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**GENERTEC UNIVERSAL MEDICAL GROUP
COMPANY LIMITED**

通用環球醫療集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2666)

**DISCLOSEABLE TRANSACTION
JOINT ESTABLISHMENT AND OPERATION OF
THE NEW EAST DISTRICT OF HANDAN FIRST HOSPITAL**

THE COOPERATION AGREEMENT

The Board is pleased to announce that on 9 August 2018, the Company entered into the Cooperation Agreement with the Health and Family Planning Commission of Handan (邯鄲市衛生和計劃生育委員會, “**HFPC**”) and Handan First Hospital (邯鄲市第一醫院, “**Handan First Hospital**”) in connection with the joint establishment and operation of the new east district (the “**New East District**”) of Handan First Hospital (the “**Project**”), which will be a new branch of Handan First Hospital. Pursuant to the Cooperation Agreement, the Company has agreed to (i) establish a wholly-owned project company (the “**Project Company**”) to construct the New East District (the “**Project Construction**”), provide a total amount of no more than RMB2 billion in cash to fund the Project Construction, and participate in the management and operation of Handan First Hospital (including the New East District) in a manner as agreed by all parties; and (ii) through the Project Company, make a capital contribution of no more than RMB28 million to establish a joint venture with Handan First Hospital (the “**OPCO**”) to provide medical supplies procurement service to Handan First Hospital (including the New East District).

LISTING RULES IMPLICATIONS

Under the Cooperation Agreement, the maximum funding by the Company for the Project Construction is RMB2 billion and the capital contribution to the OPCO by the Company is RMB28 million. As the highest applicable percentage ratio in respect of the transactions

contemplated under the Cooperation Agreement exceeds 5% but is less than 25%, such transactions constitute a discloseable transaction of the Company and are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

WARNING

As the implementation of the Cooperation Agreement is subject to various terms and conditions, the Cooperation Agreement and the transactions contemplated thereunder may or may not proceed at all or in a timely manner. Shareholders and potential investors should exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 9 August 2018, the Company entered into the Cooperation Agreement with HFPC and Handan First Hospital in connection with the joint establishment and operation of the New East District, which will be a new branch of Handan First Hospital.

Pursuant to the Cooperation Agreement, the Company has agreed to (i) establish the Project Company to construct the New East District, provide a total amount of no more than RMB2 billion in cash to fund the Project Construction, and participate in the management and operation of Handan First Hospital (including the New East District) in a manner as agreed by all parties; and (ii) through the Project Company, make a capital contribution of no more than RMB28 million to establish the OPCO to provide medical supplies procurement service to Handan First Hospital (including the New East District).

THE COOPERATION AGREEMENT

The major terms of the Cooperation Agreement are set out below:

Date: 9 August 2018;

Parties: HFPC, Handan First Hospital and the Company;

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Directors believe that each of HFPC and Handan First Hospital and their respective ultimate beneficial owners (if applicable) are third parties independent of the Company and connected persons of the Company.

Cooperation Model: Implementation of the Project primarily consists of the following stages:

- i. Handan First Hospital has granted the Company:
 - A. a construction and operation right, i.e., a right to (i) conduct the Project Construction; (ii) fund the Project Construction; (iii) participate in the management and operation of Handan First Hospital (including the New East District); and (iv) charge Handan First Hospital the Construction and Management Fee as set out in the Cooperation Agreement (the “**Construction and Operation Right**”); and
 - B. an exclusive right to provide medical supplies procurement service to Handan First Hospital (including the New East District) (the “**Exclusive Procurement Right**”).

The above-mentioned rights will be assigned to the Project Company and the OPCO, respectively, after their incorporation. No rights identical or similar to or conflicting with the Construction and Operation Right and the Exclusive Procurement Right will be granted by HFPC and Handan First Hospital to any third party without prior consent of the Company. Both the Construction and Operation Right and the Exclusive Procurement Right bear a term of thirty (30) years, commencing from the date on which the Project Company pays the first land acquisition fees for the Project. None of such right should be compromised, altered or terminated unless under the circumstances specified in the Cooperation Agreement, such as the Cooperation Agreement being terminated.

