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)

CONNECTED TRANSACTION
ACQUISITION OF TARGET HOSPITALS

THE ACQUISITION

The Board is pleased to announce that on 25 December 2023, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to sell the Interests in the Target Hospitals (i.e., Changzheng Hospital, Hechai Hospital, Luoyang Elderly Care Center, No. 408 Hospital, Guotong Huankang and Xincai Hospital) for a consideration of RMB 116.56 million.

Upon the completion of the Acquisition, the Target Hospitals will be wholly owned by the Purchaser and become subsidiaries of the Company, and the financial results of the Target Hospitals will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, GT-PRC is a controlling shareholder holding approximately 39.38% of the entire issued capital of the Company. The Vendor is a subsidiary of GT-PRC, and therefore a connected person of the Company pursuant to the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 0.1%, but all of them are less than 5%, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting and announcement requirements but is exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 25 December 2023, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to sell the Interests in the Target Hospitals for a consideration of RMB 116.56 million.

Upon the completion of the Acquisition, the Target Hospitals will be wholly owned by the Purchaser and become subsidiaries of the Company, and the financial results of the Target Hospitals will be consolidated into the financial statements of the Group.

THE TRANSFER AGREEMENT

Date

25 December 2023

Parties

(1) the Purchaser; and

(2) the Vendor.

Subject matter

Pursuant to the Transfer Agreement, the Purchaser agreed to acquire, and the Vendor agreed to sell the Interests held by the Vendor.

Basis and payment of the consideration

Pursuant to the Transfer Agreement, the consideration for the Interests is RMB116.56 million, which was arrived at after arm's length negotiations by the Purchaser and the Vendor with reference to independent Valuation Reports prepared under the income approach and the asset-based approach. Pursuant to the Valuation Reports, the total appraised value of the total interest of the Target Hospitals as at the Evaluation Reference Date, being 31 July 2023, was RMB116.56 million. The table below sets forth details of each of the Target Hospitals' appraised value, together with the valuation approach adopted:

Target Hospital	Appraised Value *(RMB in million)*	Valuation Approach
Guotong Huankang	59.12	Asset-based approach
Changzheng Hospital	22.68	Asset-based approach
No.408 Hospital	19.46	Asset-based approach
Hechai Hospital	15.19	Asset-based approach
Xincai Hospital	0.08	Income approach
Luoyang Elderly Care Center	0.03	Income approach

Total	116.56

With respect to the selection of the valuation approach, the Valuer has considered commonly adopted valuation approaches in the market (namely market approach, income approach and assed-based approach) to ascertain the value of the Target Hospitals. When appraising the value of Guotong Huankang, Changzheng Hospital, Hechai Hospital and No.408 Hospital, the Valuer adopted market approach and asset-based approach. Considering (i) the challenges associated with precisely mitigating the impact of the differences in business models, scale, efficiency and assets condition with comparable companies in the market approach, and (ii) the asset-based approach's capability to accurately reflect the genuine value of the appraised entities, the Valuer concluded that the result from the asset-based approach is more reasonable for reflecting the value of Guotong Huankang, Changzheng Hospital, Hechai Hospital and No.408 Hospital.

When appraising the value of Xincai Hospital and Luoyang Elderly Care Center, the Valuer adopted asset-based approach and income approach, rather than market approach, due to the limited number of comparable companies in terms of operational stage, business performance, business segments, and scale and the limited number of comparable transactions in the market. Considering (i) Xincai Hospital and Luoyang Elderly Care Center recorded negative amounts in net assets as of the Valuation Reference Date, making it difficult to adequately reflect their service advantages under the asset-based approach, and (ii) the income approach being able to take into account the contribution of intangible resources and the anticipated future development of these entities, the Valuer concluded that the result from the income approach is more reasonable for reflecting the value of Xincai Hospital and Luoyang Elderly Care Center.

Valuation Assumptions

Please refer to Appendix I in this announcement for valuation assumptions adopted in the Valuation Reports.

