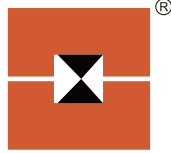


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**Kaisa Health Group Holdings Limited**  
**佳兆業健康集團控股有限公司**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 876)**

**DISCLOSEABLE TRANSACTION**

**FORMATION OF JOINT VENTURE**

On 3 March 2021, the Company and Shanghai Xinxing entered into the Cooperation Agreement in relation to, among other things, the establishment of the Project Company to engage in the Project. Upon establishment of the Project Company, the Project Company will be owned as to 80% by Shanghai Jiayu (a wholly-owned subsidiary of the Company) and 20% by Fuhu Cooperative (the designated entity of Shanghai Xinxing) respectively. It is expected that the Project Company will be accounted for as a non-wholly owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Company.

The total capital contribution committed by shareholders of the Project Company will be RMB 150 million, among which (i) RMB 120 million is committed by the Company by way of cash and (ii) RMB 30 million is committed by Shanghai Xinxing by way of set off against part of the Consideration payable for land use rights of the Collective Land.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Cooperation Agreement (taking into account the amount of capital contribution committed by the Company in the Project Company, the estimated Consideration for acquiring the Phase 1 of the Collective Land and the estimated value of right-of-use asset to be recognized by the Group for the lease of the agricultural land) is above 5% and all of the applicable percentage ratios are less than 25%, the transactions contemplated under the Cooperation Agreement constitute a discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

On 3 March 2021, the Company and Shanghai Xinxing entered into the Cooperation Agreement in relation to, among other things, the establishment of the Project Company to engage in the Project.

## **THE COOPERATION AGREEMENT**

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

### **Date**

3 March 2021

### **Parties**

- (a) the Company
- (b) Shanghai Xinxing

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Shanghai Xinxing, Fuhu Cooperative and their ultimate beneficial owner, being the Xuhang Government is an Independent Third Party.

### **Subject matter**

Within one month after the signing of the Cooperation Agreement, the parties shall establish the Project Company to engage in the Project.

Upon establishment of the Project Company, the Project Company will be owned as to 80% by Shanghai Jiaxu (a wholly-owned subsidiary of the Company) and 20% by Fuhu Cooperative (the designated entity of Shanghai Xinxing) respectively. It is expected that the Project Company will be accounted for as a non-wholly owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Company.

## **Capital contribution**

The total capital contribution committed by shareholders of the Project Company will be RMB 150 million, among which (i) RMB 120 million is committed by the Company by way of cash and (ii) RMB 30 million is committed by Shanghai Xinxing by way of set off against part of the Consideration (as defined below) payable for land use rights of the Collective Land as set out in the section headed “Land resources for the Project Company” below. The registered capital of the Project Company will be set forth in the relevant entry of the industrial and commercial registration. Any increase in the capital contribution will be subject to compliance of the applicable laws and regulations in Hong Kong and the PRC (including without limitation, the Listing Rules).

The timing for the JV Partners to make the relevant capital contributions will depend on the Project Company’s operational needs. It is expected that the capital commitment of the Group will be financed by its internal resources.

The capital commitment was determined after arm’s length negotiations between the JV Partners with reference to, among other things, the consideration and other expenses relating to the Lands and the Project.

Pursuant to the constitutional documents to be adopted by the Project Company, at the shareholders meeting, the JV Partners will exercise their voting rights in proportion to their respective capital contributions.

## **Term of cooperation**

The term of cooperation stipulated under the Cooperation Agreement will be 40 years from the Land Use Approval Date, subject to further extension as agreed by the parties in writing.

## **Land resources for the Project Company**

Pursuant to the Cooperation Agreement, the following types of land (collectively referred to as the “**Lands**”) will be made available to the Project Company:-

(i) **Collective Land**

Shanghai Xinxing guarantees that the Project Company will be able to obtain land use rights of no less than 120 mu of Collective Land for a term of 40 years at the consideration of RMB 3.2 million per mu (the “**Consideration**”), of which only RMB 2.7 million per mu shall be payable to the Xuhang Government, and the remaining RMB 0.5 million per mu will be deemed capital contribution by the designated entity of Shanghai Xinxing in the Project Company. Upon expiration of the term, all buildings and ancillary infrastructure constructed on such Collective Land shall belong to the local government.

The final actual area of the Collective Land will be subject to agreement by Shanghai Xinxing and the Company. The first phase of the Collective Land (the “**Phase 1 Land**”) shall be no less than 42 mu, and Shanghai Xinxing shall complete all procedures for transfer the land use rights for Collective Land to the Project Company by/before June 2021. The Company currently expects that the actual area of the Phase 1 Land will be not more than 42 mu. The land supply for the further phase(s) is subject to agreement by the parties depending on the progress of the Project.