- ii. The Company or its designated entity will establish the Project Company to construct the New East District for Handan First Hospital. The Project Company is entitled to charge Handan First Hospital the Construction and Management Fee for its construction, participation in the management and operation of Handan First Hospital (including the New East District).
- iii. The Company will, through the Project Company, establish the OPCO as a joint venture with Handan First Hospital. The registered capital of the OPCO will be contributed by Handan First Hospital (or its designated entity) and the Project Company as to 20% and 80%, respectively. The OPCO is entitled to the Exclusive Procurement Right to provide medical supplies procurement service to Handan First Hospital (including the New East District).

Funding Resources:

The Company has set up a special working group comprising the relevant experts to conduct a feasibility study of the Project, according to which the total funding required for the Project is estimated to be approximately

RMB2 billion based on the construction planning of the New East District, including (i) the amount of land acquisition fees; and (ii) the planned number of beds, medical staff and medical devices.

The Project Company is committed to providing a total amount of no more than RMB2 billion for the Project Construction and the Company will guarantee its funding commitment on a joint and several basis. The Company intends to fund the Project Construction by a combination of internal resources of the Group, proceeds from fund raising activities and/or bank facilities available to or to be obtained by the Group.

The capital contribution from the Project Company to the OPCO will be RMB28 million. The Company intends to fund such capital contribution by a combination of internal resources of the Group, proceeds from fund raising activities and/or bank facilities available to or to be obtained by the Group.

The capital contribution for the Project Construction of no more than RMB2 billion will be made in installments by the Project Company based on the progress of the Project. It is expected that the Project Construction will be implemented in two phases, among which the capital contribution for the first phase will be RMB1.4 billion (including the amount of land acquisition fees), and the capital contribution for the second phase will be RMB0.6 billion (subject to the satisfaction of certain requirements under the Cooperation Agreement). The capital contribution of no more than RMB28 million is expected to be provided by the Project Company upon the establishment of the OPCO.

Project Company:

The Project Company is a wholly-owned subsidiary to be established by the Company or its designated party for the purpose of exercising the Construction and Operation Right.

The Project Company will (i) manage the Project Construction; (ii) manage procurement for the New East District prior to its operation; (iii) provide and manage the funding for the Project Construction; and (iv) participate in the management and operation of Handan First Hospital (including the New East District).

OPCO:

The OPCO will be established within 30 business days after the establishment of the Project Company as the entity to exercise the Exclusive Procurement Right. The OPCO will, at its sole discretion, provide medical supplies procurement service to Handan First Hospital (including the New East District).

Capital contributions

The registered capital of the OPCO will be RMB35 million, of which RMB7 million will be contributed by Handan First Hospital or its designated entity with cash or non-cash assets, representing 20% equity interest of the OPCO, and RMB28 million will be contributed by the Project Company in cash, representing 80% equity interest of the OPCO. Such capital contribution and equity interest percentages were determined based on arm's length negotiations between the Company and Handan First Hospital.

Roles of the parties

The major roles of the Project Company and Handan First Hospital in the operation and development of the OPCO include:

- (i) the Project Company and Handan First Hospital will jointly manage and operate the OPCO through their representatives at the board of directors of the OPCO;
- (ii) the Project Company, through its control of a majority of voting rights at the OPCO's general meetings and its control of board composition of the OPCO, will select senior management in charge of the OPCO's daily operation; and
- (iii) Handan First Hospital is expected to be one of the major clients of the OPCO's medical supplies procurement service.

Without prior written consent of the other party, a party should not transfer its equity interest in the OPCO, and each party will enjoy a right of first refusal when the other party transfers its equity interest in the OPCO to any third party.

Handan First Hospital and the Project Company will separately enter into a joint venture agreement, an articles of association and other related documents to record the above arrangements and devise detailed corporate governance.

New East District:

The New East District will be a new branch of Handan First Hospital.

Upon completion of the Project Construction, the New East District will have a certified capacity of 2,000 registered beds after the construction in two phases. Together with Handan First Hospital, it will offer medical services to nearly 25 million people in the four neighboring provinces including Shanxi, Hebei, Shandong and Henan.

