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China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION: ACQUISITION OF INTEREST IN AVEO CHINA (HOLDINGS) LIMITED

THE ACQUISITION

The Board is pleased to announce that on 13 April 2018 (after trading hours), the Purchaser (being an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the S&P Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to acquire, the Sale Shares, representing 30% of the issued share capital of the Target Company, at an aggregate consideration of HK\$87,300,000.

The Target Company is owned as to 70% by the Purchaser and as to 30% by the Vendor prior to Completion. After Completion, the Target Company will become a direct wholly-owned subsidiary of the Purchaser.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, therefore the Acquisition constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. Given that the Vendor is a connected person of the Company at the subsidiary level, the Acquisition also constitutes a connected transaction of the Company which is exempt from the circular, independent financial advice and Shareholders' approval requirements and is only subject to the reporting and announcement requirements under Rule 14A of the Listing Rules.

The Board is pleased to announce that on 13 April 2018 (after trading hours), the Purchaser (being an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the S&P Agreement in relation to the Acquisition.

The principal terms of the S&P Agreement are set out below:

THE S&P AGREEMENT

Date

13 April 2018 (after trading hours)

Parties

Vendor: Group Sino Investment Limited, a wholly-owned subsidiary of AHL

Shareholder of Vendor: AHL

Purchaser: Track Record Global Limited, an indirect wholly-owned subsidiary of the Company

Prior to Completion, the Target Company is an indirect non-wholly owned subsidiary of the Company which was owned as to 70% by the Purchaser and as to 30% by the Vendor. The Vendor, being a substantial shareholder (as defined in the Listing Rules) of the Target Company, is therefore a connected person of the Company at subsidiary level.

Subject Matter

The Vendor has agreed to sell, as legal and beneficial owner, the Sale Shares and the Purchaser has agreed to purchase the Sale Shares, representing 30% of the issued share capital of the Target Company, free from all encumbrances and together with all rights then or thereafter attaching thereto including all dividends or distributions which may be paid, declared or made in respect thereof at any time on or after the date of Completion.

Consideration

The Consideration for the Sale Shares is HK\$87,300,000 and will be settled in the following manner:

- (i) as to HK\$30,000,000, on Completion by in cash and made payable to the Vendor (or as the Vendor may direct);
- (ii) as to HK\$30,000,000, within six (6) months from the date of Completion in cash and made payable to the Vendor (or as the Vendor may direct); and
- (ii) as to HK\$27,300,000 within eleven (11) months from the date of Completion in cash and made payable to the Vendor (or as the Vendor may direct).

The Group will fund the Consideration from its internal resources and/or borrowings.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms principally with reference to, among others, (i) the recent operating performance and asset value of the Target Group; (ii) the Target Company's development project, Tide Health Campus (天地健康城), an elderly care and retirement community platform in Shanghai, PRC; (iii) the experienced management and professional team of the Target Group; (iv) the future prospect of the Target Group; (v) the significant synergies with existing integrated hospitals, operations and other assets of the Healthcare Division of the Group; and (vi) the consideration for the acquisition of a 40% equity interest in the Target Company by the Group as announced and completed in October 2015 and December 2015 respectively.

Based on the information available to the Company, the original acquisition cost paid by the Vendor in April 2015 for the Sale Shares was HK\$90,000,000.

Having considered the factors taken into account by the parties in arriving at the Consideration as mentioned above and the factors set out in the paragraph headed "Reasons for and Benefits of the Acquisition", the Directors (including independent non-executive Directors) are of the view that the Consideration under the S&P Agreement is fair and reasonable and in the interests of the Company and its Shareholders as a whole (although one of the non-executive Directors has indicated that the Consideration appeared to be on the high side).

