendment, the Hony Fund Alteration of Terms contemplated thereunder, the Vanguard Glory Specific Mandate and the Hony Fund Specific Mandate; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Vanguard Glory Deed of Amendment, the Vanguard Glory Alteration of Terms contemplated thereunder, the Hony Fund Deed of Amendment, the Hony Fund Alteration of Terms contemplated

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## LETTER FROM THE BOARD

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### *Vanguard Glory Deed of Amendment*

On 6 June 2023 (after trading hours of the Stock Exchange), in accordance with the terms and conditions of the Vanguard Glory Convertible Bonds, the Company and Vanguard Glory entered into the Vanguard Glory Deed of Amendment to alter certain terms of the Vanguard Glory Convertible Bonds, subject to and effective from fulfilment of the Vanguard Glory Conditions Precedent.

Pursuant to the Vanguard Glory Alteration of Terms, the maturity date of the Vanguard Glory Convertible Bonds shall be extended from 29 December 2023 to 30 September 2025 (i.e. the Extended Vanguard Glory CB Maturity Date).

Save as revised by the Vanguard Glory Alteration of Terms, all of the terms and conditions of the Vanguard Glory Convertible Bonds remain unchanged and in full force.

### *Vanguard Glory Conditions Precedent*

The Vanguard Glory Alteration of Terms pursuant to the Vanguard Glory Deed of Amendment shall be conditional on the following conditions precedent being satisfied:

- (a) the Company having obtained from the Independent Shareholders all necessary approvals required under the Articles, applicable laws and the Listing Rules in respect of the Vanguard Glory Alteration of Terms;
- (b) the Stock Exchange having approved the Vanguard Glory Alteration of Terms; and
- (c) the Stock Exchange granting its approval for the listing of, and permission to deal in, the Shares to be allotted and issued by the Company upon conversion of the Vanguard Glory Convertible Bonds pursuant to the Vanguard Glory Convertible Bond Instrument as amended by the Vanguard Glory Deed of Amendment.

If any of the Vanguard Glory Conditions Precedent shall not been fulfilled by 29 December 2023 or such later date as the parties to the Vanguard Glory Deed of Amendment may agree, the Vanguard Glory Deed of Amendment shall automatically terminate and (without prejudice to the rights and/or obligations of any party in respect of any antecedent breach) the parties thereto shall be released and discharged from their respective obligations under the Vanguard Glory Deed of Amendment.

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## LETTER FROM THE BOARD

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### *Principal terms of the Vanguard Glory Convertible Bonds immediately after the Vanguard Glory Alteration of Terms*

The principal terms of the Vanguard Glory Convertible Bonds (as revised by the Vanguard Glory Alteration of Terms) are as follows:

Issuer	:	the Company
Principal amount	:	HK\$468,000,000
Issue price	:	100% of the principal amount
Form and denomination	:	the Vanguard Glory Convertible Bonds are issued in registered form in the denomination of HK\$1,000,000 each.
Maturity date	:	the Extended Vanguard Glory CB Maturity Date

The Company has no right to extend the maturity date of the Vanguard Glory Convertible Bonds, unless consent is obtained from the bondholder(s) of the Vanguard Glory Convertible Bonds to amend the Vanguard Glory Convertible Bond Instrument in accordance with the terms therein.

Interest	:	the Vanguard Glory Convertible Bonds do not bear any interest.
Conversion rights	:	Subject to the restrictions set out below, bondholder(s) of the Vanguard Glory Convertible Bonds shall have the right to convert the Vanguard Glory Convertible Bonds into Shares at any time on or after the Vanguard Glory Closing Date up to the Extended Vanguard Glory CB Maturity Date at the discretion of such bondholder(s).
Restriction on conversion	:	No conversion of the Vanguard Glory Convertible Bonds shall take place if and to the extent that, immediately following such conversion, the Company would be in breach of its obligations under the minimum public float requirement under the Listing Rules.

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## LETTER FROM THE BOARD

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Adjustments to the Vanguard Glory Conversion Price : The Vanguard Glory Conversion Price shall from time to time be adjusted upon the occurrence of the following events in relation to the Company:

- (a) If and whenever there shall be an alteration of the nominal amount of the Shares by reason of consolidation, sub-division or re-classification of Shares, the Vanguard Glory Conversion Price shall be adjusted by multiplying the Vanguard Glory Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- (b) If and whenever the Company shall issue any Shares credited as fully paid (other than in lieu of cash dividend) by way of capitalization of profits or reserves of the Company and which would not have constituted a capital distribution, the Vanguard Glory Conversion Price shall be adjusted by multiplying the Vanguard Glory Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

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## LETTER FROM THE BOARD

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Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (c) If and whenever the Company shall pay or make any capital distribution to the Shareholders (except where the Vanguard Glory Conversion Price falls to be adjusted under (b) above), the Vanguard Glory Conversion Price shall be adjusted by multiplying the Vanguard Glory Conversion Price in force immediately before such capital distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the current market price of one Share on the last Trading Day preceding the date on which the capital distribution is publicly announced; and

B is the fair market value on the date of such announcement of the portion of the capital distribution attributable to one Share.

Such adjustment shall become effective on the date that such capital distribution is made.

- (d) If and whenever the Company shall pay or make any dividend or distribution, whether of cash, assets or other property to the Shareholders, the Vanguard Glory Conversion Price shall be adjusted by multiplying the Vanguard Glory Conversion Price in force immediately before such dividend by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the current market price of one Share on the last Trading Day preceding the date on which the dividend is publicly announced; and

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## LETTER FROM THE BOARD

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B is the fair market value on the date of such announcement of the portion of the cash distribution attributable to one Share.

Such adjustment shall become effective on the date that such dividend is paid.

- (e) If and whenever the Company shall issue Shares by way of rights, or issue or grant any options, warrants or other rights to subscribe for or purchase any Shares by way of rights, the Vanguard Glory Conversion Price shall be adjusted by multiplying the Vanguard Glory Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would purchase at such current market price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

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**LETTER FROM THE BOARD**

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## LETTER FROM THE BOARD

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A is the number of Shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into, or rights of exchange or subscription for, or purchase or acquisition of, Shares which have been issued by the Company for the purposes of, or in connection with, such issue, less the number of Shares so issued);

B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at such current market price per Share or, if lower, the existing conversion, exchange, subscription or purchase price of such securities; and

C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription or purchase price or rate but giving credit in such manner as one leading investment bank of international repute (acting as expert), selected by the Company and approved by an ordinary resolution of the bondholders of the Vanguard Glory Convertible Bonds, consider appropriate (if at all) for any previous adjustment under this paragraph (g).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such securities.



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## LETTER FROM THE BOARD

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- (h) If and whenever there is an issue, sale or distribution of anwu.rib securities in connec

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## LETTER FROM THE BOARD

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- (i) If either (i) the rights of conversion, exchange, purchase or subscription attaching to any options,

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## LETTER FROM THE BOARD

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- Default interest : If the Company fails to pay any sum in respect of the Vanguard Glory Convertible Bonds when the same becomes due and payable under the conditions of the Vanguard Glory Convertible Bonds, interest shall accrue on the overdue sum at the rate of 5% per annum from the due date and ending on the date on which full payment is made to the bondholders of the Vanguard Glory Convertible Bonds. Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year
- Transferability : The Vanguard Glory Convertible Bonds shall be assigned or transferred with prior written consent of the Company, save where such transfer is made to an Affiliate of the bondholder of the Vanguard Glory Convertible Bonds. Any transfer of the Vanguard Glory Convertible Bonds shall be made in compliance with all applicable requirements under the Listing Rules and all applicable laws and regulations.
- Affiliate means, in respect of the bondholder of the Vanguard Glory Convertible Bonds, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with the bondholder of the Vanguard Glory Convertible Bonds.
- Status : The Vanguard Glory Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company, and shall at all times rank *pari passu* and without any preference or priority among themselves.
- Voting and other rights : The bondholder(s) of the Vanguard Glory Convertible Bonds will not be entitled to receive notice of or attend or vote at general meetings of the Company by reason only of being the holder(s) of the Vanguard Glory Convertible Bonds. The bondholders of the Vanguard Glory Convertible Bonds will not be entitled to participate in any distribution and/or offers of further securities made by the Company by reason only of being the holder(s) of the Vanguard Glory Convertible Bonds.

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## LETTER FROM THE BOARD

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### *Vanguard Glory Conversion Price*

The initial Vanguard Glory Conversion Price is HK\$18.00 per Vanguard Glory Conversion Share (subject to adjustments as set out above in the paragraph headed “Adjustments to the Vanguard Glory Conversion Price”). This represents:

- (a) a premium of approximately 172.73% over the closing price of HK\$6.60 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b)

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## LETTER FROM THE BOARD

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There are no restrictions on any subsequent sale of the Vanguard Glory Conversion Shares. The allotment and issue of the Vanguard Glory Conversion Shares will not result in a change of control of the Company.

