美中嘉和
CONCORD MEDICAL

CONCORD HEALTHCARE GROUP CO., LTD.*
美中嘉和醫學技術發展集團股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2453)

SUPPLEMENTAL ANNOUNCEMENT – DISCLOSABLE TRANSACTIONS FORMATION OF PARTNERSHIPS AND DEEMED DISPOSALS OF INTEREST IN SUBSIDIARIES

Reference is made to the announcement of the Company dated April 26, 2024 (the "**Announcement**") in relation to the Formation of Partnerships and the Deemed Disposals. Unless otherwise stated, capitalized terms used in this announcement shall bear the same meanings as defined in the Announcement.

The Board would like to supplement the following additional information regarding the Formation of Partnerships and the Deemed Disposals.

BASES OF CONSIDERATION

Formation of Partnerships

(1) Formation of Jiaxue Healthcare

The total capital contribution by all partners to Jiaxue Healthcare shall be RMB500,010,000, of which each of Lingfu PE and the Company shall contribute RMB10,000 and RMB500,000,000, respectively. The size of the partnership and the capital contribution of each partner were determined after arm's length negotiations among the partners with reference to the following factors: (i) the fact that Jiaxue Healthcare was established primarily to invest and hold interests in Shanghai Hospital; (ii) the then registered capital of Shanghai Hospital of RMB1,000.0 million; (iii) the portion of interests to be invested and held by Jiaxue Healthcare in Shanghai Hospital after the registered capital increase was expected to be approximately 30% and the consideration of the corresponding new registered capital of Shanghai Hospital to be contributed by Jiaxue Healthcare was expected to be around RMB500,010,000; and (iv) the respective interests to be held by the general partner and limited partner in Jiaxue Healthcare.

(2) Formation of Shanghai Xinjiatai

The total capital contribution by all partners to Shanghai Xinjiatai shall be RMB100,010,000, of which each of Lingfu PE and the Company shall contribute RMB10,000 and RMB100,000,000, respectively. The size of the partnership and the capital contribution of each partner were determined after arm's length negotiations among the partners with reference to the following factors: (i) the fact that Shanghai Xinjiatai was established primarily to invest and hold interests in Shanghai Outpatient Center; (ii) the then registered capital of Shanghai Outpatient Center of RMB88.505 million; (iii) the portion of interests to be invested and held by Shanghai Xinjiatai in Shanghai Outpatient Center after the registered capital increase was expected to be approximately 22% and the consideration of the corresponding new registered capital to be contributed by Shanghai Xinjiatai was expected to be around RMB100,010,000; and (iv) the respective interests to be held by the general partner and limited partner in Shanghai Xinjiatai.

(3) Formation of Xinfu Enterprise

The total capital contribution by all partners to Xinfu Enterprise shall be RMB30,010,000, of which each of Lingfu PE and the Company shall contribute RMB10,000 and RMB30,000,000, respectively. The size of the partnership and the capital contribution of each partner were determined after arm's length negotiations among the partners with reference to the following factors: (i) the fact that Xinfu Enterprise was established primarily to invest and hold interests in Ningbo Jiahe; (ii) the then registered capital of Ningbo Jiahe of RMB50.0 million; (iii) the portion of interests to be invested and held by Xinfu Enterprise in Ningbo Jiahe after the registered capital increase was expected to be approximately 30% and the consideration of the corresponding new registered capital to be contributed by Xinfu Enterprise was expected to be around RMB30,010,000; and (iv) the respective interests to be held by the general partner and limited partner in Xinfu Enterprise.

Deemed Disposals of Interests in Subsidiaries

(4) Shanghai Hospital Capital Increase Agreement

The pre-contribution registered capital of Shanghai Hospital was RMB1,000.0 million. Jiaxue Healthcare intended to hold approximately 30% of the interest in Shanghai Hospital after its contribution and increase in the registered capital of Shanghai Hospital. Based on the principle of fairness and by reference to (i) the pre-contribution registered capital of Shanghai Hospital, (ii) the prevailing market conditions, including the in-construction status of Shanghai Hospital and its estimated operation commencement time in 2026 as well as the expected market size of China's proton therapy market as disclosed in the prospectus of the Company dated December 29, 2023; (iii) the valuation report prepared by Asia-Pacific Consulting and Appraisal Limited (the "**Valuer**"), an Independent Third Party, pursuant to which, as at February 29, 2024 (the "**Valuation Date**"), the market value of 100% equity interests of Shanghai Hospital was valued at RMB806.1 million based on asset-based approach; and (iv) the historical financial information of Shanghai Hospital, pursuant to which, for the year ended December 31, 2022 and 2023, Shanghai Hospital recorded total assets of RMB1,890.0 million and RMB2,118.4 million respectively without any income, after arms' length negotiation, Jiaxue Healthcare and Shanghai Hospital agreed that the consideration for Jiaxue Healthcare's subscription of new registered capital in Shanghai Hospital was RMB429.0 million.

