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China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

DISCLOSEABLE TRANSACTION LOAN TRANSACTION

On 10 September 2018 (after trading hours), the Lender (a direct wholly-owned subsidiary of the Company) as lender entered into the Loan Agreement with the Borrower pursuant to which, the Lender agreed to, among other things, make available to the Borrower the Loan for the purpose of repaying an existing loan owed by the Borrower to a lender.

As the Lender is a direct wholly-owned subsidiary of the Company, the Transaction entered into by the Lender shall be a deemed transaction of the Company under the Listing Rules as the definition of “listed issuer” under the Listing Rules shall include the listed issuer’s subsidiaries.

The Transaction constitutes a discloseable transaction for the Company on the basis that the relevant percentage ratio(s) exceeds 5% but is below 25%.

INTRODUCTION

On 10 September 2018 (after trading hours), the Lender (a direct wholly-owned subsidiary of the Company) as lender entered into the Loan Agreement with the Borrower pursuant to which, the Lender agreed to, among other things, make available to the Borrower the Loan for the purpose of repaying an existing loan owed by the Borrower to a lender.

THE LOAN AGREEMENT

The Loan Agreement

Date: 10 September 2018 (after trading hours)

Parties: (1) the Lender as the lender for the Loan Agreement; and
(2) the Borrower as the borrower for the Loan Agreement.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries and based on the confirmations of the Borrower and the Chargor, the Borrower and its ultimate beneficial shareholders (those who are holding an interest of 5% or more of voting shares of the Borrower and their respective ultimate beneficial shareholders (where applicable)); and the Chargor are all third parties independent of the Company and their respective connected persons.

Principal Terms of the Loan Agreement

The principal terms of the Loan Agreement are as follows:

Loan amount: the loan of HK\$175,000,000

Term: 12 months from the date of drawdown of the Loan

Purpose: the Loan shall be applied and used by the Borrower for the purpose of repaying an existing loan owed by the Borrower to a lender

Interest rate: approximately 22.4% per annum for the first month from the drawdown of the Loan and 21% per annum for the remainder of the term

Security for the Loan: Deed of Assignment, Debenture and Share Mortgage

Deed of Assignment

The Loan is secured by the Deed of Assignment created by the Borrower in favour of the Lender by way of an assignment of all the right, title and interest as a creditor and the full benefit and right to receive and recover the amount of HK\$100,000,000 under the Promissory Note, which shall be repayable to the Lender on demand by the Lender.

Debenture

The Loan is secured by the Debenture created by the Chargor in favour of the Lender by way of a first fixed and floating charge over all the undertaking, property and assets of the Chargor.

The Debenture and all security constituted by or pursuant to the Debenture shall become immediately enforceable upon the occurrence of an event of default or the occurrence of any event which may lead to a default by the Borrower.

Share Mortgage

The Loan is secured by the Share Mortgage created by the Borrower in favour of the Lender by way of a first fixed mortgage of the Chargor Shares.

The Lender, as mortgagee of the Share Mortgage, shall have rights, among other things, to transfer to itself the Chargor Shares and dispose of the Chargor Shares upon the occurrence of any event of default or the occurrence of any event which may lead to a default by the Borrower.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The terms of the Loan Agreement, including the interest rate applicable, were arrived at after arm's length negotiations between the Lender and the Borrower having taken into account the prevailing market interest rates and practices. The Loan Agreement was entered into by the Lender having regard to the interest income to be generated by the Transaction and the underlying securities. In addition, the Transaction is part of the ordinary and usual course of business of the Lender. In view of the above, the Directors are of the view that the terms of the Loan Agreement are on normal commercial terms and the Transaction is fair and reasonable, and in the interests of the Company and its Shareholders taken as a whole.

INFORMATION ABOUT THE GROUP, THE LENDER, THE BORROWER AND THE CHARGOR

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.

The Lender

The Lender is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Company and is principally engaged in the provision of financial services. The Lender holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

The Borrower

The Borrower is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange. The principal business activities of the Borrower include ground-up research, design and development, manufacturing and sales of pure electric vehicles, and manufacturing and sales of lithium-ion batteries and cathode materials for lithium-ion batteries.

The Chargor

The Chargor is a company incorporated in the British Virgin Islands with limited liability, and is a wholly-owned subsidiary of the Borrower. The principal business activity of the Chargor is investment holding.

LISTING RULES IMPLICATIONS

As the Lender is a direct wholly-owned subsidiary of the Company, the Transaction entered into by the Lender shall be a deemed transaction of the Company under the Listing Rules as the definition of “listed issuer” under the Listing Rules shall include the listed issuer’s subsidiaries.

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DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors;
“Borrower”	the borrower under the Loan Agreement, the assignor under the Deed of Assignment and the mortgagor under the Share Mortgage;
“Chargor”	the chargor under Debenture;
“Chargor Shares”	75% of the entire issued share capital of the Chargor;
“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;
“connected persons”	having the meaning ascribed to it under the Listing Rules;

“Debenture”	the debenture to be created by the Chargor in favour of the Lender by way of a first fixed and floating charge over all the undertaking, property and assets of the Chargor;
“Deed of Assignment”	the assignment created by the Borrower in favour of the Lender of the Promissory Note in the amount of HK\$100,000,000 owed by the Listed Company to the Borrower;
“Directors”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Lender”	Fortune Team Investment Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company, being the lender under the Loan Agreement;
“Listed Company”	a company listed on the main board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	the loan in the amount of HK\$175,000,000, made available by the Lender to the Borrower on the terms and subject to the conditions set out in the Loan Agreement;
“Loan Agreement”	the loan agreement entered into between the Lender as lender and the Borrower as borrower dated 10 September 2018;
“percentage ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction;

“Promissory Note”	the promissory note in the face value of HK\$100,000,000 due on 7 September 2019 issued by the Listed Company to the Borrower;
“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);
“Share Mortgage”	the mortgage to be created by the Borrower in favour of the Lender as the mortgagee over the Chargor Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the transaction contemplated under the Loan Agreement; and
“%”	per cent.

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

Hong Kong, 10 September 2018

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

Executive Directors

Ms. Chong Sok Un (Deputy Chairman) and Mr. Kong Muk Yin

Non-Executive Directors

Dr. Jonathan Weiyen Seah (Chairman), Dato’ Wong Peng Chong and Mr. Liao Feng

Independent Non-Executive Directors

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