### *Listing*

No application will be made by the Company for the listing of the Vanguard Glory Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Vanguard Glory Conversion Shares.

### *Vanguard Glory Specific Mandate*

The Company will seek the grant of the Vanguard Glory Specific Mandate from the Independent Shareholders at the EGM. Vanguard Glory will abstain from voting on the resolution(s) in respect of the Vanguard Glory Specific Mandate. The Vanguard Glory Specific Mandate will be valid from the date of passing the relevant resolutions at the EGM and will cease to be effective if any Vanguard Glory Conditions Precedent has not been satisfied on or prior to 29 December 2023 or such later date as the parties to the Vanguard Glory Deed of Amendment may agree. In such case, the Company will comply with the applicable Listing Rules, and seek approval from its Shareholder(s) or Independent Shareholder(s) where required.

### **Hony Fund VIII Convertible Bonds**

#### *Background*

Reference is made to the announcement of the Company dated 29 May 2018 and the circular of the Company dated 24 June 2018.

On 29 May 2018, the Company and Hony Fund VIII entered into the Hony Fund Share Purchase Agreement, pursuant to which the Company conditionally agreed to acquire the entire issued share capital of Oriental Ally, a wholly owned subsidiary of Hony Fund VIII prior to the Hony Fund Acquisition Completion, from Hony Fund VIII at a consideration of RMB630 million (equivalent to approximately HK\$773,879,717), which shall be satisfied by the issuance of the Hony Fund VIII Convertible Bonds by the Company to Hony Fund VIII (or such person as Hony Fund VIII may nominate) on the Hony Fund Acquisition Completion. The Hony Fund VIII Convertible Bonds were issued by the Company to Hony Fund VIII on 7 August 2018.

As at the Latest Practicable Date, the Hony Fund VIII Convertible Bonds remain outstanding in full and will mature on 7 August 2023 pursuant to the existing terms and conditions of the Hony Fund VIII Convertible Bonds.

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## LETTER FROM THE BOARD

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### *Hony Fund Deed of Amendment*

On 6 June 2023 (after trading hours of the Stock Exchange), in accordance with the terms and conditions of the Hony Fund VIII Convertible Bonds, the Company and Hony Fund VIII entered into the Hony Fund Deed of Amendment to alter certain terms of the Hony Fund VIII Convertible Bonds, subject to and effective from fulfilment of the Hony Fund Conditions Precedent.

Pursuant to the Hony Fund Alteration of Terms, the maturity date of the Hony Fund VIII Convertible Bonds shall be extended from 7 August 2023 to 30 September 2025 (i.e. the Extended Hony Fund CB Maturity Date).

Save as revised by the Hony Fund Alteration of Terms, all of the terms and conditions of the Hony Fund VIII Convertible Bonds remain unchanged and in full force.

### *Hony Fund Conditions Precedent*

The Hony Fund Alteration of Terms pursuant to the Hony Fund Deed of Amendment shall be conditional on the following conditions precedent being i.s-ied:

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## LETTER FROM THE BOARD

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### *Principal terms of the Hony Fund VIII Convertible Bonds immediately after the Hony Fund Alteration of Terms*

The principal terms of the Hony Fund VIII Convertible Bonds (as revised by the Hony Fund Alteration of Terms) are as follows:

Issuer	:	the Company
Principal amount	:	HK\$773,879,717
Issue price	:	100% of the principal amount
Form and denomination	:	the Hony Fund VIII Convertible Bonds are issued in registered form in the denomination of HK\$1 each.
Maturity date	:	the Extended Hony Fund CB Maturity Date
		The Company has no right to extend the maturity date of the Hony Fund VIII Convertible Bonds.
Interest	:	the Hony Fund VIII Convertible Bonds do not bear any interest.
Hony Fund Conversion Shares	:	Assuming the conversion rights attached to the Hony Fund VIII Convertible Bonds are exercised in full at the initial Hony Fund Conversion Price of HK\$20.00 per Hony Fund Conversion Share, a number of 38,693,985 Hony Fund Conversion Shares will be issued upon conversion of the Hony Fund VIII Convertible Bonds (subject to adjustments), which represent (i) approximately 28.00% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 21.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Hony Fund Conversion Shares upon full conversion of the Hony Fund VIII Convertible Bonds.

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## LETTER FROM THE BOARD

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- Conversion rights : Subject to the restrictions set out below, the bondholder(s) of the Hony Fund VIII Convertible Bonds shall have the right to convert the Hony Fund VIII Convertible Bonds into Shares at any time on or after the date following six months from the date of issue of the Hony Fund VIII Convertible Bonds up to the close of business on the Extended Hony Fund CB Maturity Date.
- Restriction on conversion : The Company is not obliged to issue Shares in satisfaction of the conversion rights contemplated under the Hony Fund



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## LETTER FROM THE BOARD

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Affiliate means, in respect of the bondholder(s) of the Hony Fund VIII Convertible Bonds, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with the bondholder(s) of the Hony Fund VIII Convertible Bonds.

- Status : The Hony Fund VIII Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves.
- Voting and other rights : The bondholder(s) of the Hony Fund VIII Convertible Bonds will not be entitled to receive notice of or attend or vote at general meetings of the Company by reason only of being the holder(s) of the Hony Fund VIII Convertible Bonds. The bondholders of the Hony Fund VIII Convertible Bonds will not be entitled to participate in any distribution and/or offers of further securities made by the Company by reason only of being the holder(s) of the Hony Fund VIII Convertible Bonds.
- Listing : No application will be made by the Company for the listing of the Hony Fund VIII Convertible Bonds on the Stock Exchange or any other stock exchanges. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Hony Fund Conversion Shares.

### ***Hony Fund Conversion Price***

The initial Hony Fund Conversion Price is HK\$20.00 per Hony Fund Conversion Share (subject to adjustments as set out below in the paragraph headed “Adjustments to the Hony Fund Conversion Price”), which represents:

- (a) a premium of approximately 203.03% over the closing price of HK\$6.60 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 203.03% over the average closing price of approximately HK\$6.60 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day;

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## LETTER FROM THE BOARD

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- (c) a premium of approximately 203.03% over the average closing price of approximately HK\$6.60 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 190.28% over the average closing price of approximately HK\$6.89 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days immediately prior to and including the Last Trading Day; and
- (e) a premium of approximately 185.71% over the closing price of HK\$7.00 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Hony Fund Conversion Price was determined as of the Termination Date as the average closing price of the Shares of the Fund VIII with reference to the then Trading price and Trading volume of the Shares .

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## LETTER FROM THE BOARD

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- (d) any payment of dividend or distribution, whether of cash, assets or other property to the Shareholders (other than in lieu of cash dividend);
- (e) an issue of Shares, or issue or grant of any options, warrants or other rights, by way of rights, to all or substantially all Shareholders to subscribe for or purchase any Shares;
- (f) an issue of securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) or issue or grant of any options, warrants or other rights, by way of rights, to subscribe for or purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares);
- (g) any modification of rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities arising from a conversion or exchange of other exiting securities so that the consideration per Share is less than 95% of the relevant Current Market Price;
- (h) other offers of securities by the Company or a subsidiary of the Company to the Shareholders who are entitled to participate in arrangements whereby the securities may be acquired by them; and
- (i) other events which in the Company's view would have an effect on the position of the bondholders of the Hony Fund VIII Convertible Bonds as a class compared with the position of the holders of all other securities of the Company, which is analogous to any of the price adjustment events mentioned under paragraphs (a) to (h) above.

### *Hony Fund Specific Mandate*

The Company will seek the grant of the Hony Fund Specific Mandate from the Independent Shareholders at the EGM. Vanguard Glory will abstain from voting on the resolution(s) in respect of the Hony Fund Specific Mandate. The Hony Fund Specific Mandate will be valid from the date of passing the relevant resolutions at the EGM and will cease to be effective if any Hony Fund Conditions Precedent has not been satisfied on or prior to 7 August 2023 or such later date as the parties to the Hony Fund Deed of Amendment may agree. In such case, the Company will comply with the applicable Listing Rules, and seek approval from its Shareholder(s) or Independent Shareholder(s) where required.

### **3. THE VANGUARD GLORY CONVERSION PRICE AND THE HONY FUND CONVERSION PRICE**

The Company has carried out an analysis based on comparable convertible bonds/notes (“**Comparable CBs**”) issued or to be issued by the companies listed on the Stock Exchange, which were announced by the relevant listed companies for a period from 7 March 2023 to 6 June 2023 with the principal amount higher than or equal to HK\$100 million but less than HK\$1,000 million and have not lapsed as at the Latest Practicable Date. The Company considers that the application of the aforementioned selection criteria allows the Company to (i) capture the Comparable CBs, which provide a general reference for the recent market practice in relation to the key terms of issue of convertible bonds/notes with comparable size as the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds under the current market condition and sentiment; and (ii) generate a sufficient sample

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## LETTER FROM THE BOARD

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size for the purpose of the Company's analysis. As such, the Company considers that the Comparable CBs are fair and representative. Notwithstanding that the businesses, operations and prospect of the Company are not the same as the issuers of the Comparable CBs, the Company considers that the terms of the Comparable CBs were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transaction in Hong Kong. Therefore, the Company considers that the Comparable CBs are indicative in assessing the fairness and reasonableness of the key terms of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds (including but not limited to the Vanguard Glory Conversion Price and the Hony Fund Conversion Price).