The consideration was primarily based on the pre-contribution registered capital of Shanghai Hospital, rather than the valuation report prepared by the Valuer, because the market value of 100% of equity interests of Shanghai Hospital was underestimated as the valuation amount was based on asset-based approach. In addition, since Shanghai Hospital is still under development, it is more appropriate to contribute new registered capital of Shanghai Hospital at par value of its pre-contribution registered capital.

Valuation Methodology

In arriving at the assessed value, the Valuer has considered three generally accepted approaches, namely market approach, asset-based approach and income approach.

Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect the condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Asset-based approach refers to the valuation methodology to determine the value of the subject of valuation on a reasonable basis by valuating an enterprise's value contribution to the overall on-balance-sheet and off-balance-sheet assets and liabilities, based on the balance sheet of the subject of valuation as at the valuation date.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

In this valuation, Shanghai Hospital was under construction and scheduled to be opened in 2026.

Given that Shanghai Hospital was under construction as of the Valuation Date, there are substantial limitations for the income approach and the market approach for valuing the underlying asset. Firstly, income approach result would be more dependent on long term financial forecast internally prepared by the management, which is unobservable input and requires subjective assumptions. Secondly, the market approach requires market transactions of comparable assets as an indication of value. However, the Valuer has not identified any current market transactions which are comparable.

In view of the above, the Valuer has adopted the asset-based approach for the valuation.

In this valuation exercise, the Valuer calculated the market value of 100% equity interest in Shanghai Hospital by applying an asset-based approach. This method requires the Valuer to conduct a valuation of Shanghai Hospital's on-balance-sheet and off-balance-sheet assets and liabilities, based on the balance sheet of Shanghai Hospital.

In this report, the Valuer had considered the type of assets and liabilities and their conditions when determining their market values and adopted appropriate valuation methodology for depending on the type of assets and liabilities. The details are summarized as follows:

Cash at bank and on hand

Based on unaudited book values checking with bank statements and cash count sheet.

Property and equipment

Property and equipment include electronic and office equipment, furniture.

For the electronic and office equipment, furniture, the Valuer has considered and excluded the income approach and market approach due to insufficient financial data and details being available in this exercise. the Valuer has used the cost approach in arriving at the estimate of market value. Where the basis is the cost approach, an estimate is made on the cost of reproduction new or replacement cost, less allowance for depreciation or loss of value arising from condition, utility, age, wear and tear, and obsolescence, taking into consideration past and present maintenance policy, and rebuilding history, if any, and current utilization.

Construction in progress

Construction in progress include a complex building which was being constructed thereon the Land. As advised by Shanghai Hospital, the complex building is scheduled to be completed in July 2025. Upon completion, the building will has a gross floor area of approximately 144,288.00 sq.m. The construction cost of the building is estimated to be approximately RMB2,150,000,000, of which approximately RMB1,749,275,000 had been paid up to the Valuation Date.

The Valuer has valued the building under development on the basis that they will be developed and completed in accordance with the latest development proposal provided to the Valuer. In the valuation of the building, the Valuer considered the construction cost, professional fees and the market development profit relevant to the stage of construction as of the date of valuation.

Intangible assets

Intangible assets include a parcel of land with a site area of approximately 47,867.1 sq.m.(the "Land") The land use rights have been granted to Shanghai Hospital for a term expiring on September 7, 2065 for medical and health use.

The Valuer has valued the Land by the comparison approach with reference to comparable sales evidence as available in the relevant market where appropriate. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the marketplace can be extrapolated to similar properties, subject to allowances for variable factors.

Deferred tax liabilities

Deferred tax liabilities arise mainly from deductible and taxable temporary differences based on the value added through measured at fair value of the owned properties and owned IPs, and the capitalized interests for the acquisition of properties. These are only temporary differences under accounting treatment which have no effect on the determination of transaction price under the asset-based approach. Therefore, in this exercise, the value of the deferred tax liabilities is valued at zero.