Original acquisition cost

The original acquisition cost of the Target Hospitals to the Vendor is nil, as the Target Hospitals were transferred to the Vendor at nil consideration upon the approval of the State-owned Assets Supervision and Administration Commission of the State Council.

Payment of the consideration

The Purchaser should pay the consideration under the Transfer Agreement in full to the Vendor within five business days from the execution of the Transfer Agreement.

Closing

The closing date of the Transfer Agreement should be the last day of the month in which the Transfer Agreement is entered into. The relevant application for registration changes with the government authorities should be submitted within fifteen business days from the execution of the Transfer Agreement.

FINANCIAL INFORMATION OF TARGET HOSPITALS

The table below sets out the audited financial information of each of the Target Hospitals for the two financial years ended 31 December 2021 and 2022 prepared in accordance with generally accepted accounting principles in the PRC:

	Year Ended 31 December 2021 ***(RMB: million)***		**Year Ended 31 December 2022** ***(RMB: million)***	
	(Loss) / profits before taxation	(Loss) / profits after taxation	(Loss) / profits before taxation	(Loss) / profits after taxation
Xincai Hospital	(13.20)	(13.20)	(3.0)	(3.0)
Guotong Huankang	1.82	1.82	1.2	1.1
Changzheng Hospital	0.84	0.84	1.1	1.1
Hechai Hospital	(1.24)	(1.24)	(0.7)	(0.7)
Luoyang Elderly Care Center	(0.62)	(0.62)	(0.8)	(0.8)
No.408 Hospital	(3.73)	(3.73)	0.7	0.7
Total	**(16.13)**	**(16.13)**	**(1.5)**	**(1.6)**

Note:

Each of Xincai Hospital, Changzheng Hospital, Hechai Hospital and No.408 Hospital, as a non-profit organization, is exempted from all taxes.

The table below sets out the total assets and net assets of the Target Hospitals as at the Valuation Reference Date:

	As of 31 July 2023 ***(RMB: million)***	**As of 31 July 2023** ***(RMB: million)***
	Total assets	(Liabilities) / net assets
Xincai Hospital	18.2	(17.1)
Guotong Huankang	25.6	2.9
Changzheng Hospital	21.5	14.3
Hechai Hospital	12.2	6.0
Luoyang Elderly Care Center	1.9	(2.5)
No.408 Hospital	28.6	10.0
Total	**107.9**	**13.6**

PROFIT FORECAST IN COMPLIANCE WITH LISTING RULES

Since the income approach was adopted by the Valuer in the preparation of the valuation reports in relation to Xincai Hospital and Luoyang Elderly Care Center, the valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules, and the requirements of Rule 14.60A and 14.62 of the Listing Rules are therefore applicable.

The Reporting Accountant has been engaged by the Company to review the calculation and compilation of the discounted estimated future cash flows upon which the Valuation Reports in relation to Xincai Hospital and Luoyang Elderly Care Center was based.

The Directors have discussed with the Valuer about the valuation, including the bases and assumptions upon which such valuation has been prepared, and reviewed the valuation for which the Valuer is responsible. The Directors have also considered the report from the Reporting Accountant dated 26 December 2023 regarding whether the discounted estimated future cash flows of Xincai Hospital and Luoyang Elderly Care Center, so far as the calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions set out in the Valuation Reports. The Directors have confirmed that the valuation has been made after due and careful enquiry.

For the purposes of Rules 14.60A and 14.62 of the Listing Rules, a letter from the Board and a report from the Reporting Accountant are set out in Appendix II and Appendix III to this announcement, respectively.