Details of the Comparable CBs are set out as below:

Date of announcement	Name of Company	Stock code	Principal amount (HK\$' million)	Duration (years)	Premium/(discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement ("Premium/(Discount) – Last Day")	Interest rate per annum
					(%)	(%)

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## LETTER FROM THE BOARD

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Premium/(discount) of  
conversion price Dace

Date of announcement	Name of Company	Stock code	Principal amount	Duration
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## LETTER FROM THE BOARD

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7. Save for the perpetual convertible bonds issued by Kerry Logistics, all other Comparable CBs have fixed maturity date. Therefore, the Company considers that the duration of the convertible bonds issued by Kerry Logistics (i.e. perpetual) is an outlier and have excluded it from the Company's analysis for the duration of the Comparable CBs in order to avoid the distortion of the Company's analysis results.
8. The extended duration of the Vanguard Glory Convertible Bonds of approximately 1.8 years is calculated based on the first extended maturity date of the Vanguard Glory Convertible Bonds (the "**First Extended Vanguard Glory CB Maturity Date**") (i.e. 29 December 2023) and the Extended Vanguard Glory CB Maturity Date (i.e. 30 September 2025), while the entire duration of the Vanguard Glory Convertible Bonds of approximately 7.6 is calculated based on the date of issue of the Vanguard Glory Convertible Bonds (i.e. 5 March 2018) and the Extended Vanguard Glory CB Maturity Date (i.e. 30 September 2025), respectively.
9. The extended duration of the Hony Fund VIII Convertible Bonds of approximately 2.2 years is calculated based on the maturity date of the Hony Fund VIII Convertible Bonds (the "**Hony Fund CB Maturity Date**") (i.e. 7 August 2023) and the Extended Hony Fund CB Maturity Date (i.e. 30 September 2025), while the entire duration of the Hony Fund VIII Convertible Bonds of approximately 7.2 years is calculated based on the date of issue of the Hony Fund VIII Convertible Bonds (i.e. 7 August 2018) and the Extended Hony Fund CB Maturity Date (i.e. 30 September 2025), respectively.

As illustrated in the table above, the duration of the Comparable CBs ranged from 0.6 year to 5.0 years with an average duration of 2.5 years. If, by taking into account solely the extended duration (the "**Extended Duration**") of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds of approximately 1.8 years (based on the First Extended Vanguard Glory CB Maturity Date and the Extended Vanguard Glory CB Maturity Date) and approximately 2.2 years (based on the Hony Fund CB Maturity Date and the Extended Hony Fund CB Maturity Date), respectively, the Extended Duration of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds fall within the range of the duration of the Comparable CBs. If, by taking into account the duration of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds based on the respective issue dates (the "**Entire Duration**"), the Entire Duration of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds are approximately 7.6 years and approximately 7.2 years, respectively, and are outside the range of the duration of the Comparable CBs. Nevertheless, given the reasons for and benefits of the proposed alteration of terms of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds as stated in the paragraph headed "4. REASONS FOR AND BENEFITS OF THE PROPOSED ALTERATION OF TERMS" of this letter from the Board, in particular, the Vanguard Glory Alteration of Terms and the Hony Fund Alteration of Terms would alleviate the liquidity and working capital pressure of the Group triggered by the redemption of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds due on 29 December 2023 and 7 August 2023, respectively; and having considered that both of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds do not bear interest, the Company considers that the relatively long Entire Duration of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds, as compared to the duration of the Comparable CBs, is beneficial to the Group as the extension of the respective maturity date of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds enables the Company to postpone substantial cash outflow and allows the Company to have more financial flexibility in the deployment of its working capital for its business operations and development, without having to incur additional financing costs to effect immediate repayment.

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## LETTER FROM THE BOARD

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Having considered that (i) the relatively long Entire Duration of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds, as compared to the duration of the Comparable CBs, is beneficial to the Group as both of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds do not bear interest and the extension of the respective maturity date of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds enables the Company to postpone substantial cash outflow and allows the Company to have more financial flexibility in the deployment of its working capital for its business operations and development, without having to incur additional financing costs to effect immediate repayment; and (ii) the Premium/(Discount) – Last Day represented by the Vanguard Glory Conversion Price and the Hony Fund Conversion Price are higher than the highest of the Premium/(Discount) – Last Day represented by the conversion prices of the Comparable CBs; and (iii) the zero coupon rate of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds are equivalent to the lowest of the interest rates of the Comparable CBs, the Company is of the view that the key terms of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds (including but not limited to the Vanguard Glory Conversion Price and the Hony Fund Conversion Price) are fair and reasonable.

#### 4. SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after and assuming full conversion of the Vanguard Glory Convertible Bonds (assuming that there is no other change in the existing shareholding structure of the Company); and (iii) immediately after and assuming full conversion of the Vanguard Glory Convertible Bonds and Hony Fund VIII Convertible Bonds (assuming that there is no other change in the existing shareholding structure of the Company except for the conversion of the Vanguard Glory Convertible Bonds):

	As at the		Immediately after		Immediately after	
	Latest Practicable Date		the full conversion of		the full conversion of	
	<i>No. of</i>	<i>Approximate</i>	<i>No. of</i>	<i>Approximate</i>	<i>No. of</i>	<i>Approximate</i>
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
<b>Shareholders</b>						
Vanguard Glory <sup>2</sup>	97,000,000	70.19	123,000,000	74.91	123,000,000	74.64
Hony Fund VIII <sup>2</sup>	0	0	0	0	582,000	0.37 <sup>3</sup>
Public Shareholders <sup>4</sup>	41,194,000	29.81	41,194,000	25.09	41,194,000	25.00 <sup>4</sup>
Total	138,194,000	100	164,194,000	100	164,776,000	100

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## LETTER FROM THE BOARD

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*Notes:*

1. the shareholding structure is shown for illustration purpose only and may not be exhaustive. Pursuant to the conversion restrictions under the terms and conditions of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds, their respective conversion rights may only be exercised to the extent that, immediately after such conversion, the Company will continue to be able to satisfy the public float requirements under the Listing Rules.



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## LETTER FROM THE BOARD

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### **Vanguard Glory**

Vanguard Glory was incorporated in the British Virgin Islands as a limited liability company. Vanguard Glory is a direct wholly-owned subsidiary of Hony Fund V, an exempted limited partnership. The general partner of Hony Fund V is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited. Hony Capital Fund V GP Limited is wholly-owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited and 20% equity interest of which is held by Right Lane Limited, a wholly-owned subsidiary of Legend Holdings. Hony Managing Partners Limited is wholly-owned by Exponential Fortune Group Limited, which in turn

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## LETTER FROM THE BOARD

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The extension of the respective maturity date of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds pursuant to the alteration of terms under the Vanguard Glory Deed of

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**LETTER FROM THE BOARD**

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## LETTER FROM THE BOARD

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The notice of the EGM is set out on pages 66 to 68 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.hccclhealthcare.com>). Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions stated thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish. In such event, the form of proxy should be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the Company will empower the chairman of the EGM to demand for voting by poll in respect of the ordinary resolutions to be proposed at the EGM in accordance with the Articles. Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, will serve as the scrutineer for the vote-taking.

### 11. RECOMMENDATION

Taking into account the reasons set out above, the Board (including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular), considers that the terms and the conditions of the Vanguard Glory Deed of Amendment, the Vanguard Glory Alteration of Terms contemplated thereunder, the Hony Fund Deed of Amendment, the Hony Fund Alteration of Terms, the Vanguard Glory Specific Mandate and the Hony Fund Specific Mandate are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the proposed amendments, including the Vanguard Glory Specific Mandate and the Hony Fund Specific Mandate.

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## LETTER FROM THE BOARD

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### 12. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 36 to 37 of this circular; and (ii) the letter of advice from the Independent Financial Adviser set out on pages

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Hospital Corporation of China Limited  
弘和仁愛醫療集團有限公司  
(Incorporated in the Cayman Islands)  
(Stock Code: 3869)

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders are vote in favour of the ordinary resolutions to be presented at the EGM to approve the Vanguard Glory Deed of Amendment, the Vanguard Glory Alteration of Terms contemplated thereunder, the Hony Fund Deed of Amendment and the Hony Fund Alteration of Terms contemplated thereunder and the grant of the Vanguard Glory Specific Mandate and the Hony Fund Specific Mandate.