Other assets and liabilities

The Valuer valued other assets and liabilities based on unaudited book values, together with checking and verifying, by inquiry and confirmation, calculation and recheck the relevant account books, and original documents etc.

Basis of Opinion

The Valuer has conducted the valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic condition of Shanghai Hospital and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in the valuation report.

Valuation Assumptions

In determining the market value of the equity interest in Shanghai Hospital, the Valuer made the following assumptions:

– All relevant legal approvals and business certificates or licenses to operate the business in which Shanghai Hospital operates or intends to operate would be renewable upon expiry, it is a reasonable estimation base on normal business practice and not supported by legal opinion;

– There will be no major change in the political, legal, economic and social environment in which Shanghai Hospital operates or intends to operate;

– Interest rates and exchange rates in the localities for the operation of Shanghai Hospital will not differ materially from those presently prevailing;

– It is assumed that the operational and contractual terms stipulated in the relevant contracts and agreements (i.e. loan contracts, lease contracts, purchase and sell contract of properties) will be honoured;

– The financial and operational information provided by the Company is accurate and reliable;

– There are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value;

– The current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of Shanghai Hospital through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed;

– It is assumed the continuation of prudent management of Shanghai Hospital over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued;

– Shanghai Hospital will successfully carry out all necessary activities for the development of its business as a going concern;

– Key management, competent personnel and technical staff to support the ongoing operations of Shanghai Hospital; and

– The competitive advantages and disadvantages of Shanghai Hospital do not change significantly during the period under consideration.

Calculation of Valuation Result

Under the asset-based approach, the calculation of the market value of 100% equity interest in Shanghai Hospital as of the Valuation Date is as follows:

	Book Value As of the Valuation Date (unaudited) *RMB'000*	**Market Value As of the Valuation Date** *RMB'000*	
Property and equipment	1,749,382	1,787,543	
– Electronic and office equipment, furniture	*107*	*110*	
– Construction in Progress	*1,749,275*	*1,787,433*	
Intangible assets	343,501	387,724	
– Land	*343,501*	*387,724*	
Other non-current assets	2,469	2,469	
Non-current assets	**2,095,352**	**2,177,736**	(a)
Other current assets	26,576	26,576	
Trade and other receivables	243	243	
Cash at bank and on hand	1,272	1,272	
Current assets	**28,091**	**28,091**	(b)
Trade and other payables	437,439	437,439	
Payroll Payables	8,744	8,744	
Non current liabilities due within one year	35,580	35,580	
Income tax payable	522	522	
Current liabilities	**482,315**	**482,315**	(c)
Bank and other borrowings	917,368	917,368	
Non-current liabilities	**917,368**	**917,368**	(d)
Total Equity	**723,760**	**806,144**	(e)=(a)+(b)-(c)-(d)
Non-controlling interests	-	-	(f)
Total equity attributable to equity shareholders of Shanghai Hospital	**723,760**	**806,144**	(g)=(e)-(f)
100% equity value of Shanghai Hospital		**806,144**	

(5) Shanghai Outpatient Center Capital Increase Agreement

The pre-contribution registered capital of Shanghai Outpatient Center was RMB88.505 million. Shanghai Xinjiatai intended to hold approximately 22% of the interest in Shanghai Outpatient Center after its contribution and increase in the registered capital of Shanghai Outpatient Center. Based on the principle of fairness and by reference to (i) the historical operational and financial performance of Shanghai Outpatient Center, pursuant to which, for the year ended December 31, 2022 and 2023, Shanghai Outpatient Center recorded total revenue of RMB64.7 million and RMB95.3 million respectively and total assets of RMB106.7 million and RMB105.6 million respectively; (ii) the valuation report prepared by the Valuer, pursuant to which, as at the Valuation Date, the pre-investment market value of 100% equity interests of Shanghai Outpatient Center was valued at approximately RMB332.5 million based on market-approach and the enterprise value-to-earnings before interest, tax, depreciation and amortization ratio of the comparable companies of 20.84 times; and (iii) the prevailing market conditions, including the estimated market size of oncology healthcare services in China as disclosed in the prospectus of the Company dated December 29, 2023, after arms' length negotiation, Shanghai Xinjiatai and Shanghai Outpatient Center agreed that the consideration for Shanghai Xinjiatai's subscription for new registered capital in Shanghai Outpatient Center was RMB95.5 million, which was primarily based on the valuation report.