EXPERTS AND CONSENTS

The qualifications of the experts who have given their opinion and advice in this announcement are as follows:

Name	**Qualification**
Grant Thornton Hong Kong Limited	Certified Public Accountants
Watson (Beijing) International Asset Appraisal Co., Ltd. (沃克森（北京）國際資產評估有限公司)	Independent valuer

Each of the Reporting Accountant and the Valuer has given and has not withdrawn its respective written consent to the publication of this announcement with inclusion of its report/ letter and all references to its name (including its qualifications) in the form and context in which they are included.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the Reporting Accountant and the Valuer is an independent third party of the Company and its connected persons. As at the date of this announcement, neither the Reporting Accountant nor the Valuer has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has continued to participate actively in the integration and acquisition of medical institutions of state-owned enterprises and has been accumulating resources for the building of a medical group.

The acquisition of the Interests of the Target Hospitals and the injection of their assets into the Group will further expand the scale of the Group's integrated healthcare business and is expected to add at least 600 new beds to the Group, and also enable the Group to more efficiently implement a series of measures to enhance the operational efficiency of the medical institutions and adopt new technologies and systems to improve the quality of services provided by the Target Hospitals in the future. In addition, it will also contribute to the enhanced integration of resources within the Group’s medical institutions and to expedite the layout and development of the specialties of Nephrology, Dentistry and Traditional Chinese Medicine in the primary medical institutions, thereby laying the groundwork for the strategic development of the Group’s specialties in the future.

Based on the above, the Directors (including the independent non-executive Directors, but excluding Mr. Tong Chaoyin and Mr. Xu Ming) consider that the Acquisition will enhance the long-term growth and value of the Group. The Directors are also of the view that the Transfer Agreement is on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the date of the board meeting approving the Transfer Agreement, Mr. Tong Chaoyin and Mr. Xu Ming, non-executive Directors holding positions in GT-PRC or its associates, were considered to have material interests in the transactions under the Transfer Agreement. Therefore, Mr. Tong Chaoyin and Mr. Xu Ming had abstained from voting on the resolution in respect of the Transfer Agreement. Save as disclosed above, no other Director has interests in the Transfer Agreement.

GENERAL INFORMATION

The Company

The Company is an integrated healthcare service provider with a focus on the fast-growing healthcare service industry in the PRC. Leveraging 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.

The Purchaser

The Purchaser, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. (通用環球醫院投資管理(天津)有限公司), is a company established in the PRC with limited liability in 2015, principally engaged in investment holding. The Purchaser is a wholly-owned subsidiary of the Company.

The Vendor

The Vendor, GT-PRC Medicine Holding Co., Ltd. (通用技術集團醫藥控股有限公司), is a company established in the PRC with limited liability in 2002, principally engaged in pharmaceutical industry investment, management and operation. The Vendor is a wholly-owned subsidiary of GT-PRC.

Target Hospitals

Guotong Huankang

Guotong Huankang, a wholly-owned subsidiary of the Vendor, is a company established in the PRC with limited liability in 2021. As of the date of this announcement, the financial results of No. 618 Hospital are consolidated into the financial statements of Guotong Huankang. No.618 Hospital, located in Fengtai District, Beijing, is a Grade I general hospital integrating medical treatment, prevention, health care, rehabilitation, health education and community health services with a capacity of 99 beds. The existing major departments of No.618 Hospital include internal medicine, surgery, traditional Chinese medicine, stomatology, hemodialysis room and other departments.

Changzheng Hospital

Changzheng Hospital, located in Dadukou District, Chongqing, is a wholly-owned subsidiary of the Vendor. The predecessor of Changzheng Hospital was the State-run Chongqing Heavy Casting and Forging Factory

Staff Hospital (國營重慶重型鑄鍛廠職工醫院), which was established in 1982. Changzheng Hospital is a community health service center equipped with internal medicine, surgery, rehabilitation, geriatrics and other departments with a capacity of 100 beds.

Hechai Hospital

Hechai Hospital, a public institution with the Vendor as its promoter, is a Grade II general hospital equipped with internal medicine, surgery, obstetrics and gynecology, pediatrics, traditional Chinese medicine and other departments. It is located in Jianxi District, Luoyang City, Henan Province, with a capacity of 40 beds and also set with community health service centers and senior citizen centers.

