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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 TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS ENTERING INTO THE 2024 FINANCE LEASE FRAMEWORK AGREEMENT**

**Independent Financial Adviser to the Company**



The Board is pleased to announce that, on 27 March 2024 (after trading hours), the Company and GT-PRC entered into the 2024 Finance Lease Framework Agreement, which will come into effect from 27 March 2024 with a term up to 31 December 2026.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, GT-PRC directly and indirectly holds approximately 39.38% of the issued share capital of the Company and is a controlling shareholder of the Company. According to Rule 14A.07 of the Listing Rules, GT-PRC and its associates are connected persons of the Company. Accordingly, the transactions between the Group and GT-PRC and/or its associates under the 2024 Finance Lease Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

One or more of the applicable percentage ratios of the proposed annual caps for the transactions under the 2024 Finance Lease Framework Agreement will exceed 5% but none of them is 25% or more. Therefore, the transactions under the 2024 Finance Lease Framework Agreement will

constitute discloseable transactions and non-exempt continuing connected transactions of the Company subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapters 14 and 14A of the Listing Rules.

In addition, as the term of individual agreements to be entered into pursuant to the 2024 Finance Lease Framework Agreement may exceed three years, pursuant to Rule 14A.52 of the Listing Rules the Company must appoint an independent financial adviser to explain why the individual agreements requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

## **GENERAL**

The Company will hold the AGM for the Independent Shareholders to consider and approve, among others, the transactions under the 2024 Finance Lease Framework Agreement and the proposed annual caps thereof. GT-PRC and its associates should abstain from voting in respect of the ordinary resolution relating to the 2024 Finance Lease Framework Agreement at the AGM.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the 2024 Finance Lease Framework Agreement and the transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser (i) to advise the Independent Board Committee and the Independent Shareholders in respect of the aforesaid matter; and (ii) to express its opinion on term of individual agreements pursuant to Rule 14A.52 of the Listing Rules.

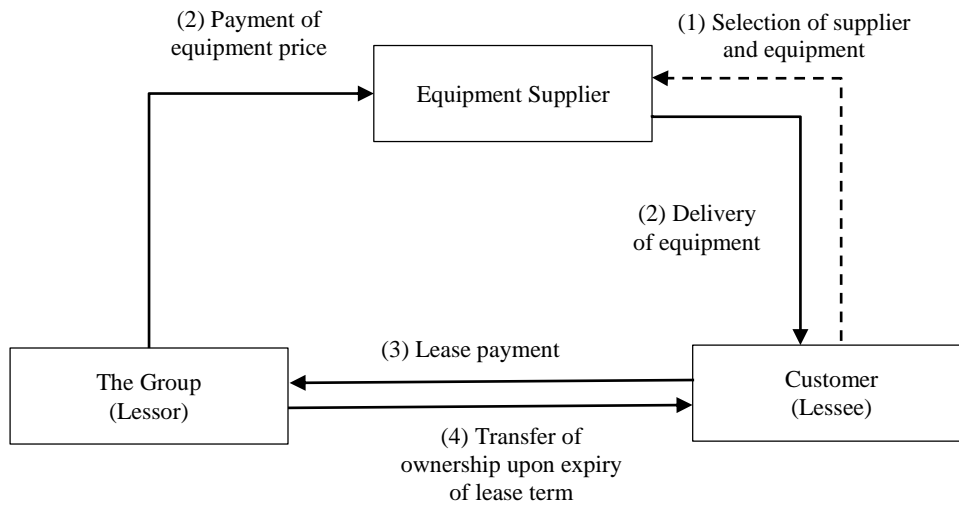
## **I. 2024 FINANCE LEASE FRAMEWORK AGREEMENT**

### **Background**

In its ordinary course of business, the Group offers two types of finance lease services: (1) direct finance leases and (2) sale-and-leasebacks.

#### ***(1) Direct Finance Lease***

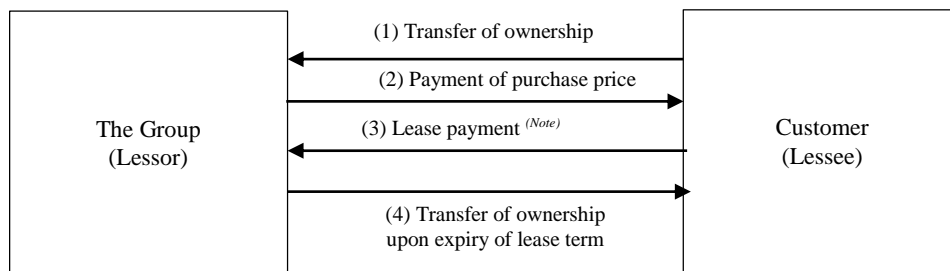
In a direct finance lease, the Group purchases specific asset from the equipment supplier which is normally selected by customers, and then the Group leases the asset to customers for use in return for periodic lease payments. A typical direct finance lease transaction is a tri-party arrangement involving a lessor, a lessee and an equipment supplier. The Group normally would receive handling fees from the equipment supplier or the lessee in direct finance leases. The following diagram A illustrates the relationship among the three parties:



