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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 383)**

### **PROPOSED SHARE PREMIUM REDUCTION**

As announced by the Company in its announcement dated 15 March 2024 regarding the annual results of the Group for the year ended 31 December 2023, the Board recommended the payment of the Final Dividend to the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date. The Final Dividend is intended to be funded through and paid out of the Share Premium Reduction (after taking into account the Reduction of Accumulated Losses) and thus, the payment of the Final Dividend is subject to and conditional upon the approval of the Share Premium Reduction by the Shareholders at the 2024 AGM.

The Board intends to put forward to the Shareholders a proposal to reduce the share premium of the Company, pursuant to the applicable laws of Bermuda and Bye-Laws. The Share Premium Reduction involves reduction of the amount of HK\$2,600,000,000 standing to the credit of the Share Premium Account as at the Effective Date and, after taking into account the Reduction of Accumulated Losses, transferring the balance credit arising therefrom to the Contributed Surplus Account.

The Share Premium Reduction is conditional upon, among other things, the passing of a special resolution to approve the Share Premium Reduction at the 2024 AGM.

A circular containing, among other things, further details of the Share Premium Reduction, the Reduction of Accumulated Losses and a notice convening the 2024 AGM will be despatched to the Shareholders on 17 April 2024 in accordance with the Listing Rules.

As announced by the Company in its announcement dated 15 March 2024 regarding the annual results of the Group for the year ended 31 December 2023, the Board recommended the payment of the Final Dividend to the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date. The Final Dividend is intended to be funded through and paid out of the Share Premium Reduction (after taking into account the Reduction of Accumulated Losses) and thus, the payment of the Final Dividend is subject to and conditional upon the approval of the Share Premium Reduction by the Shareholders at the 2024 AGM.

## **THE PROPOSED SHARE PREMIUM REDUCTION**

The Board intends to put forward to the Shareholders a proposal to reduce the share premium of the Company pursuant to the applicable laws of Bermuda and the Bye-laws. The amount standing to the credit of the Share Premium Account as at 31 December 2023, based on the audited consolidated financial statements of the Company, was approximately HK\$2,972,046,000. It is proposed that an amount of HK\$2,600,000,000 standing to the credit of the Share Premium Account as at the Effective Date be reduced in accordance with section 46 of the Companies Act and the Bye-laws and that HK\$2,600,000,000 be used to offset the entire debit amount of the Accumulated Losses Account and the balance credit arising therefrom be transferred to the Contributed Surplus Account, subject to the conditions set out in the section headed “Conditions of the Share Premium Reduction” in this announcement.

## **REASONS FOR THE SHARE PREMIUM REDUCTION**

Pursuant to the Companies Act and the Bye-laws, subject to the Solvency Test, the Company may pay dividends or make distributions to its members out of Contributed Surplus Account. The Share Premium Reduction and the Reduction of Accumulated Losses and the subsequent transfer of balance credit arising therefrom to the Contributed Surplus Account will therefore increase the distributable reserves of the Company, thereby giving the Company greater flexibility in its dividend policy and making distributions to the Shareholders in the future, including the payment of the Final Dividend to the Shareholders.

As at 31 December 2023, based on the audited consolidated financial statements of the Company, the amounts to the credit of the Share Premium Account and the Contributable Surplus Account and to the debit of the Accumulated Losses Account were approximately HK\$2,927,046,000, HK\$nil and HK\$2,255,684,000, respectively. The Directors consider it is unnecessary to maintain the Share Premium Account at its current level but prefer to offset the entire debit balance of the Accumulated Losses Account as at the Effective Date.

The Share Premium Reduction and the application of HK\$2,600,000,000 arising therefrom to offsetting the entire debit amount in the Accumulated Losses Account as at the Effective Date and the subsequent transfer of balance credit arising therefrom to the Contributed Surplus Account will give the Company more flexibility on corporate matters in future including the payment of the Final Dividend. The Directors believe that the Share Premium Reduction is in the interests of the Company and the Shareholders as a whole.

## EFFECTS OF THE SHARE PREMIUM REDUCTION AND REDUCTION OF ACCUMULATED LOSSES

The effect of the Share Premium Reduction and Reduction of Accumulated Losses (assuming completion as at 31 December 2023) is illustrated as follows:

	Share Premium Account <i>HK\$'000</i>	Distributable Reserves		Total <i>HK\$'000</i>
		Contributed Surplus Account <i>HK\$'000</i>	Accumulated Losses Account <i>HK\$'000</i>	
As at 31 December 2023	2,927,046	—	(2,255,684)	(2,255,684)
After the Share Premium Reduction and Reduction of Accumulated Losses	327,046	344,316	—	344,316

The implementation of the Share Premium Reduction neither involves a reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or the trading arrangements concerning the Shares. Save for the expenses incurred by the Company in relation to the Share Premium Reduction, the implementation of the Share Premium Reduction will not, in itself, have any material adverse effect on the underlying assets, liabilities, cash flow or financial position of the Company or the interests of the Shareholders as a whole.