Valuation Methodology

In arriving at the assessed value, the Valuer has considered three generally accepted approaches, namely market approach, cost approach and income approach.

Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets. See "BASES OF CONSIDERATION — Deemed Disposals of Interests in Subsidiaries — (4) Shanghai Hospital Capital Increase Agreement — Valuation Methodology" in this announcement for the details of market approach and income approach.

Considering the business characteristics of Shanghai Outpatient Center, there are substantial limitations for the income approach and the cost approach for valuing the underlying asset. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. Detailed operational information and long-term financial projections are also needed to arrive at an indication of value but such information is not available as of the Valuation Date. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the subject business.

In view of the above, the Valuer has adopted the market approach for the valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few assumptions. It also introduces objectivity in application as publicly available inputs are used.

In this valuation exercise, the market values of 100% equity interests in Shanghai Outpatient Center was developed through the application of the market approach technique known as the guideline public company method respectively. This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market values of Shanghai Outpatient Center. In order to reflect the latest financial performance of Shanghai Outpatient Center , it is considered that the suitable multiple in this valuation is the Enterprise value-to-Earnings before interest, tax, depreciation and amortization ratio (the "**EV/EBITDA Ratio**"), which is calculated by using comparable companies' enterprise value as of the Valuation Date and the earnings before interest, tax, depreciation and amortization to determine the enterprise value of Shanghai Outpatient Center, and then taken into account of corresponding excess items and market liquidity discount as the appropriate adjustment.

Basis of Opinion

The Valuer has conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic condition of Shanghai Outpatient Center and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in the valuation report.

Valuation Assumptions

In determining the market values of the equity interest in Shanghai Outpatient Center, the Valuer made the following key assumptions:

- All relevant legal approvals and business certificates or licenses to operate the business in which Shanghai Outpatient Center operates or intends to operate have been or would be officially obtained and renewable upon expiry;

- There will be no major change in the political, legal, economic and social environment in which Shanghai Outpatient Center operates or intends to operate;

- Interest rates and exchange rates in the localities for the operation of Shanghai Outpatient Center will not differ materially from those presently prevailing;

- It is assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honoured;

- The financial and operational information provided by the Company is accurate and it is relied to a considerable extent on such information in arriving at the opinion of value; and

- There are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value.

Market Multiple

In determining the enterprise value multiple, the initial selection criteria include the followings:

- The comparable companies are publicly listed for at least half a year;
- The comparable companies derive more than half of their revenues from general healthcare services or oncology healthcare services;
- The comparable companies are mainly operating in the People's Republic of China;
- EV/EBITDA ratios of the comparable companies are available as of the Valuation Date.

As sourced from Capital IQ, a reliable third party database service provider designed by Standard & Poor's (S&P), an exhaustive list of comparable companies satisfying the above criteria was obtained on a best effort basis and the details of these comparable companies are shown below:

Stock Code	**Company Description**	**EV/EBITDA Ratio**
SEHK:383	China Medical & HealthCare Group Limited primarily operates hospitals in the People's Republic of China and Hong Kong. The principal businesses include investment in and management and operation of healthcare and hospital businesses, eldercare businesses, trading of medical equipment and related supplies. It was incorporated in 1989 and is headquartered in Hong Kong.	5.02
SEHK:1515	China Resources Medical Holdings Company Limited provides general healthcare, hospital management, and other hospital-related services in the People's Republic of China. It operates through three segments: Self-Owned Hospitals, Invest-Operate-Transfer/Operate-Transfer Hospitals and others. It was founded in 2007 and is headquartered in Beijing.	6.78
SEHK:9906	Honliv Healthcare Management Group Company Limited engages in the ownership, operation, and management of hospitals in the People's Republic of China. It provides integrated medical and pharmaceutical services, and hospital management services. Honliv Healthcare Management Group Company Limited was founded in 2004 and is headquartered in Changyuan, China.	12.73