**Diagram A**

**(2) Sale-and-leaseback**

In a sale-and-leaseback transaction, the Group’s customer sells the relevant asset to the Group for a negotiated purchase price, and the Group then leases the asset back to the customer in return for periodic lease payments, so that the customer may cover its funding needs and continue to use the asset as a lessee. A typical sale-and-leaseback transaction involves a lessor and a lessee. The following diagram B illustrates the relationship between the two parties:



**Diagram B**

**Note:**

Under a standard sale-and-leaseback transaction, the lessor would receive periodical lease payments (including both lease principal and lease interest) from the lessee. However, under certain sale-and-leaseback transactions, the Group (as lessor) may receive (i) a one-time payment of a portion of or the total amount of lease interest from a third party (other than the lessee), and (ii) periodical payments of the lease principal and any remaining lease interest from the lessee. The third party agrees to make lease interest payment to the lessor because the third party would recover its receivables from the lessee after the lessee obtains funding from the finance lease transaction.

GT-PRC and/or its associates may be involved in the Group’s finance lease services in the following scenarios:

- (i) GT-PRC and/or its associates (as the lessee) seek the Group’s finance lease services, either in

direct lease transactions or sale-and-leaseback transactions (as illustrated in diagrams A and B above). Additionally, GT-PRC and/or its associates may participate as a third party, making payments for the lease interest in a sale-and-leaseback transaction between the Group and a customer; or

- (ii) GT-PRC and/or its associates is involved in the Group's direct finance lease services solely as the equipment supplier, selected by the lessee, and subsequently selling the relevant asset to the Group (as illustrated in diagram A above).

## **Principal Terms of the 2024 Finance Lease Framework Agreement**

The principal terms of the 2024 Finance Lease Framework Agreement and the annual caps for the transactions thereunder are set out as below:

**Parties:** GT-PRC and the Company

**Reasons for and benefit of entering into the transactions:** The Group provides finance lease services in respect of various equipment and devices such as medical devices and machineries. The Group has maintained long-term business relationships with GT-PRC which have substantial assets with reliable financial capability and is a trusted and reputable business partner. No matter whether acting as the lessee, equipment supplier or a third party in the Group's finance lease transactions as described above, the involvement of GT-PRC and/or its associate provides the Group with a valuable opportunity to broaden its customer base in finance lease business and achieve better economies of scale.

**Major terms:** The Company entered into the 2024 Finance Lease Framework Agreement with GT-PRC on 27 March 2024. The major terms of the 2024 Finance Lease Framework Agreement are as follows:

- the Company and/or its subsidiaries would provide finance lease services, including but not limited to finance lease of medical devices and machineries, to (i) GT-PRC and/or its associates, or (ii) a third party while GT-PRC and/or its associates would make payments of lease interest to the Group. In addition, when the Company and/or its subsidiaries provide finance lease services to a third party (as the lessee), GT-PRC and/or its associates agree to sell its equipment, as selected by the lessee, to the Group;
- with respect to specific finance lease projects, the Company and/or its subsidiaries should enter into individual agreements with GT-PRC and/or its associates to prescribe specific terms and conditions, including principal, rental, ownership and use right, lease period and other terms; and
- subject to the Independent Shareholders' approval at the AGM, the 2024 Finance Lease Framework Agreement will come into effect from 27 March 2024 with a term up to 31 December 2026 and may be renewed by mutual consent.

### **Pricing policy:**

- When GT-PRC and/or its associates engage in transactions to receive finance lease services as a lessee or to make lease interest payments for a third-party lessee, the Group will, based on the benchmark lending interest rate for a similar term set by the PBOC from time to time, determine the transaction consideration such as lease interest rate taking into account its financing cost and risk premium based on assessment of the credit risk of the lessee involved, and ensure that the terms of transaction should be no less favorable to the Group than the terms available to independent third parties with similar credit in the same industry.
- In transactions where GT-PRC and/or its associates supply equipment selected by the lessee, the

transaction consideration such as purchase price should be determined through arm's length negotiation based on market value to ensure that the terms of transaction should be no less favorable to the Group than the terms available to independent third parties in comparable transactions.