If in case the motion of the Share Premium Reduction does not carry at the 2024 AGM, the Company will be unable to declare distribution of the Final Dividend to the Shareholders unless and until the aggregate balance of the Contributed Surplus Account and the Accumulated Losses Account shows a credit amount and such amount is sufficient to offsetting the equivalent amount of proposed dividend distribution.

The Directors are of the view that there are no reasonable grounds for believing that the Company is, or after the Share Premium Reduction becoming effective would be, unable to pay its liabilities as they become due.

## **CONDITIONS OF THE SHARE PREMIUM REDUCTION**

The Share Premium Reduction is conditional upon the following being fulfilled:

- (a) the passing of a special resolution by the Shareholders to approve the Share Premium Reduction at the 2024 AGM;
- (b) compliance with the requirements of section 46(2) of the Companies Act to effect the Share Premium Reduction; and
- (c) the Directors having satisfied that on the Effective Date, there are no reasonable grounds for believing that the Company is, or after the Effective Date will be, unable to pay its liabilities as they become due.

Subject to the fulfillment of the above conditions, it is expected that the Share Premium Reduction shall become effective on the first business day immediately following the date of passing of the special resolution to approve the Share Premium Reduction at the 2024 AGM or upon the day on which the requirements of section 46(2) of the Companies Act are fulfilled (whichever is later).

### **2024 AGM**

As no Shareholder has an interest in the Share Premium Reduction which is different from other Shareholders, no Shareholder is required to abstain from voting on the special resolution proposed at the 2024 AGM to consider and approve the Share Premium Reduction. A circular containing, inter alia, the details of the Share Premium Reduction, the Reduction of Accumulated Losses and a notice convening the 2024 AGM will be despatched to the Shareholders on 17 April 2024 in accordance with the Listing Rules.

### **DEFINITIONS**

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

“2024 AGM”	the annual general meeting of the Company to be held at Plaza 1-2, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wan Chai, Hong Kong on 20 May 2024 at 11:00 a.m. (or any adjournment or postponement thereof), for approving, inter alia, the Share Premium Reduction
“Accumulated Losses Account”	the accumulated losses of the Company

“Board”	the board of Directors
“Bye-laws”	the Bye-laws of the Company, as amended, supplemented or modified from time to time
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“Company”	China Medical & HealthCare Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 383)
“Contributed Surplus Account”	the contributed surplus account of the Company within the meaning of the Companies Act
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Share Premium Reduction shall become effective, being the first business day immediately following the date of the 2024 AGM at which the relevant special resolution approving the Share Premium Reduction will be considered and, if appropriate, passed by the Shareholders or upon the day on which the requirements of section 46(2) of the Companies Act are fulfilled (whichever is later)
“Final Dividend”	the proposed final dividend of HK1 cent per Share in cash for the year ended 31 December 2023 to the Shareholders whose names appear on the register of members of the Company on the Record Date
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange

“Record Date”	being the record date for the determination of entitlement of the Shareholders to the Final Dividend which the Company will further announce the period of closure of the Company’s register of members for determining the entitlement to the Final Dividend in due course
“Reduction of Accumulated Losses”	the offset of the credit amount arising from the Share Premium Reduction against the entire debit balance in the Accumulated Losses Account as at the Effective Date
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Share Premium Account”	the share premium account of the Company
“Share Premium Reduction”	the proposed reduction of the amount of HK\$2,600,000,000 standing to the credit of the Share Premium Account as at the Effective Date with the credit arising therefrom to be used for the Reduction of Accumulated Losses and the balance credit arising therefrom be transferred to the Contributed Surplus Account and be applied by the Board in such manner as permitted under the laws of Bermuda and the Bye-laws, including payment of the Final Dividend
“Shareholder(s)”	the holder(s) of the Share(s)
“Solvency Test”	(a) the Company is, or would after the payment of dividend be, able to pay its liabilities as they become due; and (b) the realisable value of the Company’s assets would not thereby be less than its liabilities
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**China Medical & HealthCare Group Limited**  
**Kong Muk Yin**  
*Executive Director*

Hong Kong, 15 March 2024

*As at the date of this announcement, the Board comprises Mr. Kong Muk Yin, Mr. Guo Meibao and Mr. Zhou Haiying being Executive Directors; Mr. Lee Seng Hui (Chairman), Mr. Mark Wong Tai Chun and Mr. Gao Zhaoyuan being Non-Executive Directors; and Mr. Zhang Jian, Dr. Xia Xiaoning, Dr. Wong Wing Kuen, Albert and Ms. Yang Lai Sum, Lisa being Independent Non-Executive Directors.*