Luoyang Elderly Care Center

Luoyang Elderly Care Center is a wholly-owned subsidiary of the Vendor, established in 2008 as an elderly care institution with a combined medical and nursing model with a capacity of 181 beds.

No.408 Hospital

No.408 Hospital, located in Xingping City, Shaanxi Province, is a public institution with the Vendor as its promoter. It is a Grade II general hospital focusing on internal medicine and also equipped with surgery departments with a capacity of 209 beds.

Xincai Hospital

Xincai Hospital, located in Haidian District, Beijing, is a public institution with the Vendor as its promoter. It is a Grade I general hospital integrating medical treatment, prevention, health care, rehabilitation, health education and community health services with a capacity of 20 beds.

LISTING RULES IMPLICATIONS

As at the date of this announcement, GT-PRC is a controlling shareholder holding approximately 39.38% of the entire issued capital of the Company. The Vendor is a subsidiary of GT-PRC, and therefore a connected person of the Company pursuant to the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 0.1%, but all of them are less than 5%, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting and announcement requirements but is exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

"Acquisition"	the acquisition of the Interests by the Purchaser from the Vendor
"Board"	the board of directors of the Company
"Changzheng Hospital"	Chongqing Dadukou Changzheng Hospital Co., Ltd. (重慶大渡口長征醫院有限公司)

"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)
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"GT-PRC"	China General Technology (Group) Holding Company Limited (中國通用技術（集團）控股有限責任公司), a state-owned enterprise and the ultimate controlling shareholder of the Company
"Guotong Huankang"	Beijing Guotong Huankang Hospital Management Co., Ltd. (北京國通環康醫院管理有限公司), a wholly-owned subsidiary of GT-PRC established in the PRC in 2021
"Hechai Hospital"	Luoyang Hechai Hospital (洛陽河柴醫院)
"Interests"	the interests of the Target Hospitals held by the Vendor, being the total assets and liabilities of Xincai Hospital, Hechai Hospital, No.408 Hospital, and the 100% equity interests of Changzheng Hospital, Luoyang Elderly Care Center and Guotong Huankang
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Luoyang Elderly Care Center"	Luoyang Yikangyuan Elderly Care Co., Ltd. (洛陽市頤康苑老年護理有限公司)
"No.408 Hospital"	No.408 Hospital (四〇八醫院)
"No.618 Hospital"	Beijing 618 Factory Hospital (北京六一八廠醫院)
"PRC"	the People's Republic of China excluding Hong Kong, Macau and Taiwan solely for the purpose of this announcement
"Purchaser"	Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. (通用環球醫院投資管理(天津)有限公司), a wholly-owned subsidiary of the Company established in the PRC in 2015
"Reporting Accountant"	Grant Thornton Hong Kong Limited, the reporting accountant engaged by the Company for the Acquisition

"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	holder(s) of the issued shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in the Listing Rules
"Target Hospitals"	Changzheng Hospital, Hechai Hospital, Luoyang Elderly Care Center, No.408 Hospital, Guotong Huankang and Xincai Hospital
"Transfer Agreement"	the transfer agreement dated 25 December 2023 entered into by the Purchaser and the Vendor in relation to the Acquisition
"Valuation Report(s)"	the valuation report(s) dated 27 November 2023 prepared by the Valuer in relation to valuation of each of the Target Hospitals
"Valuer"	Watson (Beijing) International Asset Appraisal Co., Ltd. (沃克森（北京）國際資產評估有限公司)
"Vendor"	GT-PRC Medicine Holding Co., Ltd. (通用技術集團醫藥控股有限公司), a wholly-owned subsidiary of GT-PRC
"Valuation Reference Date"	31 July 2023, being the valuation reference date for the Valuer to determine the value of the Interests
"Xincai Hospital"	Beijing Xincai Hospital (北京新材醫院)
%	per cent

By order of the Board
Genertec Universal Medical Group Company Limited
通用環球醫療集團有限公司
Peng Jiahong
Chairwoman of the Board

Beijing, PRC, 26 December 2023

As at the date of this announcement, the executive Directors are Ms. Peng Jiahong (Chairwoman), Mr. Wang Wenbing and Ms. Wang Lin; the non-executive Directors are Mr. Chan Kai Kong (Vice-chairman), Mr. Tong Chaoyin, Mr. Xu Ming and Mr. Zhu Ziyang; and the independent non-executive Directors are Mr. Li Yinquan, Mr. Chow Siu Lui, Mr. Xu Zhiming and Mr. Chan, Hiu Fung Nicholas.