Executive committee

The executive committee of Handan First Hospital will consist of five (5) members, among which two (2) will be nominated by Handan First Hospital, two (2) will be nominated by the Company and one (1) will be nominated by HFPC. The executive committee is in charge of reviewing and approving major matters related to the operation of Handan First Hospital (including the New East District). It is also in charge of determining the matters related to the Project Construction.

Approvals from more than two-thirds of the members of the executive committee are required for certain material matters in connection with the Project Construction, such as project development plan, determination of successful bidder, designing plan, budget approval, selection of general contractor, completion acceptance, final accounting and equipment planning.

Supervisory committee

The supervisory committee of Handan First Hospital will consist of five (5) members, among which two (2) will be nominated by Handan First Hospital, two (2) will be nominated by the Company and one (1) will be nominated by HFPC. The supervisory committee is in charge of supervising material issues in relation to the Project Construction and the operation of Handan First Hospital (including the New East District), such as operation and management performances, financial position and any misconduct of senior management.

Investment Return:

The investment return of the Project to the Company primarily comprises:

Construction and Management Fee

The Project Company is entitled to charge Handan First Hospital:

(i) **as to Handan First Hospital (excluding the New East District)**, the Construction and Management Fee commencing from the date on which the Project Company pays the first land acquisition fees for the Project on an annual basis within 25 business days after the annual audit; and

(ii) **as to the New East District**, the Construction and Management Fee commencing from the date on which the New East District commences operation on a semi-annual basis within 25 business days after the end of each half-year period, provided that the Construction and Management Fee for the first financial year after its commencement of operation will be

charged after the year end.

The Company and Handan First Hospital will jointly engage an independent auditor to audit the financial results of the New East District within two months after the end of each financial year of the hospital according to Hospital Accounting Standards (醫院會計制度) issued by the Ministry of Finance in December 2010. However, the Construction and Management Fee for the New East District will be paid to the Project Company on a semi-annual basis based on its management accounts. If there is any discrepancy between the audited accounts and management accounts, the Construction and Management Fee will be adjusted and settled accordingly on an annual basis.

The Construction and Management Fee will be calculated based on a layered percentage of the annual Hospital Income of Handan First Hospital, which is set out as below:

- i. **Handan First Hospital (excluding the New East District):** during the period from the first payment of land acquisition fees by the Project Company to the commencement of operation of the New East District, the Construction and Management Fee for Handan First Hospital (i.e. the district other than the New East District) will be calculated based on certain percentage of its annual Hospital Income, excluding the income generated from its tumor hospital. After the commencement of operation of the New East District, the Construction and Management Fee for Handan First Hospital will be calculated based on certain percentage of the total annual Hospital Income of Handan First Hospital (excluding that of the New East District). When the Company's investment return ratio calculated based on certain earning rate reaches 100%, the Project Company will cease to charge the Construction and Management Fee on Handan First Hospital (i.e. the district other than the New East District).
- ii. **The New East District:** after the commencement of operation of the New East District, its Construction and Management Fee for each year will be calculated based on certain percentage of the annual Hospital Income solely generated by the New East District. The Construction and Management Fee will decrease accordingly after the Company's investment return ratio reaches 100% as agreed by all parties.

Dividends from the OPCO

The Project Company is entitled to dividends from the OPCO in proportion to its equity interest therein subject to certain minor adjustments based on performance of the OPCO.

