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China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

CLARIFICATION ANNOUNCEMENT

The Board refers to the announcement of China Medical & HealthCare Group Limited (the “Company”) dated 13 April 2018 (the “Announcement”) in relation to a discloseable and connected transaction in relation to the acquisition of an interest in Aveo China (Holdings) Limited.

Capitalised terms used herein shall have the same meaning as in the Announcement unless the context otherwise requires.

The principal activities of the Vendor and AHL are investment holding, and retirement village owner and operator respectively.

The Board further announces that the name of the non-executive Director who indicated that the Consideration appeared to be on the high side is Mr. Liao Feng (the “Relevant Director”). Although he did not agree on the Acquisition in terms of the Consideration being on the high side, the Relevant Director considered other factors in determining the Consideration as well as the reasons for and benefits of the Acquisition as mentioned in the Announcement and believed that the terms of the S&P Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Further to the reasons for and benefits of the Acquisition and the factors in determining the Consideration as mentioned in the Announcement, the Consideration represents:

- (i) a premium of approximately 143.5% over the Sale Share’s attributable share of net assets of the Target Group as at 30 June 2017 (i.e. HK\$35,851,000) based on the management accounts of the Target Group;
- (ii) a premium of approximately 26.6% over the carrying value of net assets of the Target Group attributable to the non-controlling interest of the Target Group (i.e. the Sale Shares) as at 30 June 2017 (i.e. HK\$68,953,000) based on 2016/2017 annual report of the Company; and

- (iii) a discount of approximately 1.0% on the valuation of the Sale Share as at 30 September 2017 (i.e. HK\$88,200,000) based on the business valuation report dated 12 April 2018 prepared by Asset Appraisal Limited, an independent valuer, on a market approach basis, in relation to the Target Group.

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

	For the year ended 30 June 2016 <i>HK\$'000</i>
Profit before taxation	231,306
Profit after taxation	94,739

The reason for disposing of the Target Group's 49% interest in ACL to the Vendor Group ("Disposal") on Completion was a term requested by the Vendor as the Vendor Group already owns 51% interest in ACL. The nominal consideration for the Disposal is HK\$1.00 and was based on the financial performance and position of ACL as at 30 June 2017. The principal activity of ACL is the provision of consultancy services on operation and managing of retirement homes for the elderly in the PRC.

The following is the financial information of ACL for the year ended 30 June 2017 as extracted from its management accounts which were prepared in accordance with Hong Kong accounting standards:

	For the year ended 30 June 2017 <i>HK\$'000</i>
Loss after taxation	827
Net liabilities	2,559

The following is the consolidated financial information of the Target Group (excluding its interest in ACL) for the two years ended 30 June 2017 as extracted from its management accounts which were prepared in accordance with Hong Kong accounting standards:

	For the year ended 30 June 2017	For the year ended 30 June 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue (<i>note</i>)	362,552	995,444
Profit before taxation (<i>note</i>)	23,944	231,306
(Loss) Profit after taxation (<i>note</i>)	(24,607)	94,739
Net assets	119,502	147,542

Note: the drop in revenue and profit (loss) before and after taxation was due to the reduction in revenue from sale of properties related to eldercare businesses of the Target Group in 2017.

The Board has approved the Acquisition and all of the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable and on normal commercial terms and in the interest of the Company and its Shareholders as a whole. The independent non-executive Directors had come into this conclusion based on the matters set out in the reasons and benefits of the Acquisition and also the factors in determining the Consideration as set out in the Announcement.

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

Hong Kong, 27 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 Weiyan Seah (Chairman) and Mr. Liao Feng

Independent Non-Executive Directors

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