Stock Code	Company Description	EV/EBITDA Ratio
SEHK:3869	Hospital Corporation of China Limited engages in the operation and management of hospitals in the People's Republic of China. It provides hospital management, consulting services and general hospital services. Hospital Corporation of China Limited was incorporated in 2014 and is headquartered in Beijing.	3.47
SEHK:3689	Guangdong Kanghua Healthcare Co., Ltd. is an investment holding company, primarily operates private hospitals in the People's Republic of China. It operates through Hospital Services, Rehabilitation and Other Healthcare Services, Sale of Pharmaceutical Products, and Elderly Healthcare Services segments. It provides inpatient and outpatient healthcare, and physical examination services. Guangdong Kanghua Healthcare Co., Ltd. was incorporated in 2002 and is headquartered in Dongguan, the People's Republic of China.	1.59
SZSE:002173	Innovative Medical Management Co., Ltd. engages in the medical services business in China. Its medical services include outpatient, inpatient, and medical examination. It was founded in 1997 and is headquartered in Zhuji, China.	53.82
SZSE:002219	New Journey Health Technology Group Co., LTD., together with its subsidiaries, engages in the provision of medical services and pharmaceuticals products in China and internationally. It operates regional medical centers, and tertiary and second-level hospitals. New Journey Health Technology Group Co., LTD. is also involved in the research and development, production, and sale of pharmaceutical products. New Journey Health Technology Group Co., LTD. was founded in 2001 and is headquartered in Beijing, China.	29.31
SEHK:6078	Hygeia Healthcare Holdings Co., Limited operates as an oncology healthcare company in the People's Republic of China. It owns and operates private for-profit hospitals that offers oncology healthcare services, such as radiotherapy, chemotherapy, surgery, and targeted therapy, as well as cancer diagnosis, treatment, and rehabilitation. It was founded in 2009 and is headquartered in Shanghai.	19.07

Stock Code	Company Description	EV/EBITDA Ratio
SZSE:300143	INKON Life Technology Co., Ltd. focuses on building an ecological platform for chain of pre-diagnosis/treatment/health providing medical services for tumors in China and internationally. It engages in the research, development, innovation, and services of scenarios and equipment medical devices. It was founded in 1998 and is headquartered in Qingdao, China.	23.53
SZSE:301293	Sanbo Hospital Management Group Limited operates a network of hospitals that provide medical services. It primarily focuses on providing neurology specialty, including neurological tumor chemotherapy, neurological tumor radiotherapy, neurological intervention and neurosurgery. It was founded in 2003 and is based in Beijing, China.	53.06

The average EV/EBITDA Ratio of 20.84 times was adopted to estimate the market value of Shanghai Outpatient Center.

*Discount for Lack of Marketability (“**DLOM**”)*

A factor to be considered in valuing closely held companies is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers of interests in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists.

Most of the businesses or financial interests that the Valuer is valuing do not enjoy immediate liquidity. The Valuer thus face the task of making an adjustment from the value the Valuer has estimated from the transactions observed in the market approach to account for the lack of marketability of the business or business interest that the Valuer is valuing. That adjustment is what the Valuer refers to as the discount for lack of marketability.

In determining a reasonable DLOM, the Valuer has made reference to the Stout Restricted Stock Study Companion Guide (2023 edition) published by Stout Risius Ross, LLC. The study examined 776 private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through December 2022. The overall median discount for all 776 transactions in the study is 15.7%.

Control Premium

Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control. Both factors recognize that control owners have rights that minority owners do not and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and to what economic benefits, cause a differential in the per-share value of a control ownership block versus a minority ownership block.

The control premium adopted in the valuation is 34.8%, with reference to the Mergerstat Control Premium Study (4th Quarter 2023) published by FactSet Mergerstat, LLC.

Calculation of Valuation Result

Under the guideline public company method, the market value depends on the market multiples of the comparable companies, sourced from Capital IQ, as of the Valuation Date and the Valuer has taken into account of DLOM and control premium. The calculation of the market value of 100% equity interest in Shanghai Outpatient Center as of February 29, 2024 is as follows:

	As of the Valuation Date
Applied EV/EBITDA Ratio	20.84
Earnings before interest, tax, depreciation and amortization for last twelve months ended December 31, 2023 of Shanghai Outpatient Center *(RMB'000)*	13,553
Enterprise Value of Shanghai Outpatient Center *(RMB'000)*	282,409
Less: Debt	28,000
Add: Cash	6,282
Less: Minority Interest	–
Add: Surplus	31,872
Equity Value of Shanghai Outpatient Center before DLOM *(RMB'000)*	292,564
Adjusted for DLOM at 15.7%	(1-15.7%)
Adjusted for control premium at 34.8%	(1+34.8%)
100% Equity Value of Shanghai Outpatient Center *(RMB'000)*	332,459