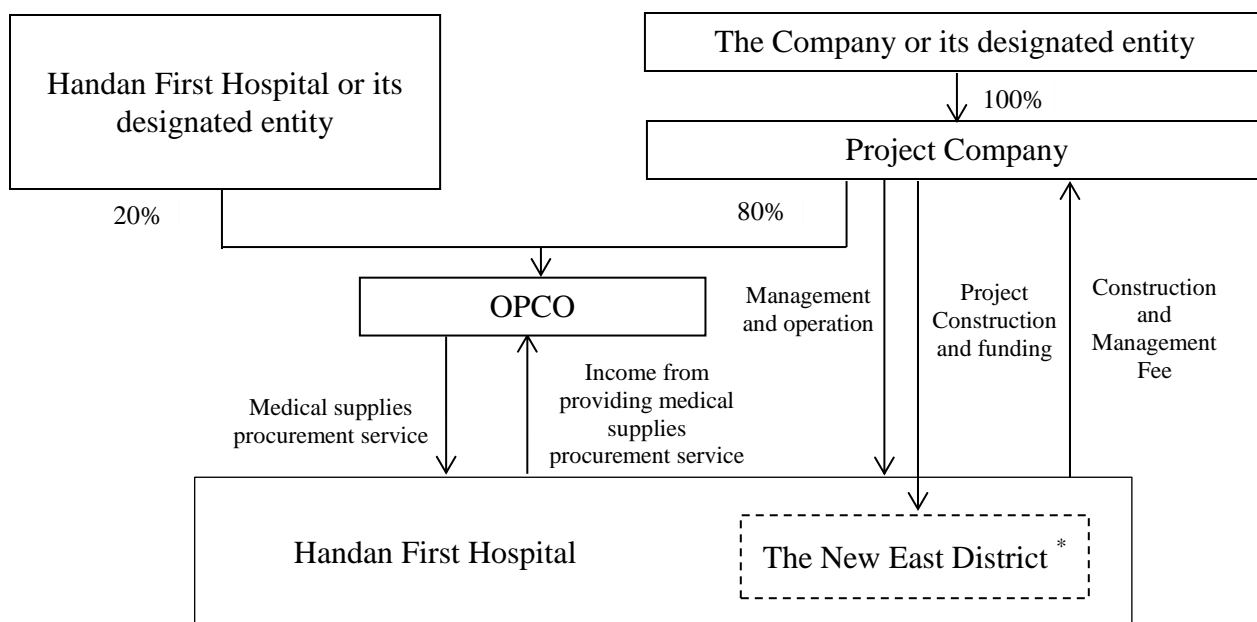
Termination: The Cooperation Agreement is subject to termination if, among others, any of the following occurs:

- i. a breach of any terms under the Cooperation Agreement, which has not been rectified by the defaulting party within 60 days after receiving the written notice from the non-defaulting party, which renders the transactions contemplated under the Cooperation Agreement incapable or inadvisable to proceed;
- ii. any force majeure event continuing for a period of time as agreed by all parties, which renders the transactions contemplated under the Cooperation Agreement incapable or inadvisable to proceed, and the parties fail to agree on any alternative arrangements; or
- iii. any change in laws, regulations or governmental policies, making the transactions contemplated under the Cooperation Agreement constitute a breach of PRC laws, regulations or governmental policies, and the parties are unable to agree on any alternative arrangements;

The Cooperation Agreement may also be terminated upon mutual consent. Upon termination of the Cooperation Agreement, HFPC and/or Handan First Hospital will need to return the principal amount of the investment deducting the collected investment returns or other amount to the Company pursuant to the terms and conditions of the Cooperation Agreement.

CORPORATE STRUCTURE FOR THE ENTITIES UNDER THE COOPERATION AGREEMENT

After establishments of the Project Company and the OPCO, and upon completion of the Project Construction, the corporate structure of the entities contemplated under the Cooperation Agreement is set out below:



* As a new branch of Handan First Hospital.

POTENTIAL CONNECTED TRANSACTIONS

Upon the establishment of the OPCO, Handan First Hospital will become a substantial shareholder of the OPCO. As the OPCO is a non-wholly owned subsidiary of the Company, Handan First Hospital and its associates, may become connected persons of the Company under the Listing Rules. Accordingly, the transactions to be entered into between the Group and Handan First Hospital and its associates, may constitute connected transactions for the Group under Chapter 14A of the Listing Rules. The Company will comply with relevant requirements under Chapter 14A of the Listing Rules if applicable.

FURTHER INFORMATION ABOUT THE PARTIES

The Company is an integrated healthcare service provider with focuses on the fast-growing healthcare service industry in the PRC. Leveraging on its own diversified healthcare resources and strong financial support, the Company has been committed to building up hospitals' comprehensive strengths in terms of healthcare technology, service quality, operating efficiency as well as managerial capacity.