Yours faithfully,

For the on behalf of the Independent Board Committee

**Mr. Dang Jinxue**  
*Independent non-executive*  
*Director*

**Mr. Shi Luwen**  
*Independent non-executive*  
*Director*

**Mr. Zhou Xiangliang**  
*Independent non-executive*  
*Director*

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## LETTER FROM ASTRUM CAPITAL

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Room 2704, 27/F, Tower 1, Admiralty Centre,  
18 Harcourt Road, Admiralty, Hong Kong

7 July 2023

To the Independent Board Committee and  
the Independent Shareholders of  
**Hospital Corporation of China Limited**

Dear Sirs,

### **CONNECTED TRANSACTION PROPOSED EXTENSION OF MATURITY DATE OF CONVERTIBLE BONDS**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) and the independent shareholders (the “**Independent Shareholders**”) of Hospital Corporation of China Limited (the “**Company**”) in relation to (i) the proposed alteration of certain terms (the “**Vanguard Glory Alteration of Terms**”) of the convertible bonds with an aggregate principal amount of HK\$468,000,000 (the “**Vanguard Glory Convertible Bonds**”) issued by the Company to Vanguard Glory Limited (“**Vanguard Glory**”); and (ii) the proposed alteration of certain terms (the “**Hony Fund Alteration of Terms**”) of the convertible bonds with an aggregate principal amount of HK\$773,879,717 (the “**Hony Fund VIII Convertible Bonds**”) issued by the Company to Hony Capital Fund VIII (Cayman), L.P. (“**Hony Fund VIII**”). The details of the Vanguard Glory Alteration of Terms and the Hony Fund Alteration of Terms were disclosed in the announcement of the Company dated 6 June 2023 (the “**Announcement**”) and in the letter from the board (the “**Letter from the Board**”) set out on pages 6 to 35 of the circular of the Company dated 7 July 2023 (the “**Circular**”) to its Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

#### **(I) Vanguard Glory Convertible Bonds**

On 25 January 2018, the Company and Vanguard Glory entered into the Vanguard Glory Subscription Agreement pursuant to which, among other things, the Company agreed to issue and Vanguard Glory agreed to subscribe for the Vanguard Glory Convertible Bonds in the aggregate principal amount of HK\$468,000,000 for a total consideration equal to the aggregate principal amount of the Vanguard Glory Convertible Bonds. The Vanguard Glory Convertible Bonds were issued to Vanguard Glory on 5 March 2018.



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## LETTER FROM ASTRUM CAPITAL

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On 17 December 2020, the Company and Vanguard Glory entered into a deed of amendment (the “**First Vanguard Glory Deed of Amendment**”) pursuant to which the Company and Vanguard Glory agreed to alter certain terms of the Vanguard Glory Convertible Bonds, among which the maturity date of the Vanguard Glory Convertible Bonds was extended from 5 March 2021 to 29 December 2023.

On 6 June 2023 (after trading hours of the Stock Exchange), in accordance with the terms and conditions of the Vanguard Glory Convertible Bonds, the Company and Vanguard Glory entered into the Vanguard Glory Deed of Amendment to alter certain terms of the Vanguard Glory Convertible Bonds, subject to and effective from fulfilment of the Vanguard Glory Conditions Precedent. Pursuant to the Vanguard Glory Alteration of Terms, the maturity date of the Vanguard Glory Convertible Bonds shall be extended from 29 December 2023 to 30 September 2025 (i.e. the Extended Vanguard Glory CB Maturity Date). Save as revised by the Vanguard Glory Alteration of Terms, all of the terms and conditions of the Vanguard Glory Convertible Bonds remain unchanged and in full force.

### **(II) Hony Fund VIII Convertible Bonds**

On 29 May 2018, the Company and Hony Fund VIII entered into the Hony Fund Share Purchase Agreement, pursuant to which the Company conditionally agreed to acquire the entire issued share capital of Oriental Ally, a wholly-owned subsidiary of Hony Fund VIII prior to the Hony Fund Acquisition Completion, from Hony Fund VIII at a consideration of RMB630 million (equivalent to approximately HK\$773,879,717), which shall be satisfied by the issuance of the Hony Fund VIII Convertible Bonds by the Company to Hony Fund VIII (or such person as Hony Fund VIII may nominate) on the Hony Fund Acquisition Completion. The Hony Fund VIII Convertible Bonds were issued by the Company to Hony Fund VIII on 7 August 2018.

On 6 June 2023 (after trading hours of the Stock Exchange), in accordance with the terms and conditions of the Hony Fund VIII Convertible Bonds, the Company and Hony Fund VIII entered into the Hony Fund Deed of Amendment to alter certain terms of the Hony Fund VIII Convertible Bonds, subject to and effective from fulfilment of the Hony Fund Conditions Precedent. Pursuant to the Hony Fund Alteration of Terms, the maturity date of the Hony Fund VIII Convertible Bonds shall be extended from 7 August 2023 to 30 September 2025 (i.e. the Extended Hony Fund CB Maturity Date). Save as revised by the Hony Fund Alteration of Terms, all of the terms and conditions of the Hony Fund VIII Convertible Bonds remain unchanged and in full force.

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. Accordingly, an application has been made by the Company to the Stock Exchange for the approval of the Vanguard Glory Alteration of Terms and the Hony Fund Alteration of Terms.

As at the Latest Practicable Date, Vanguard Glory, being the direct Shareholder of 97,000,000 Shares (representing approximately 70.19% of the issued share capital of the Company), was a substantial shareholder of the Company. Accordingly, Vanguard Glory is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

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## LETTER FROM ASTRUM CAPITAL

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As at the Latest Practicable Date, the Company was held as to 70.19% by Vanguard Glory, a subsidiary of Hony Fund V, and Hony Fund V was managed by Hony Capital Fund V GP Limited. Hony Fund VIII was managed by Hony Capital Fund VIII GP (Cayman) Limited. Both Hony Capital Fund V GP Limited and Hony Capital Fund VIII GP (Cayman) Limited were general partner companies of Hony Capital. Accordingly, Hony Fund VIII is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

The Vanguard Glory Alteration of Terms and the Hony Fund Alteration of Terms constitute connected transactions of the Company which are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Vanguard Glory Deed of Amendment, the Vanguard Glory Alteration of Terms contemplated thereunder, the Hony Fund Deed of Amendment, the Hony Fund Alteration of Terms contemplated thereunder and the grant of the Vanguard Glory Specific Mandate and the Hony Fund Specific Mandate. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, except Vanguard Glory, which has material interest in the Vanguard Glory Deed of contemplated thereunder and the grant of the Vanguard Glory Specific Mandate and the Hony Fund

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## LETTER FROM ASTRUM CAPITAL

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Amendment and the Hony Fund Deed of Amendment, and the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility in providing information of the Company in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters not contained in the Announcement and the Circular, the omission of which would make any statement herein or in the Announcement and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the terms of, and the reasons for entering into, the Vanguard Glory Deed of Amendment and the Hony Fund Deed of Amendment and to justify our reliance on the information provided so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. This letter is issued to provide information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the entering into of the Vanguard Glory Deed of Amendment and the Hony Fund Deed of Amendment, the Vanguard Glory Alternation of Terms, the Hony Fund Alternation of Terms and the grant of the Vanguard Glory Specific Mandate and the Hony Fund Specific Mandate. Except for the inclusion in the Circular, this letter should not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

*Unless otherwise specified in this letter, amounts denominated in RMB have been converted to HK\$ at a rate of RMB1.0000 to HK\$1.1026.*

### INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we were not aware of any relationships or interests between Astrum Capital Management Limited, the Company, Vanguard Glory, Hony Fund VIII and/or any of their respective substantial shareholders, directors or chief executive, or any o thecifie0n0.5eTjest.Ind

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## LETTER FROM ASTRUM CAPITAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to the entering into of the Vanguard Glory Deed of Amendment and the Hony Fund Deed of Amendment, the Vanguard Glory Alternation of Terms, the Hony Fund Alternation of Terms and the grant of the Vanguard Glory Specific Mandate and the Hony Fund Specific Mandate, we have taken into consideration the following factors and reasons:

#### 1. Information on the Group

According to the Letter from the Board, the Group is principally engaged in the hospital management business and general hospital business in China.