(6) Ningbo Jiahe Capital Increase Agreement

The pre-contribution registered capital of Ningbo Jiahe was RMB50.0 million. Xinfu Enterprise intended to hold approximately 30% of the interest in Ningbo Jiahe after its contribution and increase in the registered capital of Ningbo Jiahe. Based on the principle of fairness and by reference to (i) the prevailing market conditions, including the estimated development of internet hospital business; (ii) the valuation report prepared by the Valuer, pursuant to which, as at the Valuation Date, the pre-investment market value of 100% equity interests of Ningbo Jiahe was valued at RMB23,237,000 based on the market-approach and the enterprise value-to-sales ratio of the comparable companies of 4.50 times; (iii) the historical operational and financial performance of Ningbo Jiahe, pursuant to which, for the year ended December 31, 2022 and 2023, Internet Hospital, the directly wholly-owned subsidiary of Ningbo Jiahe, recorded total revenues of RMB13.3 million and RMB6.2 million, respectively and total assets of RMB4.2 million and RMB18.9 million respectively; and (iv) the unpaid pre-contribution registered capital of Ningbo Jiahe, which amounted to RMB49,010,000, after arms' length negotiation, Xinfu Enterprise and Ningbo Jiahe agreed that the consideration for Xinfu Enterprise's subscription for new registered capital in Ningbo Jiahe was RMB31.5 million, which was primarily based on the valuation report and the unpaid pre-contribution registered capital of Ningbo Jiahe.

Valuation Methodology

In arriving at the assessed value, the Valuer has considered three generally accepted approaches, namely market approach, cost approach and income approach.

See "BASES OF CONSIDERATION — Deemed Disposals of Interests in Subsidiaries — (5) Shanghai Outpatient Center Capital Increase Agreement — Valuation Methodology" in this announcement for the details of market approach, cost approach and income approach.

Considering the business characteristics of Ningbo Jiahe, there are substantial limitations for the income approach and the cost approach for valuing the underlying asset. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. Detailed operational information and long-term financial projections are also needed to arrive at an indication of value but such information is not available as of the Valuation Date. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the subject business.

In view of the above, the Valuer has adopted the market approach for the valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few assumptions. It also introduces objectivity in application as publicly available inputs are used.

In this valuation exercise, the market values of 100% equity interests in Ningbo Jiahe was developed through the application of the market approach technique known as the guideline public company method respectively. This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market values of Ningbo Jiahe. In order to reflect the latest financial performance of Ningbo Jiahe, it is considered that the suitable multiple in this valuation is the Enterprise value-to-sales (the "**EV/S Ratio**"), which is calculated by revenue for last twelve months ("**LTM**") as of the Valuation Date to determine the enterprise value of Ningbo Jiahe, and then taken into account of corresponding excess items and market liquidity discount as the appropriate adjustment.

Basis of Opinion

The Valuer has conducted our valuation with reference to the International Valuation Standards issued by the International Valuation Standards Council. The valuation procedures employed include a review of legal status and economic condition of Ningbo Jiahe and an assessment of key assumptions, estimates, and representations made by the proprietor. All matters essential to the proper understanding of the valuation are disclosed in the valuation report.

Valuation Assumptions

In determining the market values of the equity interest in Ningbo Jiahe, the Valuer made the following key assumptions:

– All relevant legal approvals and business certificates or licenses to operate the business in which Ningbo Jiahe operates or intends to operate have been or would be officially obtained and renewable upon expiry;

– There will be no major change in the political, legal, economic and social environment in which Ningbo Jiahe operates or intends to operate;

– Interest rates and exchange rates in the localities for the operation of Ningbo Jiahe will not differ materially from those presently prevailing;

– It is assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

– The financial and operational information provided by the Company is accurate and it is relied to a considerable extent on such information in arriving at the opinion of value; and

– There are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value.

Market Multiple

In determining the enterprise value multiple, the initial selection criteria include the followings:

– The comparable companies are publicly listed for at least half a year;

– The comparable companies derive more than half of their revenues from management services for health care and internet hospital;

– The comparable companies are mainly operating in the People's Republic of China;

– EV/S ratios of the comparable companies are available as of the Valuation Date.