APPENDIX I - VALUATION ASSUMPTIONS

The assumptions adopted in the Valuation Reports are as follows:

Basic Assumptions

(a) Transaction Assumption

The transaction assumption indicates that all the assets to be appraised are assumed to be in the transaction process. The Valuer conducts appraisal following the transaction conditions of the assets to be appraised and other simulative market conditions. Transaction assumption is one of the most basic prerequisite assumptions for asset valuation.

(b) Open Market Assumption

The open market assumption assumes that both parties in a transaction involving an asset traded or planned to be traded on the market are equal and have the opportunity and time to obtain sufficient market information to make rational judgments about the asset's functions, purposes, transaction price, and so on. Open market assumption is based on the fact that assets can be publicly traded in the market.

(c) Continuous Use of Assets Assumption

The continuous use of assets assumption refers to that the valuation method, parameters and basis should be determined according to the current use, mode of use, scale, frequency, environment and other conditions of the assets to be appraised, or on the basis of changes.

(d) Continuous Operation Assumption

The continuous operation assumption refers to that the appraised entity will maintain continuous operation and keep consistent with its current operation mode.

General Assumptions

For the Valuation Reports regarding appraised entities using the asset-based approach (i.e., Guotong Huankang, Changzheng Hospital, Hechai Hospital and No.408 Hospital), it is assumed that:

(a) after the Valuation Reference Date, there will be no significant changes in the macro-environment, including political, economic, and social factors, that would affect the operations of the appraised entity and its operating environment;

(b) there will be no force majeure or unforeseeable events that will affect the operation of the appraised entity after the Valuation Reference Date; and

(c) the materials provided by the client and the appraised entity are true, complete and reliable, and there are no undisclosed defects or contingent matters that may affect the assessment conclusions that the evaluation professionals have not been able to ascertain even after performing necessary evaluation procedures.

For the Valuation Reports regarding appraised entities using the income approach (i.e., Xincai Hospital and Luoyang Elderly Care Center), it is assumed that:

(a) after the Valuation Reference Date, there will be no significant changes in the macro-environment, including political, economic, and social factors, that would affect the operations of the appraised entity and its operating environment;

(b) except for the laws and regulations that have been promulgated by the government on the Valuation Reference Date and those that have been promulgated but have not yet been implemented and affect the operation of the appraised entity, there will be no significant changes in the laws and regulations related to the operation of the appraised entity during the income period;

(c) changes in exchange rate, interest rate, tax, inflation and other factors involved in the operation of the appraised entity after the Valuation Reference Date will not have a significant impact on its operating conditions in the income period (taking into account the changes in interest rates from the Valuation Reference Date to the date of the valuation report);

(d) there will be no force majeure or unforeseeable events that will affect the operation of the appraised entity after the Valuation Reference Date;

(e) the appraised entity and its assets will continue to operate and use in the future income period;

(f) the accounting policies adopted by the appraised entity in the future income period are consistent with the those adopted as of the Valuation Reference Date in significant aspects, and are continuous and comparable;

(g) the business of the appraised entity in the future income period conforms to various national laws and regulations and is not illegal;

(h) the operators of the appraised entity are responsible and the management is able to assume their responsibilities, the main management and technical personnel of the appraised entity on the Valuation Reference Date will not have any significant changes in the future income period that affect the operation, the management team will develop steadily, and the management system will not have any significant changes that affect their operation;

(i) the materials provided by the client and the appraised entity are true, complete and reliable, and there are no undisclosed defects or contingent matters that may affect the assessment conclusions that the evaluation professionals have not been able to ascertain even after performing necessary evaluation procedures; and

(j) there will be no litigation, mortgage, guarantee and other matters that will have a significant impact on the business performance of the appraised entity in the future income period.

