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## **RICI HEALTHCARE HOLDINGS LIMITED**

**瑞慈醫療服務控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1526)**

### **SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION IN RELATION TO SUBSCRIPTION OF SHARES IN UNICORN II HOLDINGS LIMITED**

Reference is made to the announcement (the “**Announcement**”) of Rici Healthcare Holdings Limited (the “**Company**”) dated August 18, 2022 in relation to subscription of shares in Unicorn II Holdings Limited. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Company would like to provide the Shareholders and potential investors of the Company with further information on the Transactions.

### **INFORMATION ABOUT UNICORN II HOLDINGS LIMITED**

Unicorn II Holdings Limited is a company incorporated under the laws of Cayman Islands and is ultimately controlled by Mr. Kam Chung Leung (梁錦松) and Mr. Carl Wu (吳啟楠).

## BASIS OF CONSIDERATION

The consideration payable for the Subscription Shares of RMB180.0 million was negotiated on an arm's length basis between the Target Company and the Subscriber with reference to the following factors:

### (i) Historical performance and future prospects of the Target Company

The Target Group is a leading private healthcare provider offering comprehensive premium healthcare services in China. It realized rapid growth in the past few years and has shown great potential for future development. The table below sets forth the revenue of the Target Group for 2018, 2019, 2020 and 2021, respectively, as extracted from the Target Group's audited accounts prepared under the IFRS:

	2018	2019 (RMB'000)	2020	2021
Target Group	2,058,779	2,449,202	2,260,505	2,804,202

### (ii) Valuation in the previous privatization transaction of New Frontier Health Corporation

New Frontier Health Corporation, an indirectly wholly-owned subsidiary of the Target Company and a holding vehicle of the Target Group, was listed on the New York Stock Exchange from 2020 to 2021. New Frontier Health Corporation underwent a privatization transaction which was firstly proposed in early 2021 and closed in early 2022, implying an equity value of the Target Group of approximately US\$1,582 million, representing a price-to-sales ratio of 4.7x (arriving at using the implied equity value of the Target Group divided by the revenue in 2020). The consideration payable under the Subscription represents a price-to-sales ratio of 5.4x (arriving at using the equity value of the Target Group implied by the consideration under the Subscription divided by the revenue of the Target Group in 2021), which is comparable to the price-to-sales ratio of 4.7x under the previous privatization transaction. The Directors consider it is commercially reasonable to agree on a valuation of the Target Group under the Subscription (represented by a price-to-sales ratio of 5.4x) slightly higher than that under the previous privatization (represented by a price-to-sales ratio of 4.7x), having considered (i) the continuous growth of the private healthcare sector in China which the Target Group operates in, and that the market size of China's private healthcare institutions, in terms of revenue, increased from RMB335.8 billion in 2016 to RMB802.4 billion in 2021, at a CAGR of 19.0%, and is expected to reach RMB1,421.6 billion in 2025, at a CAGR of 15.4% from 2021 to 2025, according to Frost & Sullivan, (ii) the strong operational performance of the Target Group since the closing of the privatization transaction (including the ramp-up of Beijing United Family Jingbei Women and Children Hospital which just started its operation in

the second half of 2021), and (iii) recent business expansions of the Target Group (including the acquisition of two new hospitals in city centers of Beijing and Shanghai which expands the geographical reach of the Target Group's business).

**(iii) Benefits which the Company may receive from the Subscription**

Please refer to the section headed "Reasons for and Benefits of the Subscription" of the Announcement for more details.

**PRINCIPAL TERMS OF THE SHARE SUBSCRIPTION AGREEMENT**

The principal terms of the Share Subscription Agreement are set out below:

**Date:** August 18, 2022 (after trading hours)

**Parties:**

- (1) the Subscriber, a wholly-owned subsidiary of the Company;
- (2) the Target Company; and
- (3) the Sponsor.

**Consideration and assets to be acquired:** Upon completion, the Target Company issued and allotted 1,672,140 Subscription Shares to the Subscriber at the subscription price per Subscription Share of the U.S. dollar equivalent of RMB107.6465 and a total consideration of approximately RMB180.0 million and the Subscriber held approximately 1.19% of the enlarged share capital of the Target Company (without taking into account the dilution from the issuance of any new share of the Target Company under its incentive plan). The Subscriber does not take control over the Target Company as a result of the Subscription and the financial results of the Target Company are not to be consolidated into the Group's consolidated financial statements.

**Conditions precedent:** The obligations of the Subscriber to proceed to each Subscription Closing is subject to the satisfaction or express waiver by the Subscriber (where legally permissible) of the following conditions:

- (a) the representations and warranties of the Target Company and the Sponsor shall remain to be true and correct in all material respects on and as of the date of relevant Subscription Closing;
- (b) the Target Company has performed and complied with all agreements, obligations and conditions under the Share Subscription Agreement in all material respects that are required to be performed or complied with by it on or before the date of the relevant Subscription Closing;

- (c) since the date of the Share Subscription Agreement, there has been no material adverse effect;
- (d) no applicable law shall have been adopted, promulgated or enforced by any governmental authority after the date hereof, and no order shall come into effect after the date hereof, having the effect of making the Subscription illegal or otherwise prohibiting the consummation of the Subscription, and no action initiated by any governmental authority seeking an order having the effect of making the Subscription illegal or otherwise prohibiting the consummation of Subscription shall be pending;
- (e) the joinder agreement to the Target Company's shareholders' agreement has been executed by the Target Company (applicable to the first Subscription Closing only);
- (f) the Target Company shall have delivered to the Subscriber a certificate, dated the date of the relevant Subscription Closing and duly signed by a director of the Target Company, certifying that the conditions precedent have been satisfied;
- (g) the Sponsor shall have delivered to the Subscriber a certificate, dated the date of the relevant Subscription Closing and duly signed by a director of the Sponsor, certifying that the conditions precedent have been satisfied; and
- (h) the closing of the transactions contemplated under the Equity Transfer Agreement has been consummated.