Conditions Precedent

Completion of the S&P Agreement is conditional upon the following conditions precedent being fulfilled and remaining fulfilled or waived by the Purchaser as at Completion:

- (a) all consents of the Independent Shareholders (if necessary) and the Stock Exchange in connection with the transactions contemplated by the S&P Agreement having been obtained;
- (b) all necessary or appropriate approval(s) required for the entering into and execution of the S&P Agreement having been made and obtained, including but not limited to the approval(s) and consent(s) by any third party in Hong Kong, the PRC, Bermuda or any other places (including but not limited to any relevant governmental or regulatory authorities), and all the required filings and registrations having been completed with the relevant governmental or regulatory authorities, agencies or bodies; and the compliance of all applicable legal or Listing Rules or other obligations;
- (c) the Vendor's warranties stated in the S&P Agreement remaining true and accurate in all material respects; and
- (d) there being no material adverse change with respect to the financial condition, business, operation or assets, operating results or business prospects of the Target Group having occurred from the date of the S&P Agreement to the date of Completion.

If any of the conditions precedent are not satisfied (or, as the case may be, waived by the Purchaser) on or before the Long Stop Date, the S&P Agreement shall cease and terminate (save and except for several surviving provisions which shall remain in full force and effect) and none of the parties shall have any obligations and liabilities hereunder save for any antecedent breaches of the terms hereof.

Completion

Completion will take place on the third Business Day after the satisfaction of the last of the conditions precedent. Upon Completion, the Target Group will become wholly-owned by the Company, and the Vendor Group and the Target Group will, among others, enter into (i) a trade name license agreement granting the Target Group the right to use the trademark “Aveo” for a period of one (1) year for a nominal fee of HK\$1.00; and (ii) a consultancy agreement providing the Target Group consultancy services for its eldercare business and projects for a period of five (5) years for a nominal fee of HK\$1.00 respectively. On Completion, the Purchaser shall procure to deliver to the Vendor duly executed documents in respect of 9,800 ordinary shares in ACL (representing a 49% equity interest in the issued share capital of ACL) and the Vendor shall procure to deliver to the Purchaser duly executed counterpart of such transfer documents at nominal consideration so that the Vendor Group shall own the entire issued share capital of ACL thereafter.

INFORMATION OF THE TARGET GROUP

The Target Group engages in property development and project management businesses in the PRC with focus on elderly care and retirement community. Currently, the Target Group has a development, namely Tide Health Campus, located at Zhujiajiao, Qinqu District, Shanghai, PRC covering an area of approximately 106,000 sq.m. Campus facilities include 868 independent living units, 270 serviced apartments (“SAs”) and 300 high care beds in the Deyi Nursing Hospital. The campus also includes a shopping mall, retailers, neighborhood center, and sports and community clubs.

Tide Health Campus provides its members with community services such as all day neighborhood medical center, dietary advices, university classes catered to the elderly, entertainment and sporting activities. For SAs’ residents, there is personalized assistance for their daily activities such as showering, taking medicines and meals. There is also nursing care, including post-surgery recovery, consultations, traditional Chinese medicine, physiotherapy, radiotherapy, and pathological examination plus other professional services for those living in the Deyi Nursing Hospital.

The following is the consolidated financial information of the Target Group for the year ended 30 June 2017 and the 18 months ended 30 June 2016 as extracted from its management accounts and audited consolidated financial statements which were prepared in accordance with Hong Kong accounting standards:

	For the year ended 30 June 2017 (HK\$'000)	For 18 months ended 30 June 2016 (HK\$'000)
Profit before taxation	23,944	203,366
(Loss) Profit after taxation	(24,607)	66,799
Net assets	119,502	147,542

INFORMATION OF THE GROUP

The Group is principally engaged in investment in and management and operation of healthcare 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.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group considers that the outlook for the private healthcare sector in the PRC is positive due to its favourable demographic (such as aging population) and macro factors (such growing middle class), low penetration of private healthcare institutions, and supportive PRC government policies. Further, there is an increase in the public awareness of health and safety in the PRC. As such, private sector investments in medical and eldercare institutions, a key part of the ongoing healthcare reform in the PRC, is expected to continue to provide the Target Group with significant growth opportunities.