The table below summarises the audited consolidated financial results of the Group for the three years ended 31 December 2020, 31 December 2021 and 31 December 2022 (“FY2020”, “FY2021” and “FY2022”, respectively) as extracted from the 2021 Annual Report and the 2022 Annual Report:

**Table 1: Summary of the consolidated financial results of the Group**

	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
	(audited)	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	399,214	520,290	1,142,951
– Hospital management services	226,888	217,479	81,603
– General hospital services	171,267	298,436	1,049,374
– Sale of pharmaceutical products	1,059	4,375	11,124
– Others (Note)	–	–	850
Gross profit	194,329	214,227	150,878
(Loss) before taxation	(435,823)	(449,102)	(532,628)
(Loss) attributable to owners of the Company for the year	(404,342)	(280,709)	(480,948)

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## LETTER FROM ASTRUM CAPITAL

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	As at 31 December 2020 (audited) RMB'000	As at 31 December 2021 (audited) RMB'000	As at 31 December 2022 (audited) RMB'000
Bank balances and cash	860,726	440,428	497,061
Non-current assets	2,478,289	1,948,139	1,592,551
Current assets	1,265,915	1,175,575	843,013
Current (liabilities)	(481,144)	(526,021)	(1,785,729)
Net current assets/(liabilities)	784,771	649,554	(942,716)
Non-current (liabilities)	(1,895,820)	(1,461,866)	(206,407)
Equity attributable to owners of the Company	1,080,156	797,973	255,710

*Source:* the 2021 Annual Report and the 2022 Annual Report

*Note:* Other revenue mainly represents the headquarter income.

**(i) For the year ended 31 December 2021 (i.e. FY2021)**

Revenue of the Group increased from approximately RMB399.2 million in FY2020 to approximately RMB520.3 million in FY2021, representing an increase of approximately 30.3%. Such increase was mainly due to the significant increase in revenue from the Group's general hospital services by approximately 74.3% to approximately RMB298.4 million in FY2021. In line with the increase in revenue, the Group's gross profit also increased by approximately 10.2% from approximately RMB194.3 million in FY2020 to approximately RMB214.2 million in FY2021.

In FY2021, the Group recorded loss attributable to owners of the Company of approximately RMB280.7 million, representing a decrease of approximately 30.6% as compared to approximately RMB404.3 million in FY2020. Such improvement was mainly attributable to (i) the decrease in impairment losses on intangible assets of approximately RMB116.2 million; (ii) the increase in deferred income tax credit of approximately RMB78.8 million; (iii) the decrease in finance costs of approximately RMB33.6 million; and (iv) the increase in gross profit of approximately RMB19.9 million as mentioned above, which was partially offset by (i) the decrease in net gains on convertible bonds of approximately RMB122.3 million; and (ii) the increase in administrative expenses of approximately RMB44.0 million.

As at 31 December 2021, the Group's total assets and total liabilities amounted to approximately RMB3,123.7 million (31 December 2020: approximately RMB3,744.2 million) and approximately RMB1,987.9 million (31 December 2020: approximately RMB2,377.0 million), respectively. The Group's bank balance and cash decreased by approximately 48.8% from approximately RMB860.7 million as at 31 December 2020 to approximately RMB440.4 million as at 31 December 2021. The reason for the significant decrease in bank balances and cash was mainly attributable to the redemption of convertible bonds of approximately RMB453.1 million.

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## LETTER FROM ASTRUM CAPITAL

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Equity attributable to owners of the Company decreased from approximately RMB1,080.2 million as at 31 December 2020 to approximately RMB798.0 million as at 31 December 2021. Such deterioration was primarily due to the loss attributable to owners of the Company of approximately RMB280.7 million recorded in FY2021.

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## LETTER FROM ASTRUM CAPITAL

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### 2. Background of and reasons for the entering into of the Vanguard Glory Deed of Amendment and the Hony Fund Deed of Amendment

On 25 January 2018, the Company and Vanguard Glory entered into the Vanguard Glory Subscription Agreement pursuant to which, among other things, the Company agreed to issue and Vanguard Glory agreed to subscribe for the Vanguard Glory Convertible Bonds in the aggregate principal amount of HK\$468,000,000 for a total consideration equal to the aggregate principal amount of the Vanguard Glory Convertible Bonds. The Vanguard Glory Subscription Agreement and the transactions contemplated thereunder were duly approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 2 March 2018 and the Vanguard Glory Convertible Bonds were issued to Vanguard Glory on 5 March 2018. On 17 December 2020, the Company and Vanguard Glory entered into the First Vanguard Glory Deed of Amendment pursuant to which the Company and Vanguard Glory agreed to alter certain terms of the Vanguard Glory Convertible Bonds, including (i) the maturity date of the Vanguard Glory Convertible Bonds was extended from 5 March 2021 to 29 December 2023 (the “**First Extended Vanguard Glory CB Maturity Date**”); and (ii) in the event that the Shares cease to be listed or admitted to trading on the Stock Exchange, each bondholder of the Vanguard Glory Convertible Bonds shall have the right, at such bondholder’s option, to require the Company to redeem, in whole or in part (i.e. rather than in whole only), such bondholder’s Vanguard Glory Convertible Bonds. Save for the aforementioned, all of the terms and conditions of the Vanguard Glory Convertible Bonds remained unchanged and in full force. The First Vanguard Glory Deed of Amendment and the transactions contemplated thereunder were duly approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 22 February 2021.

The Vanguard Glory Convertible Bonds are interest-free and are convertible into the Vanguard Glory Conversion Shares at the initial Vanguard Glory Conversion Price of HK\$18.00 per Vanguard Glory Conversion Share. Any amount of the Vanguard Glory Convertible Bonds which remains outstanding on the First Extended Vanguard Glory CB Maturity Date shall be redeemed by the Company at its then outstanding principal amount. The Vanguard Glory Conversion Shares (upon exercise of the conversion rights attaching to the Vanguard Glory Convertible Bonds) will be allotted and issued pursuant to the specific mandate granted by the then independent Shareholders on 22 February 2021. For further details of the Vanguard Glory Subscription Agreement and the First Vanguard Glory Deed of Amendment, please refer to the circulars of the Company dated 13 February 2018 and 29 January 2021. As at the Latest Practicable Date, the Vanguard Glory Convertible Bonds in the aggregate principal amount of HK\$468,000,000 remained outstanding.

Separately, on 29 May 2018, the Company and Hony Fund VIII entered into the Hony Fund Share Purchase Agreement, pursuant to which the Company conditionally agreed to acquire the entire issued share capital of Oriental Ally, a wholly owned subsidiary of Hony Fund VIII prior to the Hony Fund Acquisition Completion, from Hony Fund VIII at a consideration of RMB630 million (equivalent to approximately HK\$773,879,717), which shall be satisfied by the issuance of the Hony Fund VIII Convertible Bonds by the Company to Hony Fund VIII (or such person as Hony Fund VIII may nominate) on the Hony Fund Acquisition Completion. The Hony Fund Share Purchase Agreement and the transactions contemplated thereunder were duly approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 10 July 2018. The Hony Fund VIII Convertible Bonds were issued by the Company to Hony Fund VIII on 7 August 2018, and will become mature on 7 August 2023 (the “**Hony Fund CB Maturity Date**”).

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## LETTER FROM ASTRUM CAPITAL

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The Hony Fund VIII Convertible Bonds are interest-free and are convertible into the Hony Fund Conversion Shares at the initial Hony Fund Conversion Price of HK\$20.00 per Hony Fund Conversion Share. Any amount of the Hony Fund VIII Convertible Bonds which remains outstanding on the Hony



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## LETTER FROM ASTRUM CAPITAL

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The Management also considered other feasible and permissible way to deal with the forthcoming maturity of the Hony Fund VIII Convertible Bonds and the Vanguard Glory Convertible Bonds other than the cash redemption in full. Taking into consideration the facts that (i) the closing prices of the Shares ranged from HK\$6.6 to HK\$9.0 during the twelve months period immediately prior to the date of the Hony Fund Deed of Amendment and the Vanguard Glory Deed of Amendment and up to the Latest Practicable Date; and (ii) the closing price of the Shares of HK\$7.0 as at the Latest Practicable Date is much lower than the initial Hony Fund Conversion Price and the initial Vanguard Glory Conversion Price, the Management expected that it is unlikely for the bondholders of the Hony Fund VIII Convertible Bonds and the Vanguard Glory Convertible Bonds to exercise the conversion rights unless the Share price exhibits a substantial growth before the respective maturity dates. Furthermore, as mentioned in the Letter from the Board, as at the Latest Practicable Date:

- (1) Vanguard Glory, being the bondholder of the Vanguard Glory Convertible Bonds, held 97,000,000 Shares, representing approximately 70.19% of the issued share capital of the Company;
- (2) Vanguard Glory was a subsidiary of Hony Fund V, and Hony Fund V was managed by Hony Capital Fund V GP Limited. Hony Fund VIII, being the bondholder of the Hony Fund VIII Convertible Bonds, was managed by Hony Capital Fund VIII GP (Cayman) Limited. Both Hony Capital Fund V GP Limited and Hony Capital Fund VIII GP (Cayman) Limited are general partner companies of Hony Capital; and
- (3) in the event of full conversion of the Hony Fund VIII Convertible Bonds and the Vanguard Glory Convertible Bonds, 38,693,985 Hony Fund Conversion Shares and 26,000,000 Vanguard Glory Conversion Shares will be issued to Hony Fund VIII and Vanguard Glory, respectively. Vanguard Glory and Hony Fund VIII will hold, in aggregate, 161,693,985 Shares, representing approximately 79.70% of the enlarged issued share capital of the Company.