Special Assumptions

For the Valuation Reports regarding appraised entities using the asset-based approach (i.e., Guotong

Huankang, Changzheng Hospital, Hechai Hospital and No.408 Hospital), it is assumed that:

(a) the appraised entity will maintain its non-profit nature in the future; and

(b) the appraised entity will continue to enjoy the following tax exemption policies in the future. According to Annex 3 "Provisions on the Transitional Policies for the Pilot Program of Replacing Business Tax with Value-Added Tax" to the Notice of the Ministry of Finance and the State Administration of Taxation on Comprehensively Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax (CaiShui [2016] No. 36) (財稅[2016]36號《財政部國家稅務總局關于全面推開營業稅改征增值稅試點的通知》附件3：營業稅改征增值稅試點過渡政策), the appraised entity is a non-profit medical institution in accordance with its medical practice license, thus medical services provided by it are exempted from value-added tax. According to Article 1 of the Notice of the Ministry of Finance and the State Administration of Taxation on Relevant Taxation Policies for Medical and Healthcare Institutions (Caishui [2000] No.42) (Caishui [2000] No.42) (財稅[2000]42號《財政部國家稅務總局關于醫療衛生機構有關稅收政策的通知》), the income from medical services obtained by non-profit medical institutions at the prices stipulated by the government is exempted from all taxes.

For the Valuation Report regarding Xincai Hospital using the income approach, it is assumed that:

(a) except for the investment in fixed assets on the Valuation Reference Date where there is definite evidence that the production capacity will change in the future, the production capacity of the appraised entity is estimated based on the situation on the Valuation Reference Date, assuming that the appraised entity will not conduct major investment in fixed assets that will affect its operation in the future income period;

(b) during the future income period, the appraised entity will sustain a turnover of accounts receivable and accounts payable similar to that of the historical years, and there will be no significant difference in the amount of goods in arrears with that of the historical years;

(c) the cash inflow and cash outflow of the appraised entity in the future income period will occur evenly, and there will be no centralized recognition of revenue at a certain time point of the year;

(d) the appraised entity will carry out an orderly renewal of long-term assets, such as fixed assets, in accordance with their normal economic life;

(e) the lease of the premises of the appraised entity will be successfully renewed upon its expiry;

(f) the appraised entity will maintain its non-profit nature in the future;

(g) the current medical insurance policy remains stable and will not undergo any significant changes; and

(h) the appraised entity will continue to enjoy the following tax exemption policies in the future. According to Annex 3 "Provisions on the Transitional Policies for the Pilot Program of Replacing Business Tax with Value-Added Tax" to the Notice of the Ministry of Finance and the State Administration of Taxation on Comprehensively Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax (CaiShui [2016] No. 36), the appraised entity is a non-profit medical institution in accordance with its medical practice license, thus medical services provided by which is exempted from value-added tax. According to Article 1 of the Notice of the Ministry of Finance and the State Administration of Taxation on Relevant Taxation Policies for Medical and Healthcare Institutions (Caishui [2000] No.42), the income from medical services obtained by non-profit medical institutions at the prices stipulated by the government is exempted from all taxes. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Relating to the Administration of Tax-Exempt Qualification Recognition of Non-Profit Organizations (Caishui [2018] No.13) (財稅[2018]13號《財政部國家稅務總局關于非盈利組織免稅資格認定管理有關問題的通知》), the appraised entity, as a public institution (i.e., a non-profit organization), whose main business is the provision of medical services as non-profit activity, is exempted from corporate income tax.

