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China Medical & HealthCare Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 383)

CONNECTED TRANSACTION IN RELATION TO THE NEW TENANCY AGREEMENT

The Board is pleased to announce that on 3 December 2021, Star Telecom Holding, an indirect wholly-owned subsidiary of the Company, entered into the New Tenancy Agreement for the renewal of the lease for the Premises for a term of two years commencing on 1 December 2021 and expiring on 30 November 2023. The Existing Tenancy Agreement in respect of the lease of the Premises expired on 30 November 2021.

LISTING RULES IMPLICATIONS

AGL was yet to become a connected person of the Company as at the date of entering into of the Existing Tenancy Agreement. The Directors noted that AGL became a holding company of TACI in October 2021, when AGL's deemed shareholding interests in TACI was increased from approximately 48.86% to 50.01% as a result of TACI making a series of repurchases of its shares.

As at the date of this announcement, Jaffe Development, being an indirect wholly-owned subsidiary of AGL, is a connected person of the Company. Accordingly, the rent payable under the New Tenancy Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the estimated value of the right-of-use asset to be recognised by the Group under the New Tenancy Agreement are more than 0.1% but less than 5%, the rent payable under the New Tenancy Agreement is only subject to the announcement and annual reporting requirements under Rules 14A.35 and 14A.49 of the Listing Rules and is exempt from the circular and independent shareholders' approval requirements under the Listing Rules.

The annual amount of the Service Charges, on a standalone basis, constitutes a de minimis continuing connected transaction for the Company under the Listing Rules and is not subject to announcement, reporting and independent shareholders' approval requirements as all applicable percentage ratios are less than 0.1%.

BACKGROUND

The Existing Tenancy Agreement in respect of the lease of the Premises expired on 30 November 2021. The Board is pleased to announce that on 3 December 2021, Star Telecom Holding, an indirect wholly-owned subsidiary of the Company, entered into the New Tenancy Agreement for the renewal of the lease for the Premises for a term of two years commencing on 1 December 2021 and expiring on 30 November 2023.

PRINCIPAL TERMS OF THE NEW TENANCY AGREEMENT

Date:	3 December 2021
Landlord:	Jaffe Development, an indirect wholly-owned subsidiary of AGL and a connected person of the Company. For further details of each of Jaffe Development and AGL, please see the paragraph headed “Information on the Group, Star Telecom Holding, AGL, TACI and Jaffe Development” in this announcement below
Tenant:	Star Telecom Holding, an indirect wholly-owned subsidiary of the Company
Term:	Two years from 1 December 2021 to 30 November 2023 (both days inclusive)
Monthly rent:	HK\$216,116 (exclusive of rates, management fee and air-conditioning charges)
Service Charges:	management fee and air-conditioning charges in the sum of HK\$32,306 per month
Premises:	the whole of 47th Floor, China Online Centre, No.333 Lockhart Road, Wanchai, Hong Kong
Security deposit:	HK\$745,266, representing three months’ rent and Service Charges

USE OF THE PREMISES

The Premises has been occupied by the Group for its head office and principal place of business in Hong Kong.

ACCOUNTING IMPLICATION AND TREATMENT UNDER THE LISTING RULES

In accordance with the HKFRS 16 “Leases”, since the payments contemplated to be made by Star Telecom Holding under the New Tenancy Agreement consists of lease (i.e. rent) and non-lease (i.e. Service Charges) components, different accounting treatments will be applied while the Group allocates the consideration in the contract to each lease component on the basis of respective standalone prices of the rent and Service Charges.

The rent will be recognised as an acquisition of right-of-use assets in the consolidated statement of financial position of the Group. Such acquisition of right-of-use assets will constitute a one-off connected transaction for the Company under Chapter 14A of the Listing Rules. The value of the right-of-use asset to be recognised by the Company under the New Tenancy Agreement is expected to be approximately HK\$4,946,652, which includes the present value of lease payment to be made during the term in accordance with HKFRS 16 “Leases”. A discount rate of 5% per annum is adopted in calculating the present value of the lease payment. Shareholders should note that the above figure is unaudited and may be subject to adjustment in the future.

The Service Charges will be recognised as expenses in the consolidated statement of profit or loss of the Group.