Full conversion of the Hony Fund VIII Convertible Bonds and the Vanguard Glory Convertible Bonds will end up with less than 25% of the Company's issued share capital being held by the public Shareholders as required by Rule 8.08 of the Listing Rules. In light of the above, it appears that the Group could only either redeem the Hony Fund VIII Convertible Bonds and the Vanguard Glory Convertible Bonds at maturity or extend the maturity dates of the Hony Fund VIII Convertible Bonds and the Vanguard Glory Convertible Bonds. In view of the Group's cash position and the further capital requirements for the Group's internal development (such as equipment maintenance and renewal, talent introduction and training), the Directors consider that the extension of the respective maturity dates of the Hony Fund VIII Convertible Bonds and the Vanguard Glory Convertible Bonds (the "**Extension**") will enable the Company to postpone such substantial cash outflow and allow the Company to have more financial flexibility in the deployment of its working capital for its business operations and development, without having to incur additional financing costs to effect immediate repayment. Accordingly, on 6 June 2023, the Company and Vanguard Glory entered into the Vanguard Glory Deed of Amendment to extend the maturity date of the Vanguard Glory Convertible Bonds from the First Extended Vanguard Glory CB Maturity Date (i.e. 29 December 2023) to the Extended Vanguard Glory CB Maturity Date (i.e. 30 September 2025) without alteration of other terms and conditions of the Vanguard Glory Convertible Bonds. On the even date, the Company and Hony Fund VIII entered into the Hony Fund Deed of Amendment to extend the maturity date of the Hony Fund VIII Convertible Bonds from the Hony Fund CB Maturity Date (i.e. 7 August 2023) to the Extended Hony Fund CB Maturity Date (i.e. 30 September 2025) without alteration of other terms and conditions of the Hony Fund VIII Convertible Bonds.

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## LETTER FROM ASTRUM CAPITAL

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Upon enquiry, we were advised that the Company had explored other financing alternatives to raise funds for redemption of the Vanguard Glory Convertible Bonds and/or the Hony Fund VIII Convertible Bonds, including but not limited to bank borrowing and equity financing. However, the Board is of the view that bank borrowing will incur high finance costs for the Company in view of the tremendous principal amount of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds, and will have negative impact on the Group's financial performance. Also, banks will usually request the Company to provide sufficient appropriate collaterals to fortify the loan applied for. As regards equity financing alternatives (such as placing of new shares, rights issue and open offer), the Board considers that placing will usually be conducted on best-effort basis, rendering the outcome and the exact amount of proceeds to be raised from the placing being uncertain and subject to market condition, while rights issue or open offer will involve the issue of listing documents with other application and administrative procedures which may require relatively longer time and incur additional administrative costs as compared to the Extension. Furthermore, equity financing alternatives will result in an immediate dilution effect on the shareholding of the existing Shareholders. In view of the restrictions of the alternative fund

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## LETTER FROM ASTRUM CAPITAL

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### 3. Principal terms of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds

#### (I) *The Vanguard Glory Convertible Bonds*

Pursuant to the Vanguard Glory Deed of Amendment, the maturity date of the Vanguard Glory Convertible Bonds shall be extended by approximately 21 months from 29 December 2023 to 30 September 2025 (i.e. the Extended Vanguard Glory CB Maturity Date) (the “**Vanguard Glory Extension**”). As advised by the Management, the Vanguard Glory Extension was arrived at after arm’s length negotiations between the Company and Vanguard Glory taking into account the financial position of the Group. Save as the Vanguard Glory Extension as mentioned above, all the terms of the Vanguard Glory Convertible Bonds shall remain unchanged and in full force.

The principal terms of the Vanguard Glory Convertible Bonds (as revised by the First Vanguard Glory Deed of Amendment and the Vanguard Glory Deed of Amendment) are as follows:

Issuer	:	the Company
Principal amount	:	HK\$468,000,000
Issue price	:	100% of the principal amount
Form and denomination	:	The Vanguard Glory Convertible Bonds are issued in registered form in the denomination of HK\$1,000,000 each.
Maturity date	:	the Extended Vanguard Glory CB Maturity Date (i.e. 30 September 2025)
		The Company has no right to extend the maturity date of the Vanguard Glory Convertible Bonds unless consent is obtained from the bondholder(s) of the Vanguard Glory Convertible Bonds to amend the Vanguard Glory Convertible Bond Instrument in accordance with the terms therein.
Interest	:	The Vanguard Glory Convertible Bonds do not bear any interest.
Conversion rights	:	Subject to the restrictions set out below, the bondholder(s) of the Vanguard Glory Convertible Bonds shall have the right to convert the Vanguard Glory Convertible Bonds into Shares at any time on or after the Vanguard Glory Closing Date up to the Extended Vanguard Glory CB Maturity Date at the discretion of such bondholder(s).

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## LETTER FROM ASTRUM CAPITAL

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Restriction on conversion : No conversion of the Vanguard Glory Convertible Bonds shall take place if and to the extent that, immediately following such conversion, the Company would be in breach of its obligations under the minimum public float requirement under the Listing Rules.

Redemption upon maturity and early redemption : The Company will redeem all the outstanding Vanguard Glory Convertible Bonds at an amount of the principal amount of such outstanding Vanguard Glory Convertible Bonds on the Extended Vanguard Glory CB Maturity Date.

In the event that the Shares cease to be listed or admitted to trading on the Stock Exchange, each bondholder of the Vanguard Glory Convertible Bonds shall have the right, at such bondholder's option, to require the Company to redeem, in whole or in part, such bondholder's Vanguard Glory Convertible Bonds.

The Company has no early redemption right under the Vanguard Glory Subscription Agreement.

Default interest : If the Company fails to pay any sum in respect of the Vanguard Glory Convertible Bonds when the same becomes due and payable under the conditions of the Vanguard Glory Convertible Bonds, interest shall accrue on the overdue sum at the rate of 5% per annum from the due date and ending on the date on which full payment is made to the bondholders of the Vanguard Glory Convertible Bonds. Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year.

For further details of the principal terms of the Vanguard Glory Convertible Bonds, please refer to the paragraph headed "Principal terms of the Vanguard Glory Convertible Bonds immediately after the Vanguard Glory Alteration of Terms" in the Letter from the Board.

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## LETTER FROM ASTRUM CAPITAL

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### *(II) The Hony Fund VIII Convertible Bonds*

Pursuant to the Hony Fund Deed of Amendment, the maturity date of the Hony Fund VIII Convertible Bonds shall be extended by approximately 26 months from 7 August 2023 to 30 September 2025 (i.e. the Extended Hony Fund CB Maturity Date) (the “**Hony Fund Extension**”). As advised by the Management, the Hony Fund Extension was arrived at after arm’s length negotiations between the Company and Hony Fund VIII taking into account the financial position of the Group. Save as the Hony Fund Extension as mentioned above, all the terms of the Hony Fund VIII Convertible Bonds shall remain unchanged and in full force.

The principal terms of the Hony Fund VIII Convertible Bonds (as revised by the Hony Fund Deed of Amendment) are as follows:

Issuer	:	the Company
Principal amount	:	HK\$773,879,717
Issue price	:	100% of the principal amount
Form and denomination	:	The Hony Fund VIII Convertible Bonds are issued in registered form in the denomination of HK\$1 each.
Maturity date	:	the Extended Hony Fund CB Maturity Date (i.e. 30 September 2025)  The Company has no right to extend the maturity date of the Hony Fund VIII Convertible Bonds.
Interest	:	The Hony Fund VIII Convertible Bonds do not bear any interest.
Conversion rights	:	Subject to the restrictions set out below, the bondholder(s) of the Hony Fund VIII Convertible Bonds shall have the right to convert the Hony Fund VIII Convertible Bonds into Shares at any time on or after the date following six months from the date of issue of the Hony Fund VIII Convertible Bonds up to the close of business on the Extended Hony Fund CB Maturity Date.
Restriction on conversion	:	The Company is not obliged to issue Shares in satisfaction of the conversion rights contemplated under the Hony Fund VIII Convertible Bonds in breach of its obligations under the Listing Rules (including but not limited to the minimum public float requirement) or the Takeovers Code.

