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China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

DISCLOSEABLE TRANSACTION FINANCE LEASE TRANSACTIONS

FINANCE LEASE AGREEMENTS

The Board hereby announces that on 23 December 2020, (i) Nanjing Tongren Hospital (an indirect 80% owned subsidiary of the Company) (as lessee) entered into the Finance Lease Agreement II with the Lessor, pursuant to which (a) the Lessor shall purchase the Leased Assets II from Nanjing Tongren Hospital at a consideration of RMB32,000,000; and (b) the Lessor would lease back the Leased Assets II to Nanjing Tongren Hospital for a term of 36 months with a total lease payment of RMB35,053,200; and (ii) Kunming Tongren Hospital (an indirect wholly-owned subsidiary of the Company) (as lessee) entered into the Finance Lease Agreement III with the Lessor, pursuant to which (a) the Lessor shall purchase the Leased Assets III from Kunming Tongren Hospital at a consideration of RMB18,000,000; and (b) the Lessor would lease back the Leased Assets III to Kunming Tongren Hospital for a term of 36 months with a total lease payment of RMB19,660,609.08.

Within the past 12 months, on 25 September 2020, Kunming Tongren Hospital (as lessee) entered into the Finance Lease Agreement I with the Lessor, pursuant to which (i) the Lessor shall purchase the Leased Assets I from Kunming Tongren Hospital at a consideration of RMB50,000,000; and (ii) the Lessor would lease back the Leased Assets I to Kunming Tongren Hospital for a term of 36 months with a total lease payment of RMB53,745,807.24.

LISTING RULES IMPLICATIONS

As the transactions under the Finance Lease Agreements were entered into between subsidiaries of the Company with the same Lessor within a 12-month period, according to Rule 14.22 of the Listing Rules, the transactions contemplated thereunder shall be aggregated and treated as if they were one transaction. As the highest applicable percentage ratio under each of the Finance Lease Agreements on a stand-alone basis is less than 5%, while the highest applicable percentage ratio upon aggregation of the Finance Lease Agreements is higher than 5% but lower than 25%, the transactions contemplated thereunder, when aggregated, constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

The Board hereby announces that on 23 December 2020, (i) Nanjing Tongren Hospital (an indirect 80% owned subsidiary of the Company) (as lessee) entered into the Finance Lease Agreement II with the Lessor, pursuant to which (a) the Lessor shall purchase the Leased Assets II from Nanjing Tongren Hospital at a consideration of RMB32,000,000; and (b) the Lessor would lease back the Leased Assets II to Nanjing Tongren Hospital for a term of 36 months with a total lease payment of RMB35,053,200; and (ii) Kunming Tongren Hospital (an indirect wholly-owned subsidiary of the Company) (as lessee) entered into the Finance Lease Agreement III with the Lessor, pursuant to which (a) the Lessor shall purchase the Leased Assets III from Kunming Tongren Hospital at a consideration of RMB18,000,000; and (b) the Lessor would lease back the Leased Assets III to Kunming Tongren Hospital for a term of 36 months with a total lease payment of RMB19,660,609.08.

Within the past 12 months, on 25 September 2020, Kunming Tongren Hospital (as lessee) entered into the Finance Lease Agreement I with the Lessor, pursuant to which (i) the Lessor shall purchase the Leased Assets I from Kunming Tongren Hospital at a consideration of RMB50,000,000; and (ii) the Lessor would lease back the Leased Assets I to Kunming Tongren Hospital for a term of 36 months with a total lease payment of RMB53,745,807.24.

The table below sets out the details of the Finance Lease Agreements:

Finance Lease Agreement	Date of Finance Lease Agreement	Total lease payment	Security deposit	Service fee	Original purchase value of the respective Leased Assets (Approx.)
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Finance Lease Agreement I	25 September 2020	53,745,807.24	4,000,000.00	775,000.00	51,230,433.00
Finance Lease Agreement II	23 December 2020	35,053,200.00	2,000,000.00	N/A	33,729,550.00
Finance Lease Agreement III	23 December 2020	<u>19,660,609.08</u>	<u>1,405,000.00</u>	<u>N/A</u>	<u>18,253,512.04</u>
Total		<u>108,459,616.32</u>	<u>7,405,000.00</u>	<u>775,000.00</u>	<u>103,213,495.04</u>

The Finance Lease Agreements comprised (i) the purchase of the respective Leased Assets by the Lessor from the relevant Lessee; and (ii) the lease back arrangements, details of which are set out below.