The Consideration for the Phase 1 Land acquired by the Project Company to the Xuhang Government will be settled in the following manner:

- (1) a deposit of RMB 20 million (“**Deposit**”) will be payable within one month upon signing of the Agreement;
- (2) the second installment based on RMB 1.35 million/mu, less the Deposit, shall be payable within one month from the date of the receipt of land use approval certificate for the Phase 1 Land (the “**Land Use Approval Date**”);
- (3) the third installment based on RMB 0.8 million/mu shall be payable within one year from the Land Use Approval Date; and
- (4) the remaining Consideration based on RMB 0.55 million/mu shall be payable within two years from the Land Use Approval Date.

The Consideration was determined by the parties after arm’s length negotiations with reference to, among other things, the pricing terms of the Jiading Huating Renjia project, being a project involving cooperation with the local government which is similar to the Project.

**(ii) *Agricultural land***

Shanghai Xinxing guarantees that, depending on the actual requirements of the Project Company, the Project Company will be leased an aggregate of no less than 100 mu agricultural land for a term of 20 years at the initial annual rental cost of RMB 2,200 per mu, with an increment of RMB 44 per mu each year. The Company currently expects that the actual area of the agricultural land will be not more than 100 mu.

The above rental cost was determined by the parties after arm's length negotiations with reference to, among other things, current market rental rate on agricultural land within Xuhang.

Based on the estimation of the Company, the value of the right-of-use asset to be recognized by the Group for the lease of the agricultural land amounts to approximately RMB38,581,000, which is the present value of the aggregate rent payable during the term of the lease of the agricultural land in accordance with HKFRS 16.

**(iii) *Other land (e.g. carparks, river course)***

Shanghai Xinxing guarantees that the Project Company can obtain such other land as may be required for the Project. The Project Company and the local village committee will separately agree on the terms of sharing the operating income (as applicable).

**Obligations of the Project Company**

Subject to establishment of Project Company and supply of the Collective Land pursuant to the Agreement, the Project Company shall complete renovation of no less than 100 reserved village houses by the end of December 2021, and by the end of April 2022, complete the construction of no less than 8 sets of model houses and build a public service center of not less than 2,000 square meters in the Fuhu Village.

The Project Company shall also set up a development fund for local revitalization and development of the Fuhu Village based on 10% of the Project Company's annual profit.

**Responsibilities of the parties**

Shanghai Xinxing is responsible for facilitating the construction of public utilities and infrastructure within the project area, liaising with the PRC local governmental departments for relevant approvals, formulating land consolidation policies, and facilitating the obtaining of subsidies for the Company and the Project Company.

The Company is responsible for the overall planning and implementation of the Project, investments on the Lands (including the acquisition costs of the Collective Land), the construction and operating costs of the Project.

### **Management of the Project Company and board composition**

The Project will be operated and managed by the Company through the Project Company. Shanghai Xinxing and Fuhu Cooperative will not participate in the operation and management of the Project Company.

Pursuant to the constitutional documents to be adopted by the Project Company, it is expected that the Project Company will have only one executive director, who shall be nominated by Shanghai Jiayu, and subject to appointment and removal in the shareholders meeting of the Project Company.

### **Profit distribution**

Shanghai Xinxing and Fuhu Cooperative will not participate in the profit distribution of the Project Company nor bear the operating losses of the Project Company. However, Fuhu Cooperative will be entitled to receive from the Project Company a fixed return of RMB 30,000 per mu for the first year after the Land Use Approval Date, with an increment of RMB 1,650 per mu for every three years thereafter.

### **Termination**

The Cooperation Agreement may not be terminated by any party without prior consent of the other party, save and except if the Project Company fails to commence construction within 12 months after the handover of the land due to the reasons attributable to the Company, or fails to advance the Project within 6 months after entering the site, Shanghai Xinxing may terminate the Cooperation Agreement, make deductions from the Deposit and retrieve the land use rights under the Project.

## **Financial support from Kaisa Investment Ningbo**

Pursuant to the Cooperation Agreement, the Company agrees that, Kaisa Investment Ningbo (a wholly-owned subsidiary of the Company) will execute a letter of guarantee in favour of Project Company, pursuant to which Kaisa Investment Ningbo will agree to provide timely financial support to the Project Company if the Project Company's own funds are insufficient for the development, operation, and management of the Project, including such funds payable to the designated entity of Shanghai Xinxing pursuant to the Cooperation Agreement. The exact manner of financial support will be subject to further negotiation by the Project Company and Kaisa Investment Ningbo. Such guarantee will remain valid throughout the development, operation and management of the Project.

## **INFORMATION ON THE GROUP**

The Group is principally engaged in the dental prosthetics business, including the sale (both overseas and domestic) and production of dental prosthetics, and the health care service business.

Shanghai Jiayu is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in health care service business.

## **INFORMATION ON SHANGHAI XINXING AND FUHU COOPERATIVE**

Shanghai Xinxing is a company established in the PRC with limited liability. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Shanghai Xinxing is a collective economic organization under the People's Government of Xuhang Town and its principal businesses include municipal infrastructure development, industrial investment, and investment management (except finance and securities) and business management consulting.

Fuhu Cooperative is a local village economic cooperative in the Fuhu Village. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Fuhu Cooperative's principal business is for facilitation on potential development of Fuhu Village.