As sourced from Capital IQ, an exhaustive list of comparable companies satisfying the above criteria was obtained on a best effort basis and the details of these comparable companies are shown below:

	Company Description	EV/S Ratio
SZSE:300451	B-SOFT Co., Ltd. operates in the medical and health industry in China. It offers solutions for hospital integrated clinical management, hospital integrated medical workers and medical technicians, mobile intelligent curing and nursing, intelligent clinical management decision, intelligent comprehensive management decision, internet + hospital cloud platform, internet + multidisciplinary telemedicine, and cloud platform for collaborative treatment of emergency and critical illness. It was founded in 1997 and is based in Hangzhou, China.	3.93
SZSE:300253	Winning Health Technology Group Co., Ltd. provides IT solutions for hospitals and medical service organizations in China. It offers IT solution designing, planning and consulting, development, system building, maintenance, and operation services. Its solutions are used in building smart hospitals, regional healthcare regulation platforms, community healthcare regulation platforms, public healthcare regulation platforms, medical insurance, and other health services. It was founded in 1994 and is based in Shanghai, China.	4.79
SHSE:688246	Goodwill E-Health Info Co., Ltd. engages in the research and development of medical information software in China. It offers comprehensive electronic medical records, specialist electronic medical records, hospital data centers, smart medical product systems, internet medical product systems, hospital evaluation solutions, county medical community solutions, medical research solutions, cloud HIS platform, and smart elderly care solutions. It was founded in 2006 and is based in Beijing, China.	4.21

	Company Description	EV/S Ratio
SZSE:300290	Bringspring Science and Technology Co., Ltd. focuses on health data and cloud services in China. It operates through Health Data Services and Intelligent Fusion Cloud Services segments. The Health Data Services segment provides clinical information subdivision products and health big data platforms. This segment also offers standard and efficient medical information software products and services; and cloud computation, operation, and maintenance services. It was founded in 2005 and is headquartered in Shenyang, China.	4.95
SEHK:9955	ClouDr Group Limited, an investment holding company, provides supplies and software as a service (SaaS) to hospitals and pharmacies, digital marketing services to pharmaceutical companies, and online consultation and prescriptions for chronic condition management. Its in-hospital solution provides chronic condition management solution to hospitals including hospital SaaS and proprietary artificial intelligence of things devices, and value-added solutions, such as provision of medical devices and consumables. It was founded in 2014 and is headquartered in Hangzhou, China.	0.67 *(Note)*

Note: Based on the data above, it is noticed that the EV/S Ratio of SEHK:9955 varies substantially from the other comparable companies, so SEHK:9955 is considered as an outliner, and not used as a comparable company in this exercise.

The median EV/S Ratio of 4.50 times was adopted to estimate the market value of Ningbo Jiahe.

DLOM

A factor to be considered in valuing closely held companies is the marketability of an interest in such businesses. Marketability is defined as the ability to convert the business interest into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers of interests in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists.

Most of the businesses or financial interests that the Valuer is valuing do not enjoy immediate liquidity. The Valuer thus face the task of making an adjustment from the value the Valuer has estimated from the transactions observed in the market approach to account for the lack of marketability of the business or business interest that the Valuer is valuing. That adjustment is what the Valuer refers to as the discount for lack of marketability.

In determining a reasonable DLOM, the Valuer has made reference to the Stout Restricted Stock Study Companion Guide (2023 edition) published by Stout Risius Ross, LLC. The study examined 776 private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through December 2022. The overall median discount for all 776 transactions in the study is 15.7%.

Control Premium

Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control. Both factors recognize that control owners have rights that minority owners do not and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and to what economic benefits, cause a differential in the per-share value of a control ownership block versus a minority ownership block.

The control premium adopted in the valuation is 34.8%, with reference to the Mergerstat Control Premium Study (4th Quarter 2023) published by FactSet Mergerstat, LLC.

Calculation of Valuation Result

Under the guideline public company method, the market value depends on the market multiples of the comparable companies, sourced from Capital IQ, as of the Valuation Date and the Valuer has taken into account of DLOM and control premium. The calculation of the market value of 100% equity interest in Ningbo Jiahe as of February 29, 2024 is as follows:

	As of the Valuation Date
Applied EV/S Ratio	4.50
The Sales for last twelve months ended December 31, 2023 of Ningbo Jiahe *(RMB'000)*	6,215
Enterprise Value of Ningbo Jiahe *(RMB'000)*	27,963
Less: Debt	–
Add: Cash	580
Less: Minority Interest	–
Add: Surplus	(8,094)
Equity Value of Ningbo Jiahe before DLOM *(RMB'000)*	20,449
Adjusted for DLOM at 15.7%	(1-15.7%)
Adjusted for control premium at 34.8%	(1+34.8%)
100% Equity Value of Ningbo Jiahe *(RMB'000)*	23,237