HFPC is a governmental body of the People's Government of Handan City. It is the administrative authority in charge of Handan First Hospital.

Handan First Hospital, founded in 1950 and administered by the HFPC, is a large-scale comprehensive Grade III Class A hospital integrating medical care, teaching, scientific research, prevention, healthcare and rehabilitation with leading medical strength in Handan City.

REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT AND TRANSACTIONS CONTEMPLATED THEREUNDER

The Company's decision to cooperate with Handan First Hospital to jointly establish and operate the New East District is in line with national policies of encouraging social capital to participate in public service sector reform. As a publicly-traded state-owned key enterprise, the Company proactively responds to national policies and sticks to the philosophy of putting people first and benefiting people's livelihood.

The Company's cooperation with Handan First Hospital is a combination of the two parties' strengths. The Company will, on the one hand, use its financial resources and integrated healthcare resources to provide funding, technology, talents and advanced operating and managing mechanisms to Handan First Hospital, and on the other hand, leverage the strengths of Handan First Hospital in medical treatment, education, scientific research and brand, to make Handan First Hospital a high-quality healthcare center in the four neighboring provinces including Shanxi, Hebei, Shandong and Henan, benefiting people's livelihood through its advanced medical technology and premium services.

In addition, the Company continued to deepen its cooperation with internationally well-known healthcare service institutions to gain rich experience in hospital management. As of 30 June 2018, the Company has established strategic cooperation with over 200 domestic and foreign well-known medical experts and 69 international healthcare service institutions. The Company has also successively established healthcare resources management department, supply chain operation department, international healthcare cooperation department and healthcare technology cooperation department, which provide organisational support to the development of its hospital investment and management business. Meanwhile, the Company has actively recruited high-quality professionals with hospital investment management and project management background and established an organised staff training system so as to build a talent pool for hospital investment and management business and other new strategic businesses of the Group.

To fully align the Company's developing target with HFPC and Handan First Hospital's developing target, the three parties have established a long-term and win-win cooperating model under the Cooperation Agreement. The Board believes that the cooperation would give a reliable momentum to the long-term sustainable growth of the Company and lay a solid business foundation for it.

As such, the Board considers that the terms of the Cooperation Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code:2666)
“Construction and Management Fee”	a fee to be charged by the Project Company to Handan First Hospital as part of its investment return, the amount of which is subject to adjustment from time to time as stipulated in the Cooperation Agreement
“Cooperation Agreement”	an agreement entered into among the Company, HFPC and Handan First Hospital on 9 August 2018 in relation to the establishment and operation of the New East District
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Handan First Hospital”	Handan First Hospital (邯鄲市第一醫院), a leading comprehensive Grade III Class A hospital in Handan
“HFPC”	Health and Family Planning Commission of Handan (邯鄲市衛生和計劃生育委員會)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hospital Income”	as defined under Hospital Accounting Standards (醫院會計制度) issued by the Ministry of Finance in December 2010, including outpatient and inpatient income, excluding government subsidies, education income and other income

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“New East District”	the new east district of Handan First Hospital to be established pursuant to the Cooperation Agreement, which will be a new branch of Handan First Hospital
“PRC”	the People’s Republic of China excluding Hong Kong, Macau and Taiwan solely for the purpose of this announcement
“RMB”	renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of the shares of the Company
“Shares”	the ordinary share(s) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
Genertec Universal Medical Group
Company Limited
通用環球醫療集團有限公司
Guo Weiping
Executive Director

Beijing, PRC, 9 August 2018

As at the date of this announcement, the executive directors of the Company are Mr. Guo Weiping and Ms. Peng Jiahong; the non-executive directors of the Company are Mr. Zhang Yichen (Chairman), Mr. Luo Xiaofang (Vice-chairman), Mr. Liu Zhiyong, Mr. Liu Xiaoping, and Mr. Su Guang; and the independent non-executive directors of the Company are Mr. Li Yinquan, Mr. Chow Siu Lui, Mr. Kong Wei and Mr. Han Demin.