The Group believes that under the current management structure of the Target Group, the potential of the businesses of Target Group as well as the value of its assets could never be realized and maximized. Due to current shareholding structure of the Target Company, the Group would be unable to have complete control to develop the businesses of the Target Group according to its plan unless and until the Group makes the Target Company as its wholly-owned subsidiary. Taking into account the high potential of the businesses which are fully encouraged and supported by the policies of the central government of the PRC, following the Acquisition, the Group will be able to maximize the potential of the Target Group by strengthening its management and operational aspects and allow more flexibilities in the financial policies and options without the need to seek capital contribution agreement from minority shareholder in the future or support for important decisions such as provision of shareholder corporate guarantee for the Target Group's credit facilities, operation and management restructuring, increase in equity capital of the Target Group, etc..

After completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Group and its financial results and assets and liabilities will be fully consolidated into the consolidated financial statements of the Group.

Given (i) the above reasons for and the benefits of the Acquisition; (ii) the factors in determining the consideration for the Acquisition as set out in the sub-paragraph headed “Consideration”; and (iii) full control would be obtained by the Group following the Acquisition over the management and operation, and all important decisions of the Target Group, the Directors (including independent non-executive Directors) are of the view that the terms and conditions of the S&P Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole (although one of the non-executive Directors has indicated that the Consideration appeared to be on the high side).

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, therefore the Acquisition constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. Given that the Vendor is a connected person of the Company at the subsidiary level, the Acquisition also constitutes a connected transaction of the Company which is exempt from the circular, independent financial advice and Shareholders’ approval requirements and is only subject to the reporting and announcement requirements under Rule 14A of the Listing Rules.

None of the Directors has a material interest in the S&P Agreement and the transactions contemplated thereunder and hence none of them is required to abstain from voting on the board resolution approving the S&P Agreement and the transactions contemplated thereunder.

DEFINITIONS

Unless otherwise specified, the following expressions have the following meanings in this announcement:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser under the S&P Agreement
“ACL”	AVEO China Limited, a company incorporated in Hong Kong with limited liability and beneficially owned as to 51% by the Vendor Group and 49% by the Target Group

“AHL”	Aveo Healthcare Limited, a company incorporated in Australia with limited liability and holding company of the Vendor
“Board”	the board of Directors
“Business Day”	means a day (other than a Saturday or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 am) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Company”	China Medical & HealthCare Group Limited (Stock Code: 383), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the S&P Agreement
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration for the sale and purchase of the Sale Shares, being HK\$87,300,000
“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 PRC
“Independent Shareholders”	shareholders of the Company who have no interest in the S&P Agreement and the transaction contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	means 13 May 2018 (or such other date as the Vendor and the Purchaser may agree)
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Track Record Global Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Shares”	1,200 shares, representing 30% of the issued share capital of the Target Company legally and beneficially held by the Vendor immediately prior to Completion
“Share(s)”	ordinary share(s) of HK\$0.0005 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“S&P Agreement”	the sale and purchase agreement dated 13 April 2018 entered into between the Purchaser, the Vendor and AHL in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Aveo China (Holdings) Limited, a company incorporated in the BVI with limited liability and owned as to 30% by the Vendor and 70% by the Purchaser prior to Completion
“Target Group”	the Target Company and its subsidiaries

“Vendor”	Group Sino Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of AHL
“Vendor Group”	the Vendor, AHL and other AHL’s subsidiaries
“%”	per cent.

By Order of the Board
China Medical & HealthCare Group Limited
Dr. Jonathan Weiyen Seah
Chairman

Hong Kong, 13 April 2018

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

Executive Directors

Ms. Chong Sok Un (Deputy Chairman), Dato’ Wong Peng Chong and Mr. Kong Muk Yin

Non-Executive Directors

Dr. Jonathan Weiyen Seah (Chairman) and Mr. Liao Feng

Independent Non-Executive Directors

Mr. Lau Siu Ki, Mr. Zhang Jian and Dr. Xia Xiaoning