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## LETTER FROM ASTRUM CAPITAL

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- Redemption upon maturity and early redemption : The Company will redeem the outstanding Hony Fund VIII Convertible Bonds at its principal amount on the Extended Hony Fund CB Maturity Date. The Company may not redeem the Hony Fund VIII Convertible Bonds at its option prior to the Extended Hony Fund CB Maturity Date except in the event that the Shares cease to be listed or admitted to trading on the stock exchange on which the Shares are then listed or quoted or dealt in.
- Default interest : If the Company fails to pay any sum in respect of the Hony Fund VIII Convertible Bonds when the same becomes due and payable under the conditions of the Hony Fund VIII Convertible Bonds, interest shall accrue on the overdue sum at the rate of 5% per annum from the due date and ending on the date on which full payment of principal and the relevant interest accrued is made to the bondholders of the Hony Fund VIII Convertible Bonds.

For further details of the principal terms of the Hony Fund VIII Convertible Bonds, please refer to the paragraph headed “Principal terms of the Hony Fund VIII Convertible Bonds immediately after the Hony Fund Alteration of Terms” in the Letter from the Board.

In assessing the fairness and reasonableness of the terms of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds, we have identified a list of convertible bonds/notes (the “**Comparable CBs**”) announced by companies listed on the Stock Exchange. In view of the principal amounts of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds of HK\$460 million and approximately HK\$773.9 million respectively, we have attempted to identify all convertible bonds/notes announced by companies listed on the Stock Exchange during the three-month period immediately before the date of the Vanguard Glory Deed of Amendment and the Hony Fund Deed of Amendment (i.e. from 7 March 2023 to 6 June 2023) with the principal amount higher than or equal to HK\$100 million but less than HK\$1,000 million. Based on the information available from the website of the Stock Exchange, we have identified an exhaustive list of 9 Comparable CBs which met the said criteria and have not yet lapsed as at the Latest Practicable Date. We consider that the application of the aforementioned selection criteria allows us to (i) capture the Comparable CBs, which provide a general reference for the recent market practice in relation to the key terms of issue of convertible bonds/notes with comparable size as the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds under the current market condition and sentiment; and (ii) generate a sufficient sample size for the purpose of our analysis. In view of the above, we are of the view that the Comparable CBs are fair and representative.

## LETTER FROM ASTRUM CAPITAL

Shareholders should, however, note that the businesses, operations and prospect of the Company are not the same as the issuers of the Comparable CBs. Notwithstanding that, we consider that the terms of the Comparable CBs were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transaction in Hong Kong. Therefore, we consider that the Comparable CBs are indicative in assessing the fairness and reasonableness of the key terms of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds (including but not limited to the Vanguard Glory Conversion Price and the Hony Fund Conversion Price). The following table sets forth the relevant details of the Comparable CBs:

**Table 2: Details of the Comparable CBs**

Date of announcement	Name of Company	Stock code	Principal amount (HK\$ million)	Duration (years)	Premium/ (discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement (“Premium/ (Discount) – Last Day”) (%)	Interest rate per annum (%)
06/06/2023	China Asia Valley Group Limited	63	353	5.0	(33.30)%	3.60
31/05/2023	Hua Yin International Holdings Limited	989	Up to 150	3.0	1.14%	6.00
29/05/2023	Hybrid Kinetic Group Limited	1188	100	2.0	244.80% (Note 2)	5.00
12/05/2023	Hong Kong Aerospace Technology Group Limited	1725	800	0.6	(8.91)%	0.50
11/05/2023	LVGEM (China) Real Estate Investment Company Limited	95	157 (Note 3)	2.0	23.46%	6.00
06/04/2023	Global Sweeteners Holdings Limited	3889	138 (Note 4)	3.0	16.30%	5.00
29/03/2023	Kerry Logistics Network Limited	636	780	Perpetual	44.17%	3.30
15/03/2023	CA Cultural Technology Group Limited	1566	161	3.0	(78.39)%	0.00
09/03/2023	Wisdom Wealth Resources Investment Holding Group Limited	7	100	1.0	160.40%	5.75 (Note 5)

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## LETTER FROM ASTRUM CAPITAL

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Date of announcement	Name of Company	Stock code	Principal amount <i>(HK\$ million)</i>	Duration <i>(years)</i>	Premium/ (discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement  ("Premium/ (Discount) – Last Day")  <i>(%)</i>	Interest rate per annum  <i>(%)</i>
<b>All Comparable CBs</b>						
			Maximum:	Perpetual	244.8	6.00
			Minimum:	0.6	(78.4)	0.00
			Median:	3.0	16.3	5.00
			Average:	2.5 <i>(Note 6)</i>	41.1	3.91
			Standard deviation:	1.3 <i>(Note 6)</i>	94.6	2.16
<b>All Comparable CBs (excluding outliers)</b>						
			Maximum:	5.0 <i>(Note 7)</i>	160.4	6.00
			Minimum:	0.6 <i>(Note 7)</i>	(78.4)	0.00
			Median:	2.5 <i>(Note 7)</i>	8.7	5.00
			Average:	2.5 <i>(Note 7)</i>	15.6	3.91
		Vanguard Glory Convertible Bonds:		Extended duration: 1.8	172.7	0.00
				Entire duration: 7.6 <i>(Note 8)</i>		
		Hony Fund VIII Convertible Bonds:		Extended duration: 2.2	203.0	0.00
				Entire duration: 7.2 <i>(Note 9)</i>		

Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

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## LETTER FROM ASTRUM CAPITAL

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3. The amount was stated in US\$ and was converted to HK\$ using the exchange rate of US\$1.00 = HK\$7.85.
4. The amount was stated in RMB and was converted to HK\$ using the exchange rate of RMB1.00 = HK\$1.15.
5. According to the announcement of Wisdom Wealth Resources Investment Holding Group (stock code: 7) dated 9

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## LETTER FROM ASTRUM CAPITAL

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Vanguard Glory Deed of Amendment and the Hony Fund Deed of Amendment” above (in particular, the Vanguard Glory Alteration of Terms and the Hony Fund Alteration of Terms would alleviate the liquidity and working capital pressure of the Group triggered by the redemption of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds due on 29 December 2023 and 7 August 2023, respectively); and (ii) both of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds do not bear interest, we consider that the relatively long Entire Duration of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds, as compared to the duration of the Comparable CBs, is beneficial to the Group as the Extension enables the Company to postpone substantial cash outflow and allows the Company to have more financial flexibility in the deployment of its working capital for its business operations and development, without having to incur additional financing costs to effect immediate repayment. Therefore, we consider that the Vanguard Glory Extension and the Hony Fund Extension are fair and reasonable.

**(ii) Initial Conversion Price**

As the Premium/(Discount) – Last Day represented by the conversion price of the convertible bonds issued by Hybrid Kinetic exceeds two standard deviations from the average of that of the Comparable CBs, we consider that the Premium/(Discount) – Last Day represented by the conversion price of the convertible bonds issued by Hybrid Kinetic is an outlier and has excluded it from our analysis for the Premium/(Discount) – Last Day represented by the conversion price of the Comparable CBs in order to avoid the distortion of our analysis results.

As illustrated in Table 2 above, the Premium/(Discount) – Last Day represented by the conversion prices of the Comparable CBs ranged from a discount of approximately 78.4% to a premium of approximately 160.4%, with an average of a premium of approximately 15.6% and a median of a premium of approximately 8.7%. The Premium/(Discount) – Last Day represented by the Vanguard Glory Conversion Price and the Hony Fund Conversion Price are a premium of approximately 172.7% and a premium of approximately 203.0%, respectively, which are higher than the highest of the Premium/(Discount) – Last Day represented by the conversion prices of the Comparable CBs. Therefore, we consider that the Vanguard Glory Conversion Price and the Hony Fund Conversion Price are fair and reasonable.

**(iii) Interest rate**

As shown in Table 2 above, the interest rates of the Comparable CBs ranged from nil to 6.00% per annum with an average of approximately 3.91% per annum and a median of approximately 5.00% per annum. The zero coupon rate of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds are equivalent to the lowest of the interest rates of the Comparable CBs. Therefore, we consider that the zero coupon rate of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM ASTRUM CAPITAL

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*(iv) Conclusion*

Having considered that (i) the relatively long Entire Duration of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds, as compared to the duration of the Comparable CBs, is beneficial to the Group as both of the Vanguard Glory Convertible Bonds and

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## LETTER FROM ASTRUM CAPITAL

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*(ii) Effect on earnings*

The zero coupon rate of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds remains unchanged under the Vanguard Glory Alteration of Terms and the Hony Fund Alteration of Terms. According to applicable accounting standard, a non-cash imputed finance cost and fair value changes on derivative components of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds may be recorded in the consolidated statement of profit or loss and other comprehensive income during the extended period depending on the result of re-measurement of the fair values of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds as at 29 December 2023 and 7 August 2023, respectively, as well as each subsequent reporting date by independent valuer.

*(iii) Effect on net assets*

There may be changes in the fair values of the Vanguard Glory Convertible Bonds and the Hony Fund VIII Convertible Bonds as a result of the Vanguard Glory Alteration of Terms and the Hony Fund Alteration of Terms. The possible changes will be subject to the valuation from the independent valuer and the review of the Company's independent auditors in the Group's subsequent financial statements.