The reconciliation between the valuation and consideration for each of the Deemed Disposals is summarized as follows:

The entity	Consideration for new registered capital in the entity	Valuation of 100% equity interests in the entity as of February 29, 2024	Approximate acquired shareholding percentage by the corresponding partnership	Reconciliation
	RMB million		%	
Shanghai Hospital	429.0	806.1	30%	The consideration was primarily based on the pre-contribution registered capital of Shanghai Hospital, which was RMB1,000.0 million. The approximate acquired shareholding percentage is calculated as follows: 100% × RMB429.0 million ÷ (RMB1,000.0 million + RMB429.0 million) = 30%
Shanghai Outpatient Hospital	95.5	332.5	22%	The consideration was primarily based on the valuation of Shanghai Outpatient Hospital. The approximate acquired shareholding percentage is calculated as follows: 100% × RMB95.5 million ÷ (RMB332.5 million + RMB95.5 million) = 22%
Ningbo Jiahe/ Internet Hospital	31.5	23.237	30%	The consideration was primarily based on the valuation of Internet Hospital and the unpaid registered capital of Ningbo Jiahe. Prior to the Deemed Disposal of Ningbo Jiahe, the unpaid registered capital of Ningbo Jiahe was RMB49.01 million. The approximate acquired shareholding percentage is calculated as follows: 100% × RMB31.5 million ÷ (RMB23.237 million + RMB31.5 million + RMB49.01 million) = 30%

LISTING RULES IMPLICATIONS AND REMEDIAL ACTIONS

The Company should have complied with the relevant notification and announcement requirements under Rule 14.34 of the Listing Rules in respect of the Formation of Partnerships as and when such obligation arose. The Company acknowledges that such compliance with the Listing Rules has been delayed due to its misunderstanding of the application of the requirements under Chapter 14 of the Listing Rules and that the Formation of Partnerships would not constitute transaction(s) as defined under Chapter 14 of the Listing Rules on a standalone basis, taking into account the fact that the Formation of Partnerships was inter-related to the Deemed Disposals, and the primary purpose of the Formation of Partnerships was to facilitate the Deemed Disposals. Accordingly, the Company published the Announcement to inform the Shareholders of the Formation of Partnerships together with the Deemed Disposals.

To prevent similar cases from occurring in the future, the Company has implemented the following remedial actions with immediate effect:

(1) with the assistance of the compliance adviser and legal advisers, the Company will remind the responsible staff, senior management and Directors and strengthen their understanding to identify the circumstances which are expected to trigger the announcement requirement under the Listing Rules and potential problems at an early stage to ensure timely disclosure of relevant matters in accordance with the Listing Rules;

(2) the Company will circulate a detailed guideline relating to notifiable and connected transactions under the Listing Rules and offer more regular training to remind the responsible staff, senior management and Directors in order to strengthen and reinforce their existing knowledge relating to notifiable and connected transactions, as well as their ability to identify potential issues at an early stage;

(3) the Company will strengthen the coordination and reporting arrangements for notifiable transactions and emphasize the importance of compliance with the Listing Rules; and

(4) the Company will work more closely with its internal legal and compliance department on compliance issues; and shall, as and when appropriate and necessary, consult other professional advisers before entering into any potential notifiable transaction. If necessary, the Company might also consult the Stock Exchange on the proper treatment of the proposed transaction.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by the Valuer to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Shanghai Hospital, Shanghai Outpatient Center, Ningbo Jiahe, the Company and the Valuer. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares. If in doubt Shareholders and potential investors are recommended to consult their professional adviser(s).

By Order of the Board
Concord Healthcare Group Co., Ltd.*
美中嘉和醫學技術發展集團股份有限公司
YANG Jianyu
Chairman and Executive Director

Beijing, the People's Republic of China, May 14, 2024

As at the date of this announcement, the Board comprises (i) Dr. YANG Jianyu, Ms. FU Xiao, Mr. CHANG Liang and Mr. SHI Botao as executive directors of the Company; (ii) Mr. WANG Lei and Mr. CHEN Hongzhang as non-executive directors of the Company; and (iii) Ms. LI Xuemei, Mr. SUN Yansheng and Mr. NG Kwok Yin as independent non-executive directors of the Company.

* *For identification purposes only*