**Annual caps:** For the three years ending 31 December 2024, 2025 and 2026, the annual caps under the 2024 Finance Lease Framework Agreement are as follows:

		<b>Year ending 31 December</b>		
		<i>(RMB' million)</i>		
		<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>The Lessee/Interest Payer Caps</b> (GT-PRC and/or its associates as lessee or lease interest payer)	Proposed annual caps (including principal amount and lease interest) <sup>1</sup>	230	230	230
<b>The Equipment Supplier Caps</b> (GT-PRC and/or its associates solely as equipment supplier)	Proposed annual caps (including purchase price of the equipment and handling fees) <sup>2</sup>	1,340	1,340	1,340

**Notes:**

1. Each of the annual caps is the aggregate amount of principal amounts and expected interest income for the entire lease period of finance leases expected to be provided by the Group in each respective year.
2. Each of the annual caps is the aggregate amount of purchase prices of the equipment and handling fees under finance leases expected to be provided by the Group in each respective year.

**Basis of annual caps:**

***The Lessee/Interest Payer Caps***

The above proposed Lessee/Interest Payer Caps are based on the following factors:

- (i) the estimated demand for lease services by GT-PRC and/or its associates, amounting to approximately RMB100 million based on available information to the Group;
- (ii) the estimated demand for sale and leaseback services by clients of GT-PRC and/or its associates, which have outstanding payments, amounting to approximately RMB100 million based on the accounts receivable status of these clients; and
- (iii) the estimated interests to be paid by GT-PRC and/or its associates for the abovementioned lease services, taking into account the average rate the Group charges independent third-party finance lease service clients with comparable financial capability in similar transactions.

***The Equipment Supplier Caps***

The above proposed Equipment Supplier Caps are based on the following factors:

- (i) the estimated demand for direct finance lease services by clients of GT-PRC and/or its associates,

amounting to approximately RMB1,285 million based on available information to the Group;

- (ii) the expected duration the abovementioned direct finance lease transactions; and
- (iii) the estimated handling fees to be paid by GT-PRC and/or its associates for the abovementioned direct lease services, taking into account the average handling fees charged to the Group's independent finance lease clients in 2023.

## **II. INTERNAL CONTROL MEASURES**

For the continuing connected transactions under the 2024 Finance Lease Framework Agreement, the Company has adopted the following internal procedures to safeguard the interest of the Shareholders as a whole:

- the business departments of the Company will conduct market analysis on specific finance lease service, and make pricing proposal (including lease principal, lease interest, purchase price or handling fees, where applicable) to the senior management after considering a number of factors, including overall market price of the leased assets, net book value of the leased assets, the risk premium, the benchmark RMB lending rate published by PBOC from time to time, the funding cost of the Company, value added by relevant service and importance of customer relationship;
- in general, the principal amount to be adopted under individual finance lease agreements should be, in the case of sale-and-leaseback transactions, not higher than the net book value of the leased assets and, in the case of direct finance lease transactions, the market price of the leased assets. The business department will compare the quotations and/or contracts made by the Group for similar finance lease services offered to independent third party customers to make sure that the interest rate and handling fees are fair and reasonable and on normal commercial terms or better;
- the business departments of the Company will conduct arm's length negotiation with GT-PRC and/or its associate, and after several rounds of internal assessment conducted on individual transactions based on the above factors by the Company's internal departments such as business operation department and treasury department, a final report will be made to the senior management who will approve individual transactions;
- the legal affairs department of the Company will collect and monitor the transaction amount of continuing connected transactions based on real-time business occurrences to ensure timely assessment on whether the relevant annual caps are exceeded; and
- the independent non-executive Directors will also conduct annual review on the continuing connected transactions to ensure that such transactions have been entered into on normal commercial terms, are fair and reasonable and conducted according to the terms. The auditor of the Company will also conduct annual review on the pricing and annual caps of the continuing connected transactions.

## **III. INFORMATION ABOUT THE PARTIES**

### ***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.

## ***GT-PRC***

GT-PRC was established in March 1998 as a state-owned enterprise supervised by the State-owned Assets Supervision and Administration Commission. The principal business of GT-PRC comprises three major segments, namely, advanced manufacturing and technology service, pharmaceutical and healthcare and trade and engineering contracting.