All of the above conditions precedent had been satisfied on the respective settlement date of each installment as further elaborated below.

**Payment schedule and closing:**

Conditional upon fulfilment or waiver of the conditions precedent, the total consideration for the Subscription shall be paid in four installments within six months after the date of the Share Subscription Agreement or such later date as agreed in writing by the Target Company and the Subscriber, and there shall be a sequence of four Subscription Closings under the Share Subscription Agreement.

The following table shows the percentage of each installment in the total consideration and the corresponding settlement date:

	<b>Percentage of each installment in the total consideration</b>	<b>Settlement Date</b>
First installment <sup>(1)</sup>	23.89%	September 15, 2022
Second installment <sup>(2)</sup>	25.37%	September 16, 2022
Third installment <sup>(2)</sup>	25.37%	September 19, 2022
Fourth installment <sup>(2)</sup>	25.37%	September 20, 2022

*Notes:*

- (1) Subject to the fulfillment or waiver of the conditions precedent, the first Subscription Closing shall take place following the last installment under the Kewan Agreement.
- (2) Subject to the fulfillment or waiver of the conditions precedent, the second, third and fourth Subscription Closing shall take place following the first, second and third Onshore Tranche Payment under the Equity Transfer Agreement, respectively.

Pursuant to the Equity Transfer Agreement, the first installment under the Equity Transfer Agreement being RMB137.0 million shall be paid in three tranche payments (namely the Onshore Tranche Payments) and the amount of each Onshore Tranche Payment shall be one-third of RMB137.0 million. Subject to the last installment under the Kewan Agreement having been made and the conditions precedent as further elaborated below, one Onshore Tranche Payment shall be made each time after the Subscriber has shown the sufficient fund available for payment of a second, third or fourth installment under the Share Subscription Agreement.

The settlement of the consideration payable under the Kewan Agreement is ahead of the first installment under the Equity Transfer Agreement, as Shanghai Ruikui Health Consulting Co., Ltd. (上海瑞魁健康諮詢有限公司) (“**Shanghai Ruikui**”) is the controlling shareholder and operator of Rici Shuixian Obstetrics & Gynecology Hospital Co. Ltd. (上海瑞慈水仙婦兒醫院有限公司) (“**Rici Shuixian**”) prior to the disposals transactions under the Equity Transfer Agreement, which has been responsible for the overall management of Ruici Shuixian since its establishment and shall be responsible for the substantive and time-consuming handover work in relation to the disposal of Rici Shuixian, such as change of shareholder registration, change of seals and authorization, handover of physical assets and original copies of documents, change of approval process, and switch of information systems. In contrast, as only a passive financial investor and minority shareholder of Rici Shuixian, Kewan is not required to deal with the substantive handover work or spend substantial time on any transfer work. By making the first installment under the Equity Transfer Agreement conditional on the payment of the Kewan Agreement, the purchaser, Hainan Xinmu Medical Management Co., Ltd. (海南新睦醫療管理有限公司) (“**Hainan Xinmu**”), intends to secure the acquisition of minority interest in Rici Shuixian from Kewan while retaining ability to put check and balance on the Group to duly complete the substantive and time-consuming handover work.

In response to the above arrangement, the parties to the Share Subscription Agreement also agreed that the Subscription Closings shall take place after the payment of the Kewan Agreement, but not before.

The first installment under the Equity Transfer Agreement shall be subject to the following conditions precedents:

- i) each of Shanghai Ruikui, Rici Shuixian and the Company having obtained all necessary approvals and consents from their respective competent decision-making bodies in respect of the Equity Transfer Agreement and the transactions thereunder;
- ii) Rici Shuixian and Shanghai Rici Ruijing Clinic Co., Ltd. (上海瑞慈瑞靜門診部有限公司) (“**Rici Ruijing**”) having completed the registration of the changes on their respective administration of industry and commerce filing in connection with the disposals of 59% and 99% equity interest held by Shanghai Ruikui in Rici Shuixian and Rici Ruijing, respectively;
- iii) Shanghai Ruikui having delivered to Hainan Xinmu all the properties and materials of Rici Ruijing, Rici Shuixian and the subsidiary of Rici Shuixian (the “**Rici Target Companies**”) and the handover list of the delivery items having been duly signed;

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

The payment terms of the transactions under the Equity Transfer Agreement and the Subscription are related to each other, as the parties consider it to be the best way to secure timely settlements of installments under the Equity Transfer Agreement and the Share Subscription Agreement, respectively, after arm's length negotiations.

In a Subscription Closing, the issuance and subscription of certain number of Subscription Shares, the amount of which equals to the quotient of the consideration payable by the Subscriber of the relevant installment under the Share Subscription Agreement divided by the subscription price per Subscription Share, shall take place via the remote exchange of electronic documents and signatures.

**Termination:**

The Share Subscription Agreement shall terminate: (i) by mutual written consent of the Target Company and the Subscriber, (ii) automatically without further action by any Party upon termination of the Equity Transfer Agreement without the closing of the transactions contemplated thereunder, (iii) by the Target Company upon any material breach of any term herein by the Subscriber, (iv) by the Subscriber upon any material breach of any term herein by the Target Company or Sponsor or (v) automatically without further action by any Party upon the six months after the date of the Share Subscription Agreement or such later date as agreed in writing by the Target Company and the Subscriber if the amount of the total actual payment by the Subscriber to the Target Company as of such time is less than the total consideration under the Share Subscription Agreement.

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

Shanghai, the PRC, October 21, 2022

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