For the Valuation Report regarding Luoyang Elderly Care Center using the income approach, it is assumed that:

(a) except for the investment in fixed assets on the Valuation Reference Date where there is definite evidence that the production capacity will change in the future, the production capacity of the appraised entity is estimated based on the situation on the Valuation Reference Date, assuming that the appraised entity will not conduct major investment in fixed assets that will affect its operation in the future income period;

(b) during the future income period, the appraised entity will sustain a turnover of accounts receivable and accounts payable similar to that of the historical years, and there will be no significant difference in the amount of goods in arrears with that of the historical years;

(c) the cash inflow and cash outflow of the appraised entity in the future income period will occur evenly, and there will be no centralized recognition of revenue at a certain time point of the year;

(d) the appraised entity will carry out an orderly renewal of long-term assets, such as fixed assets, in accordance with their normal economic life; and

(e) the appraised entity will continue to enjoy the following tax exemption policies in the future. According to Annex 3 "Provisions on the Transitional Policies for the Pilot Program of Replacing Business Tax with Value-Added Tax" to the Notice of the Ministry of Finance and the State Administration of Taxation on Comprehensively Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax (CaiShui [2016] No. 36), the appraised entity is a nursing care institution and provides services such as life care, rehabilitation care, spiritual comfort, culture and entertainment for the elderly admitted to the institution, the nursing care services provided by which are exempt from value-added tax.

APPENDIX II – LETTER FROM THE BOARD

The Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

26 December 2023

Re: Connected Transaction - Acquisition of the Interests in Two Target Hospitals

We refer to the valuation reports dated 27 November 2023 (the "**Valuation Reports**") and prepared by Watson (Beijing) International Asset Appraisal Co., Ltd. (沃克森（北京）國際資產評估有限公司) (the "**Valuer**") in relation to the valuation of Beijing Xincai Hospital (北京新材醫院) and Luoyang Yikangyuan Elderly Care Co., Ltd. (洛陽市頤康苑老年護理有限公司) (the "**Two Target Hospitals**") using income approach, which constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have discussed with the Valuer about the valuation of the Two Target Hospitals, including the bases and assumptions upon which such valuation has been prepared, and reviewed the valuation for which the Valuer is responsible. We have also considered the report from Grant Thornton Hong Kong Limited dated 26 December 2023 regarding whether the discounted estimated future cash flows of the Two Target Hospitals, so far as the calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions set out in the Valuation Reports.

On the basis of the foregoing, we confirm that the above valuation has been made after our due and careful enquiry.

Yours faithfully,
On behalf of the Board
Genertec Universal Medical Group Company Limited
通用環球醫療集團有限公司
Peng Jiahong
Chairwoman of the Board

APPENDIX III –

The following is the text of the report dated 26 December 2023 from the Reporting Accountant, prepared for inclusion in this announcement.

Independent Reporting Accountant's Assurance Report on the Calculations of Discounted Future Estimated Cash flows in Connection with Business Valuation of Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station (Beijing Xincai Hospital) and Luoyang Yikangyuan Elderly Care Co., Ltd.

To the Board of Directors of Genertec Universal Medical Group Company Limited

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuations (the "**Valuations**") dated 27 November 2023 prepared by Watson (Beijing) International Asset Appraisal Co., Ltd. in respect of the appraisal of the fair value of the 100% interests in the Beijing Haidian District Xisanqi Street Xincai Community Healthcare Service Station (Beijing Xincai Hospital) and 100% equity interests in Luoyang Yikangyuan Elderly Care Co., Ltd. (the "**100 % Interests in the Two Target Hospitals**"). The Valuations are in connection with the announcement of Genertec Universal Medical Group Company Limited (the "**Company**") dated 26 December 2023 (the "**Announcement**") relating to the acquisition of 100% Interests in the Two Target Hospitals by the Company. The Valuations based on the discounted future estimated cash flows is regarded as profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set on Appendix I of the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuations and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Review of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities
It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuations are based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Two Target Hospitals.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out on Appendix I of the Announcement. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion
In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out on Appendix I of the Announcement.

Grant Thornton Hong Kong Limited
Certified Public Accountants

Hong Kong

26 December 2023