

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **China Medical & HealthCare Group Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 383)**

### **DISCLOSEABLE TRANSACTION CONSTRUCTION AGREEMENT IN RESPECT OF THE KUNMING TONGREN HOSPITAL PHASE II**

#### **CONSTRUCTION AGREEMENT**

The Board hereby announces that after a tendering and selection process, on 8 July 2022 (after trading hours), the Principal (an indirect wholly-owned subsidiary of the Company) entered into the Construction Agreement with the Contractor (as the main contractor) for the construction of the Kunming Tongren Hospital Phase II, which includes, among others, the integrated in-patient building (綜合住院樓), thyroid centre (甲狀腺中心) and the rehabilitation medical building (康復醫學樓) at the Consideration of RMB225,916,266 (equivalent to approximately HK\$264,322,031.22).

#### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction contemplated under the Construction Agreement exceeds 5% but all applicable percentage ratios are less than 25%, such transaction constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

The Board hereby announces that after a tendering and selection process, on 8 July 2022 (after trading hours), the Principal (an indirect wholly-owned subsidiary of the Company) entered into the Construction Agreement with the Contractor (as the main contractor) for the construction of the Kunming Tongren Hospital Phase II, which includes, among others, the integrated in-patient building (綜合住院樓), thyroid centre (甲狀腺中心) and the rehabilitation medical building (康復醫學樓) at the Consideration of RMB225,916,266 (equivalent to approximately HK\$264,322,031.22).

## CONSTRUCTION AGREEMENT

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

**Date:** 8 July 2022

**Parties:** (i) The Principal, as the principal; and  
(ii) The Contractor, as the main contractor.

**Subject matter:** The Principal has appointed the Contractor as the main contractor responsible for the construction of the Kunming Tongren Hospital Phase II, which includes, among others, the integrated in-patient building (綜合住院樓), thyroid centre (甲狀腺中心) and the rehabilitation medical building (康復醫學樓) located at No. 1099, Guangfu Road, Kunming City, Yunnan Province, the PRC, with a total construction area of approximately 68,911 sq.m..

**Construction period:** The Construction Works are expected to be completed within 540 days after the commencement date, which is 8 July 2022.

**Consideration:** The Consideration payable to the Contractor pursuant to the Construction Agreement shall be RMB225,916,266 (equivalent to approximately HK\$264,322,031.22). The Consideration may be adjusted based on price fluctuation of major raw material and labour costs.

The Consideration was determined by the parties after arm's length negotiation and based on the tender price provided by the Contractor, and the Construction Agreement was awarded to the Contractor by the Principal after a tendering and selection process conducted by the Group with the assistance from consultancy firms qualified in cost management and consultation in construction projects in the PRC. The Principal has assessed the relevant technical experience, professional qualification, reputation and capability of the Contractor, the expected scope, complexity and expected costs of the Construction Works to be undertaken, the prevailing market price of construction works with similar scale and complexity and other relevant factors. The Directors consider that the Consideration is fair and reasonable.

The Consideration will be financed by the Group's internal resources and/or borrowings.

**Performance guarantee:** The Contractor will pay an amount of RMB11,295,813.30 (equivalent to approximately HK\$13,216,101.56), being 5% of the Consideration, to the Principal within three days from the date of the Construction Agreement, as a performance guarantee of the Construction Agreement. The said guarantee shall terminate on the 30th day after the Construction Works are completed, inspected and accepted by the Principal and the relevant filings have been completed.

**Payment terms:** The Consideration shall be paid by the Principal to the Contractor in the following manner:

30% of the Consideration, being RMB67,774,879.80 (equivalent to approximately HK\$79,296,609.37), shall be paid within 15 days after completion of the infrastructure works.

20% of the Consideration, being RMB45,183,253.20 (equivalent to approximately HK\$52,864,406.24), i.e., up to 50% of the Consideration, shall be paid within 28 days after completion of main structural works.

20% of the Consideration, being RMB45,183,253.20 (equivalent to approximately HK\$52,864,406.24), i.e., up to 70% of the Consideration, shall be paid within 28 days after completion of the Construction Works and provision by the Contractor of a complete set of the documents evidencing the satisfactory inspection of the completed Construction Works by the relevant authorities.

15% of the Consideration, being RMB33,887,439.90 (equivalent to approximately HK\$39,648,304.68), i.e., up to 85% of the Consideration, shall be paid within 28 days after the first anniversary of the completion of the Construction Works.

12% of the Consideration, being RMB27,109,951.92 (equivalent to approximately HK\$31,718,643.75), i.e., up to 97% of the Consideration, shall be paid within 28 days after the second anniversary of the completion of the Construction Works.