Sale and purchase arrangements

Pursuant to the Finance Lease Agreements, the Lessor shall purchase the Leased Assets I, Leased Assets II and Leased Assets III from the relevant Lessee for the consideration of RMB50,000,000, RMB32,000,000 and RMB18,000,000, respectively, and each consideration was determined after arm's length negotiations between parties to the respective Finance Lease Agreement by reference to the prevailing market prices of the respective Leased Assets.

The payment of consideration is conditional upon the fulfilment of certain conditions under each Finance Lease Agreement, including, among others, (i) execution of the requisite corporate guarantee documents; and (ii) the Lessor having received (a) the relevant documentary proof confirming the ownership of the Leased Assets; (b) relevant approval documents from the shareholders of the guarantors; and (c) payment of the service fee, where applicable.

Lease back arrangements

Pursuant to the Finance Lease Agreements, the Lessor has agreed to lease back the respective Leased Assets to the relevant Lessee for a term of 36 months. The commencement date of each lease period shall be date of payment of the consideration for each of the Leased Assets by the Lessor.

FINANCE LEASE AGREEMENTS

The principal terms contained in each of the Finance Lease Agreements are substantially similar. Principal terms of the Finance Lease Agreements are as follows:

Parties

Lessor: a company established in the PRC with limited liability which is principally engaged in the provision of finance leasing and leasing services

Lessees: Kunming Tongren Hospital and Nanjing Tongren Hospital

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Lessor and its ultimate beneficial owner are Independent Third Parties.

Leased Assets

The Leased Assets I are medical equipment and devices with an original purchase value of RMB51,230,433.

The Leased Assets II are medical equipment and devices with an original purchase value of RMB33,729,550.

The Leased Assets III are medical equipment and devices with an original purchase value of RMB18,253,512.04.

Lease payment

Under the Finance Lease Agreement I, the total lease payment is RMB53,745,807.24 (inclusive of VAT) payable in 36 instalments, and each instalment of RMB1,492,939.09 is payable on a monthly basis.

Under the Finance Lease Agreement II, the total lease payment is RMB35,053,200 (inclusive of VAT) payable in 36 instalments, and each instalment of RMB973,700 is payable on a monthly basis.

Under the Finance Lease Agreement III, the total lease payment is RMB19,660,609.08 (inclusive of VAT) payable in 36 instalments, and each instalment of RMB546,128.03 is payable on a monthly basis.

The lease payments under the Finance Lease Agreements were determined after arm's length negotiations between the Lessor and the relevant Lessee with reference to the benchmark lending interest rate for similar loan tenor as promulgated by the People's Bank of China.

Service fee

The service fee in respect of the Finance Lease Agreement I was RMB775,000, which was payable within five business days from the date of execution of the Finance Lease Agreement I. Such service fee was determined between the Lessor and Kunming Tongren Hospital after arm's length negotiations with reference to the prevailing market rates for service fees in respect of finance leases for similar assets. No service fee is payable under the Finance Lease Agreement II and the Finance Lease Agreement III.

Security deposit

The security deposit payable by the relevant Lessee to the Lessor for the Finance Lease Agreement I, Finance Lease Agreement II and Finance Lease Agreement III was RMB4,000,000, RMB2,000,000 and RMB1,405,000, respectively. The security deposit is non-interest bearing and the Lessor is entitled to apply the security deposit to settle any outstanding payment under the Finance Lease Agreements, as well as the last or last few instalments of the lease payments under the Finance Lease Agreements.

Ownership of the Leased Assets

The ownership of each of the Leased Assets shall be vested in the Lessor throughout the lease period under each of the Finance Lease Agreements. Subject to the full performance of the obligations of the relevant Lessee under the Finance Lease Agreements, at the end of the relevant lease period, the Lessor agrees to transfer the Leased Assets to the relevant Lessee at a nominal consideration of RMB100.

Guarantee

Finance Lease Agreement I

The obligations of Kunming Tongren Hospital under the Finance Lease Agreement I are secured by corporate guarantees separately provided by Nanjing Tongren Hospital, Jiatai Construction and Kunming Industrial Development.

Finance Lease Agreement II

The obligations of Nanjing Tongren Hospital under the Finance Lease Agreement II are secured by corporate guarantees separately provided by Kunming Tongren Hospital, Jiatai Construction and Kunming Industrial Development.

Finance Lease Agreement III

The obligations of Kunming Tongren Hospital under the Finance Lease Agreement III are secured by corporate guarantees separately provided by Nanjing Tongren Hospital, Jiatai Construction and Kunming Industrial Development.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENTS

The entering into of the Finance Lease Agreements are in the ordinary and usual course of business of the Group, which allows the Group to obtain long term financial resources for its working capital purposes.