### **IV. LISTING RULES IMPLICATIONS**

As at the date of this announcement, GT-PRC directly and indirectly holds approximately 39.38% of the issued share capital of the Company and is a controlling shareholder of the Company. According to Rule 14A.07 of the Listing Rules, GT-PRC and its associates are connected persons of the Company. Accordingly, the transactions between the Group and GT-PRC and/or its associates under the 2024 Finance Lease Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

One or more of the applicable percentage ratios of the proposed annual caps for the transactions under the 2024 Finance Lease Framework Agreement will exceed 5% but none of them is 25% or more. Therefore, the transactions under the 2024 Finance Lease Framework Agreement will constitute discloseable transactions and non-exempt continuing connected transactions of the Company subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapters 14 and 14A of the Listing Rules.

In addition, as the term of individual agreements to be entered into pursuant to the 2024 Finance Lease Framework Agreement may exceed three years, pursuant to Rule 14A.52 of the Listing Rules, the Company must appoint an independent financial adviser to explain why the individual agreements requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

### **V. APPROVAL BY THE BOARD**

As at the date of this announcement, among the Directors, Mr. Tong Chaoyin and Mr. Xu Ming hold positions in GT-PRC or its associates and accordingly they are considered to have material interests in the transactions under the 2024 Finance Lease Framework Agreement. Mr. Tong Chaoyin and Mr. Xu Ming had abstained from voting on the resolution in respect of the 2024 Finance Lease Framework Agreement and the proposed annual caps thereunder at the Board meeting. Save as disclosed above, no Director has interests in the transactions under the 2024 Finance Lease Framework Agreement.

The transactions under the 2024 Finance Lease Framework Agreement and the proposed annual caps thereunder have been approved by the Directors who are entitled to vote at the Board meeting. The 2024 Finance Lease Framework Agreement and the proposed annual caps thereunder will be submitted for the approval by the Independent Shareholders at the AGM.

In view of the above reasons under the paragraphs headed "Reasons for and benefit of entering into the transactions", the Directors (excluding (i) Mr. Tong and Mr. Xu; and (ii) the independent non-executive Directors whose view will be set out in the circular to be despatched for the AGM) consider that the 2024 Finance Lease Framework Agreement and the proposed annual caps thereunder have been entered into/arrived at (i) in the ordinary and usual course of the business of the Company; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

## VI. GENERAL

The Company has established the Independent Board Committee comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the 2024 Finance Lease Framework Agreement and transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser (i) to advise the Independent Board Committee and Independent Shareholders in respect of the aforesaid matter; and (ii) to express its opinion on term of individual agreements pursuant to Rule 14A.52 of the Listing Rules.

The Independent Shareholders will consider and approve (among others) the resolution in respect of the continuing connected transactions under the 2024 Finance Lease Framework Agreement and the proposed annual caps thereof at the AGM. According to Rule 14A.36 of the Listing Rules, any shareholder who has a material interest in a transaction should abstain from voting on the relevant resolution at a general meeting. In view of GT-PRC's interest in the proposed transactions, GT-PRC and its associates must abstain from voting on the resolutions approving the continuing connected transactions under the 2024 Finance Lease Framework Agreement and the proposed annual caps thereunder. As at the date of this announcement and to the best knowledge, information and belief of the Directors, save as disclosed in this announcement, no other Shareholders should abstain from voting on the relevant resolution.

A circular containing (among others) (i) the details of the continuing connected transactions under the 2024 Finance Lease Framework Agreement and the proposed annual caps thereof; (ii) a letter from the Independent Board Committee to the Independent Shareholders; and (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with the notice of the AGM, will be dispatched to the Shareholders on or before 22 April 2024.

## DEFINITIONS

“2024 Finance Lease Framework Agreement”	the finance lease framework agreement entered into between the Company and GT-PRC on 27 March 2024
“AGM”	the annual general meeting of the Company to be held to consider and approve, among others, the continuing connected transactions under the 2024 Finance Lease Framework Agreement, and the proposed annual caps thereof
“associate(s)”	has the meaning ascribed to it 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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules



“Director(s)”	the directors 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 a controlling shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising all the independent non-executive Directors, for the purpose of providing advice to the Independent Shareholders in respect of the 2024 Finance Lease Framework Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, being the independent financial adviser appointed (i) to advise the Independent Board Committee and the Independent Shareholders in respect of the 2024 Finance Lease Framework Agreement and the transactions contemplated thereunder; and (ii) to express its opinion on term of individual agreements pursuant to Rule 14A.52 of the Listing Rules
“Independent Shareholders”	the Shareholders who are not required to abstain from voting in respect of the continuing connected transactions under the 2024 Finance Lease Framework Agreement and the proposed annual caps thereof
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PBOC”	the People’s Bank of China
“PRC” or “China”	the People’s Republic of China
“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
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“% ”	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, 27 March 2024

*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.*