The remaining 3% of the Consideration, being RMB6,777,487.98 (equivalent to approximately HK\$7,929,660.94), shall be retained by the Principal during the defects liability period, and the retained sum shall be released to the Contractor in the following manner after the Principal has confirmed that the relevant defects liability can be discharged:

- (i) 1% shall be released within 30 days after two years of the defects liability period;
- (ii) 1% shall be released within 30 days after three years of the defects liability period; and
- (iii) The remaining 1% shall be released within 30 days after five years of the defects liability period.

**Defects liability period:**

During the defects liability period, the Contractor shall be responsible for handling quality issues arising from the Construction Works in accordance with the Construction Agreement. The defects liability period shall commence on the sixth month after the Construction Works are completed, inspected and accepted by the Principal and the relevant filings have been completed. The defects liability period varies for different items and ranges from around two to five years. The defects liability period for foundation works and main structural works shall be the reasonable useful life as stipulated in the relevant design documents.

**Conditions precedent:**

The Construction Agreement shall become effective upon the parties executing the same and the Company having fulfilled its obligations under the Listing Rules in relation to the Construction Agreement, including but not limited to the announcement, circular (if required) and Shareholders' approval (if required) requirements under Chapter 14 of the Listing Rules.

As at the date hereof, all conditions precedent under the Construction Agreement have been fulfilled.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENT**

As disclosed in the annual reports of the Company for the period from 1 July 2018 to 31 December 2019 and for the years ended 31 December 2020 and 2021, and in the interim reports for the twelve months ended 30 June 2019, and for the six months ended 30 June 2020 and 2021, the Group has planned to develop the Kunming Tongren Hospital Phase II. The development of the Kunming Tongren Hospital Phase II will not only expand the scale of the existing basic medical functions, but also diversify the provision of medical services to other areas with the development of nuclear medical treatment and tumor centre. The Construction Works will enhance the operating capacity of Kunming Tongren Hospital so as to facilitate the Group in capturing the growing market demand and bring positive impact on the performance of the healthcare segment of the Group. The Construction Agreement and the transaction contemplated thereunder constitute steps taken by the Group to develop Kunming Tongren Hospital as one of the most competitive private, integrated hospital in the southwest part of the PRC.

The Directors consider that (i) the transaction contemplated under the Construction Agreement is on normal commercial terms; (ii) the terms of the Construction Agreement are fair and reasonable; and (iii) the entering into of the Construction Agreement is in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE GROUP AND THE CONTRACTOR**

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.

According to the information available to the Company, the Contractor's principal activity is building construction and is ultimately owned as to 84.4429% by Ren Guolong (任國龍), 6.22283% by Ren Guofeng (任國鋒), 1.86685% by Chen Kunxiao (陳坤校), 1.24457% by Shao Jianlin (邵建林), 1.24457% by Li Yonggen (李永根), 1.24457% by Li Jianjiang (李建江), 1.24457% by Shao Jialong (邵家龍), 1.24457% by He Yousheng (何友生) and 1.24457% by Pan Haiyao (潘海堯) respectively.

To the best of the Directors' knowledge and belief and having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

## LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction contemplated under the Construction Agreement exceeds 5% but all applicable percentage ratios are less than 25%, such transaction constitutes a discloseable transaction of the Company and is therefore 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
“Company”	China Medical & HealthCare Group Limited, a company incorporated in Bermuda with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 383)
“connected person(s)”	has the meanings ascribed to it under the Listing Rules;
“Consideration”	the total consideration to be paid by the Principal to the Contractor pursuant to the Construction Agreement, being RMB225,916,266 (equivalent to approximately HK\$264,322,031.22), subject to adjustment, if any
“Construction Agreement”	the main contractor construction agreement dated 8 July 2022 entered into between the Principal and the Contractor for the Construction Works
“Construction Works”	construction and installation works of the Kunming Tongren Hospital Phase II, which includes, among others, the earthworks, foundation works, structure construction work, electric work, water supply and drainage, ventilation work, fire protection work, etc. for the integrated in-patient building (綜合住院樓), thyroid centre (甲狀腺中心) and the rehabilitation medical building (康復醫學樓) with a total construction area of approximately 68,911 sq.m.

“Contractor”	Zhejiang Shunjie Construction Group Co., Ltd.* (浙江舜傑建築集團股份有限公司), a company established under the laws of the PRC with limited liability
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Kunming Tongren Hospital”	the hospital situated at No. 1099 Guangfu Road, Kunming City, Yunnan Province, the PRC and operated by the Principal
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement)
“Principal”	Kunming Tongren Hospital Co., Ltd.* (昆明同仁醫院有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.0005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m.”	square metre
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.17 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or at any other rates.

*The English Translation of Chinese names or words in this announcement, where indicated by “\*”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

By Order of the Board  
**China Medical & HealthCare Group Limited**  
**Chong Sok Un**  
*Deputy Chairman*

Hong Kong, 8 July 2022

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

*Executive Directors*

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

*Non-Executive Directors*

*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*