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China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

UPDATE ON DISCLOSEABLE TRANSACTION LOAN TRANSACTION RECEIPT OF WRIT OF SUMMONS

References are made to the announcements dated 10 September 2018 and 26 September 2019 respectively, the paragraph headed “Money Lending” on pages 26 to 27 of the announcement of the final results for the eighteen months ended 31 December 2019 dated 30 March 2020, and the announcements dated 28 April 2020 and 6 May 2020 respectively of China Medical & HealthCare Group Limited (the “**Company**”). Capitalised terms used herein shall have the same meanings as those defined in the aforesaid announcements unless the context requires otherwise.

On 12 May 2020, the Lender (a wholly-owned subsidiary of the Company), as the 7th defendant, received a writ of summons (the “**Writ of Summons**”) under action number HCA 562 of 2020 (the “**Action**”) issued in the Court of First Instance of the High Court of Hong Kong by the solicitors acting for Jingang Group Investment Limited (suing on behalf of itself and all other shareholders in the Borrower and the Chargor) as a plaintiff (the “**Plaintiff**”) against the Lender as one of the twelve defendants of the Action, together with the Borrower, the Chargor, the directors of the Borrower, and the receivers and managers (the “**Joint and Several Receivers**”) appointed by the Lender as mentioned in the announcement of the Company dated 28 April 2020.

As stated in the statement of claim endorsed to the Writ of Summons, the Plaintiff alleged that, by reason that there is and was at all material times a close connection between, among others, the 1st defendant of the Action, being the director and the chief executive officer of the Borrower and the director of the Chargor, and the Lender,

- (i) the Lender clearly had knowledge that the directors of the Borrower and the Chargor in entering into the Loan Agreement, the Debenture, the Share Mortgage, the Deed of Assignment (Listed Company) and the Deed of Assignment (Chargor) (collectively, the “**Transactions**”) wrongfully preferred the interest of and benefited the Lender and/or offered significantly excessive security in favour of the Lender, in breach of their fiduciary duties to the Borrower and/or the Chargor; or

- (ii) alternatively was irrational in believing that the directors of the Borrower and the Chargor acted in accordance with their duties in entering into the Transactions; or
- (iii) further alternatively failed to make the inquiries that a reasonable person would have made in all the circumstances in order to verify that the Transactions were entered into in accordance with the duties owed by the directors to the Borrower and/or the Chargor.

As a result, the Plaintiff alleged that:

- (a) the Loan Agreement, the Share Mortgage, the Debenture, the Deed of Assignment (Listed Company) and the Deed of Assignment (Chargor) are liable to be set aside; and
- (b) accordingly, the appointment of the Joint and Several Receivers and the receivership thereunder are liable to be set aside.

The Plaintiff is now claiming against the Lender and the Joint and Several Receivers for (1) a declaration that the Transactions are liable to be set aside and thereby set aside by the Borrower and the Chargor; (2) a declaration that the appointment of the Joint and Several Receivers and the receivership thereunder are liable to be set aside and thereby set aside by the Borrower and the Chargor; (3) an injunction against the Lender and the Joint and Several Receivers restraining any of them (whether acting by itself/himself and or its/his officer(s), employee(s), servant(s), nominee(s) and/or agent(s)) from exercising any powers pursuant to or otherwise acting upon the Transactions; (4) costs; and (5) further or other relief.

The Lender is seeking legal advice in respect of the Action and would strenuously defend its position and interest. Further announcement(s) will be made by the Company as and when appropriate.

By Order of the board of Directors
China Medical & HealthCare Group Limited
Zhou Liye
Chairman

Hong Kong, 19 May 2020

As at the date of this announcement, the board of Directors comprises:

Executive Directors

Ms. Chong Sok Un (Deputy Chairman), Mr. Kong Muk Yin, Mr. Guo Meibao and Mr. Zhou Haiying

Non-Executive Directors

Mr. Zhou Liye (Chairman), Dato' Wong Peng Chong and Mr. Ma Jianting

Independent Non-Executive Directors

Mr. Zhang Jian, Dr. Xia Xiaoning, Dr. Wong Wing Kuen, Albert and Ms. Yang Lai Sum, Lisa