## **INFORMATION OF XUHANG TOWN AND THE FUHU VILLAGE**

Xuhang Town is one of the four new towns to be built in Jiading District, Shanghai. It covers an area of 40 square kilometers. It is the core functional area of Jiading Science and Technology Innovation Center and an important part of Zhangjiang High-tech Park.

The Fuhu Village is located at the northern Jiading District, the northwest part of Xuhang Town. It is about 29 kilometers away from Shanghai. The Fuhu Village total land coverage is about 4,928 mu.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS CONTEMPLATED UNDER THE COOPERATION AGREEMENT**

The Group is principally engaged in the dental prosthetics business and the health care service business. As mentioned in the Company's 2020 interim report for the six months ended 30 June 2020, it is the Group's business strategy to further diversify its business so as to further enhance shareholder value. Further, as disclosed in the Company's announcement dated 19 October 2020, the Group and Jinding Lake Giant Dragon Tourism Development (Beijing) Co., Ltd.\* (金鼎湖巨龍旅遊開發(北京)有限公司) proposed to jointly develop a healthcare project at Jinding Lake, Miyun District, Beijing, the PRC, integrating rural development, healthcare industry and financial trust industry with a view to transform the area into a demonstration model of rural revitalisation and a high-end health and wellness resort in the Beijing-Tianjin-Hebei region.

Xuhang Town, being one of the new towns in Jiading District, Shanghai, of Jiading Science and Technology Innovation Center and Zhangjiang High-tech Park. As an initiative of the Group to further expand its healthcare business and enhance its investment portfolio in the PRC, the Group entered into the Cooperation Agreement with an aim to revitalize and transform the Fuhu Village into a branded agricultural healthcare village with improved basic infrastructure and refreshed village image.

The Company expects that the transactions under the Cooperation Agreement will create synergy effects by leveraging and utilising the resources and advantages of Shanghai Xinxing and those of the Group. Shanghai Xinxing will be primarily responsible for providing land resources and developing infrastructure in the area, whereas the Company will be primarily responsible for overall planning and implementation of the Project.

Taking into account of the above, the Directors consider that the transactions contemplated under the Cooperation Agreement represent a good opportunity for the Group to diversify its business activities, and the Directors further consider that the terms and conditions of the Cooperation Agreement (including the capital commitment of the parties, the Consideration for the Collective Land and the rental cost for the agricultural land) are fair and reasonable), and are in the interests of the Company and its shareholders as a whole.



## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Cooperation Agreement (taking into account the amount of capital contribution committed by the Company in the Project Company, the estimated Consideration for acquiring the Phase 1 of the Collective Land and the estimated value of right-of-use asset to be recognized by the Group for the lease of the agricultural land) is above 5% and all of the applicable percentage ratios are less than 25%, the transactions contemplated under the Cooperation Agreement constitute a discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement have the following meanings:

“associates”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Collective Land”	Collective Land for Operation in Rural Areas* (集體經營性建設用地)
“Company”	Kaisa Health Group Holdings Limited 佳兆業健康集團控股有限公司, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 876)
“Cooperation Agreement”	the cooperation agreement dated 3 March 2021 and entered into by and between the Company and Shanghai Xinxing in relation to, among other things, the establishment of the Project Company
“Directors”	the directors of the Company
“Fuhu Cooperative”	上海嘉定區徐行鎮伏虎經濟合作社 (The Economic Cooperative of the Fuhu Village of Xuhang Town, Jiading District, Shanghai*)
“Fuhu Village”	中國上海市嘉定區徐行鎮伏虎村 (Fuhu Village, Xuhang Town, Jiading District, Shanghai, the PRC*)

“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	an individual or a company who is not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
“JV Partners”	Shanghai Jiayu and the Fuhu Cooperative
“Kaisa Investment Ningbo”	佳兆業投資(寧波)有限公司 (Kaisa Investment (Ningbo) Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Project”	the project for the rural revitalization, construction and development in the Fuhu Village
“Project Company”	the company to be established by the Partners pursuant to the Cooperation Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Jiayu”	上海佳煦健康服務有限公司 (Shanghai Jiayu Health Services Co., Ltd*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Shanghai Xinxing”	Shanghai Xinxing Construction Investment Co., Ltd. (上海新行建設投資有限公司), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial shareholder”	shall have the meaning as ascribed to it under the Listing Rules
“Xuhang Government”	上海市嘉定區徐行鎮人民政府 (the People’s Government of Xuhang Town, Jiading District, Shanghai*)
“%”	per cent.

By Order of the Board  
**Kaisa Health Group Holdings Limited**  
**Zhang Huagang**  
*Chairman*

Hong Kong, 3 March 2021

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhang Huagang (Chairman), Mr. Luo Jun (Co-Vice Chairman), Mr. Wu Tianyu (Co-Vice Chairman) and Mr. Kwok Ying Shing, and three independent non-executive Directors, namely Dr. Liu Yanwen, Mr. Fok Hei Yu and Dr. Lyu Aiping.*

*\* For identification purpose only*