### OPINION

Having taken into account the above principal factors and reasons, we consider that the terms of the Vanguard Glory Deed of Amendment and the Hony Fund Deed of Amendment are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Vanguard Glory Alteration of Terms, the Hony Fund Alteration of Terms and the grant of the Vanguard Glory Specific Mandate and the Hony Fund Specific Mandate are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves recommend, the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM to approve the Vanguard Glory Deed of Amendment, the Vanguard Glory Alteration of Terms contemplated thereunder, the Hony Fund Deed of Amendment, the Hony Fund Alteration of Terms contemplated thereunder, the Hony Fund Specific Mandate and the Vanguard Glory Specific Mandate.

Yours faithfully,

For and on behalf of

**Astrum Capital Management Limited**

**Hidulf Kwan** *Director*

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Save as disclosed above, as of the Latest Practicable Date, so far as is known to the Directors, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or to be entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### 3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued Shares of the Company:

#### Long positions in the Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of Shares or underlying Shares of the Company	Approximate percentage of shareholding interests <sup>(6)</sup>
Vanguard Glory <sup>(1)</sup>	Beneficial owner	123,000,000	89.01%
Hony Capital Fund V, L.P. <sup>(2)</sup>	Interest of controlled corporation	123,000,000	89.01%
Hony Capital Fund V GP, L.P. <sup>(2)</sup>	Interest of controlled corporation	123,000,000	89.01%
Hony Capital Fund V GP Limited <sup>(2)</sup>	Interest of controlled corporation	123,000,000	89.01%
Hony Group Management Limited <sup>(2)(3)</sup>	Interest of controlled corporation	161,693,985	117.01%
Hony Managing Partners Limited <sup>(2)(3)</sup>	Interest of controlled corporation	161,693,985	117.01%
Exponential Fortune Group Limited <sup>(2)(3)</sup>	Interest of controlled corporation	161,693,985	117.01%
Hony Fund VIII <sup>(3)</sup>	Beneficial owner	38,693,985	28.00%

Name of Shareholder	Capacity/Nature of interest	Number of Shares or underlying Shares of the Company	Approximate percentage of
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- (3) Hony Fund VIII is an exempted limited partnership formed under the laws of the Cayman Islands as an investment vehicle. The general partner of Hony Fund VIII is Hony Capital Fund VIII GP (Cayman), L.P., whose general partner is Hony Capital Fund VIII GP (Cayman) Limited. Hony Capital Fund VIII GP (Cayman) Limited is wholly-owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly-owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan. Mr. Zhao John Huan is a director of Hony Capital Fund VIII GP (Cayman) Limited, Hony Group Management Limited, Hony Managing Partners Limited and Exponential Fortune Group Limited.
- (4) Mr. Zhao John Huan is deemed to be interested in a total of 161,693,985 shares that are held by his controlled corporations, Vanguard Glory and Hony Fund VIII. Vanguard Glory holds 97,000,000 shares of the Company and holds convertible bonds issued by the Company that can be converted into 26,000,000 shares of the Company. Hony Fund VIII holds convertible bonds issued by the Company that can be converted into 38,693,985 shares of the Company.
- (5) Anhui Zhong'an LP is a limited partnership formed under the laws of the PRC as an investment vehicle. The general partner of Anhui Zhong'an LP is Anhui Zhong'an, which is jointly held as to 55% by Hefei Kangyang Capital Management Partnership (Limited Partnership)(合肥康養資本管理合夥企業(有限合夥)) and as to 45% by Anhui Chuangu Equity Investment Fund Management Co. Ltd.(安徽創谷股權投資基金管理有限公司). Mr. Niu Yang is one of the general partners of Hefei Kangyang Capital Management Partnership (Limited Partnership)(合肥康養資本管理合夥企業(有限合夥)). Ms. Liu Lu is a director of Anhui Zhong'an and Anhui Chuangu Equity Investment Fund Management Co. Ltd.(安徽創谷股權投資基金管理有限公司).
- (6) As at the Latest Practicable Date, the total number of issued shares of the Company was 138,194,000.

Saved as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any person (other than Directors and chief executives of the Company) who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed under the provisions of Hony Fund VIII



**5. DIRECTORS' SERVICE CONTRACTS**

At the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contract with any member of the Group which is not expiring or terminable by the employer within one year without payment of compensation other than statutory compensation.

**6. COMPETING INTERESTS**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in any businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**7. EXPERT'S QUALIFICATIONS AND CONSENT**

The following is the name and qualification of the expert who has given opinions contained in this circular:

<b>Name</b>	<b>Qualification</b>
Astrum Capital Management Limited	A corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

Astrum Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion as set out in this circular and references to its name in the form and context in which it appears in this circular.

**8. EXPERT'S INTERESTS**

Astrum Capital has confirmed that as at the Latest Practicable Date:

- (a) it did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) it did not have any direct or indirect interest in any asset which has been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022 (being the date up to which the latest published audited consolidated financial statements of the Group were made).

**9. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

**10. MISCELLANEOUS**

- (a) The company secretary of the Company is Ms. Ho Wing Yan. Ms. Ho is an associate member of The Hong Kong Chartered Governance Institute (“**HKCGI**”) and The Chartered Governance Institute and a holder of the Practitioner’s Endorsement issued by HKCGI.
- (b) The registered address of the Company is at PO Box 309, Uglan House Grand Cayman, KY1-1104 Cayman Islands.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, the address of which is Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen’s Road East Wanchai, Hong Kong.
- (d) All references to times in this circular refer to Hong Kong times.
- (e) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.



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## NOTICE OF THE EGM

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**Hospital Corporation of China Limited**  
**弘和仁愛醫療集團有限公司**  
(Incorporated in the Cayman Islands)  
(Stock Code: 3869)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of the shareholders (the “Shareholders”) of Hospital Corporation of China Limited (the “Company”) will be held at 4th Floor, Air China Century Plaza, No. 40, Xiaoyun Road, Chaoyang District, Beijing, PRC on Monday, 31 July 2023 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “THAT:
  - (a) the deed of amendment dated 6 June 2023 (the “Vanguard Glory Deed of Amendment”) entered into between the Company and Vanguard Glory Limited (“Vanguard Glory”) and the alteration of terms of the convertible bonds in the aggregate principal amount of HK\$468,000,000 issued by the Company to Vanguard Glory (the “Vanguard Glory Convertible Bonds”) contemplated thereunder (the “Vanguard Glory Alteration of Terms”), be and are hereby approved, confirmed and ratified;
  - (b) the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue such number of shares of the Company as may be required to be allotted and issued upon exercise of the conversion rights attaching to the Vanguard Glory Convertible Bonds; and
  - (c) any one or more directors of the Company be and is/are hereby authorized for and on behalf of the Company to execute all such documents and agreements and do all such acts and things, as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of or giving effect to the Vanguard Glory Deed of Amendment or the Vanguard Glory Alteration of Terms and all matters incidental thereto or in connection therewith.”

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## NOTICE OF THE EGM

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2. **“THAT:**
- (a) the deed of amendment dated 6 June 2023 (the **“Hony Fund Deed of Amendment”**) entered into between the Company and Hony Capital Fund VIII (Cayman), L.P. (**“Hony Fund VIII”**) and the alteration of terms of the convertible bonds in the aggregate principal amount of HK\$773,879,717 issued by the Company to Hony Fund VIII (the **“Hony Fund VIII Convertible Bonds”**) contemplated thereunder (the **“Hony Fund Alteration of Terms”**), be and are hereby approved, confirmed and ratified;
  - (b) the directors of the Company be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue such number of shares of the Company as may be required to be allotted and issued upon exercise of the conversion rights attaching to the Hony Fund VIII Convertible Bonds; and
  - (c) any one or more directors of the Company be and is/are hereby authorized for and on behalf of the Company to execute all such documents and agreements and do all such acts and things, as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of or giving effect to the Hony Fund Deed of Amendment or the Hony Fund Alteration of Terms and all matters incidental thereto or in connection therewith.”

For and on behalf of the Board  
**Hospital Corporation of China Limited**  
**弘和仁愛醫療集團有限公司**  
**Chen Shuai**  
*Chairman and Acting Chief Executive Officer*

7 July 2023

*Notes:*

1. All resolutions at the EGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **“Listing Rules”**). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote in his stead. A shareholder who is the holder of two or more shares in the Company may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a shareholder of the Company.
- 3.

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## NOTICE OF THE EGM

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4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Delivery of any instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of shareholders of the Company to attend and vote at the EGM will be the close of business on Friday, 21 July 2023. Shareholders whose name appears on the register of members of the Company at the close of business on Friday, 21 July 2023 will be entitled to attend and vote at the EGM. In order to qualify as shareholders to attend and vote at the EGM, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 21 July 2023.