Having considered the above, the Directors are of the view that the Finance Lease Agreements and the transactions contemplated thereunder have been agreed under normal commercial terms and after arm's length negotiations between the relevant parties, and the terms of the Finance Lease Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It is expected that according to the Hong Kong Financial Reporting Standards, the transactions contemplated under the Finance Lease Agreements shall be accounted for as financing arrangements and therefore would not give rise to any gain or loss upon the initial recognition of the transactions accordingly.

INFORMATION OF THE PARTIES

Information of the Lessor

The Lessor is a company established in the PRC with limited liability. It is principally engaged in the provision of finance leasing and leasing services.

Information of the Group and the Lessees

The Company is an investment holding company. The Group's principal businesses are investment in and management and operation of healthcare and hospital businesses, eldercare businesses, trading of medical equipment and related supplies, property investment and development, securities trading and investments, provision of financial services and strategic investment.

Nanjing Tongren Hospital is an indirect 80% owned subsidiary of the Company which operates an integrated hospital in Nanjing. Kunming Tongren Hospital is an indirect wholly-owned subsidiary of the Company which operates an integrated hospital in Kunming.

LISTING RULES IMPLICATIONS

As the transactions under the Finance Lease Agreements were entered into between subsidiaries of the Company with the same Lessor within a 12-month period, according to Rule 14.22 of the Listing Rules, the transactions contemplated thereunder shall be aggregated and treated as if they were one transaction. As the highest applicable percentage ratio under each of the Finance Lease Agreements on a stand-alone basis is less than 5%, while the highest applicable percentage ratio upon aggregation of the Finance Lease Agreements is higher than 5% but lower than 25%, the transactions contemplated thereunder, when aggregated, constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of directors of the Company
“Company”	China Medical & HealthCare Group Limited (Stock Code: 383), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company

“Finance Lease Agreement(s)”	the Finance Lease Agreement I, the Finance Lease Agreement II and the Finance Lease Agreement III or any one of them
“Finance Lease Agreement I”	the finance lease agreement entered into between the Lessor and Kunming Tongren Hospital on 25 September 2020
“Finance Lease Agreement II”	the finance lease agreement entered into between the Lessor and Nanjing Tongren Hospital on 23 December 2020
“Finance Lease Agreement III”	the finance lease agreement entered into between the Lessor and Kunming Tongren Hospital on 23 December 2020
“Independent Third Party(ies)”	any individual or company not being the connected persons (as defined under the Listing Rules) of the Company, independent of the Company and its connected persons (as defined under the Listing Rules) and not connected with them
“Jiatai Construction”	Lianyungang Jiatai Construction Co., Ltd.* (連雲港嘉泰建設工程有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Kunming Tongren Hospital”	Kunming Tongren Hospital Co., Ltd.* (昆明同仁醫院有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Kunming Industrial Development”	Kunming Tongren Industrial Development Co., Ltd.* (昆明同仁實業開發有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Leased Assets”	Leased Assets I, Leased Assets II and Leased Assets III or any one of them
“Leased Assets I”	medical equipment and devices under the Finance Lease Agreement I
“Leased Assets II”	medical equipment and devices under the Finance Lease Agreement II

“Leased Assets III”	medical equipment and devices under the Finance Lease Agreement III
“Lessee(s)”	Kunming Tongren Hospital and Nanjing Tongren Hospital or any one of them
“Lessor”	Pingan Dianchuang International Finance Leasing Co., Ltd.* (平安點創國際融資租賃有限公司), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing Tongren Hospital”	Nanjing Tongren Hospital Co., Ltd.* (南京同仁醫院有限公司), a company established in the PRC with limited liability and an indirect 80% owned subsidiary of the Company
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and the Taiwan Province
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value-added tax

The English translation of the names in Chinese which are marked with “” are translations provided for identification purpose only.*

By Order of the Board
China Medical & HealthCare Group Limited
Zhou Liye
Chairman

Hong Kong, 23 December 2020

As at the date of this announcement, the Board comprises:

Executive Directors

Ms. Chong Sok Un (Deputy Chairman), Mr. Kong Muk Yin, Mr. Guo Meibao and Mr. Zhou Haiying

Non-Executive Directors

Mr. Zhou Liye (Chairman), Dato' Wong Peng Chong, Mr. Zheng Zhen and Mr. Lai Hin Wing Henry Stephen

Independent Non-Executive Directors

Mr. Zhang Jian, Dr. Xia Xiaoning, Dr. Wong Wing Kuen, Albert and Ms. Yang Lai Sum, Lisa