HISTORICAL RENT

The historical transaction amounts with respect to the rent under the Existing Tenancy Agreement, exclusive of rates, management fee and air-conditioning charges, for each of the years ended/ending 31 December 2019, 2020 and 2021 were HK\$233,940, HK\$2,807,280 and HK\$2,573,340, respectively.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW TENANCY AGREEMENT

Since 2000, the Company, through its wholly-owned subsidiary, has been leasing the Premises from Jaffe Development for use by the Group as its head office and principal place of business in Hong Kong. The Existing Tenancy Agreement expired on 30 November 2021. The Company considers it to be beneficial to enter into the New Tenancy Agreement so that the Group can continue to use the Premises as their head office and principal place of business in Hong Kong and avoid any relocation and reinstatement costs and disruption of operation.

The terms of the New Tenancy Agreement (including the rent and the Services Charges) were arrived at after arm’s length negotiations between Star Telecom Holding and Jaffe Development after taking into consideration the prevailing market rent, management fee and air-conditioning charges for comparable office premises in the same district of the Premises. The Board (including the independent non-executive Directors) considers that entering into the New Tenancy Agreement is in the ordinary and usual course of business of the Group, is on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP, STAR TELECOM HOLDING, AGL, TACI AND JAFFE DEVELOPMENT

The Group

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

Star Telecom Holding

Star Telecom Holding is an indirect wholly-owned subsidiary of the Company and a company incorporated in Hong Kong with limited liability. It is principally engaged in investment holding and provision of corporate administrative services to the Group. The principal business activities of its major subsidiaries are investment and property holding in Hong Kong.

AGL

AGL is an indirect holding company of Jaffe Development and a connected person of the Company. It is a company incorporated in Hong Kong with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange. The principal business activity of AGL is investment holding. The principal business activities of its major subsidiaries are property development mainly comprising apartments, villas, office buildings and commercial properties, property investment, hospitality related activities, provision of elderly care services, property management, cleaning and security guarding services, and the provision of finance and investments in listed and unlisted securities. The shareholding information of AGL is available on the Stock Exchange's website (<https://www.hkexnews.hk/>).

TACI

TACI, a substantial shareholder of the Company and an indirect non-wholly-owned subsidiary of AGL, is a company incorporated in Hong Kong with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange. The principal business activity of TACI is investment holding. TACI and its subsidiaries are principally engaged in the development of apartments, villas, office buildings and commercial properties, property investment and property management on the mainland in the PRC, as well as property investment and property management in Hong Kong.

Jaffe Development

Jaffe Development is an indirect wholly-owned subsidiary of AGL. It is principally engaged in property holding.

LISTING RULES IMPLICATIONS

AGL was yet to become a connected person of the Company as at the date of entering into of the Existing Tenancy Agreement. The Directors noted that AGL became a holding company of TACI in October 2021, when AGL's deemed shareholding interests in TACI was increased from approximately 48.86% to 50.01% as a result of TACI making a series of repurchases of its shares.

As at the date of this announcement, Jaffe Development, being an indirect wholly-owned subsidiary of AGL, is a connected person of the Company. Accordingly, the rent payable under the New Tenancy Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the estimated value of the right-of-use asset to be recognised by the Group under the New Tenancy Agreement are more than 0.1% but less than 5%, the rent payable under the New Tenancy Agreement is only subject to the announcement and annual reporting requirements under Rules 14A.35 and 14A.49 of the Listing Rules and is exempt from the circular and independent shareholders' approval requirements under the Listing Rules. None of the Directors has a material interest in the New Tenancy Agreement and the transactions contemplated thereunder and hence none of them is required to abstain from voting on the board resolution approving the New Tenancy Agreement and the transactions contemplated thereunder.

The annual amount of the Service Charges, on a standalone basis, constitutes a de minimis continuing connected transaction for the Company under the Listing Rules and is not subject to announcement, reporting and independent shareholders' approval requirements as all applicable percentage ratios are less than 0.1%.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

“AGL”	Allied Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 373) and a holding company of TACI
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	China Medical & HealthCare Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 383)

“connected person”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Existing Tenancy Agreement”	the tenancy agreement dated 5 December 2019 made between Jaffe Development and Star Telecom Holding in respect of the Premises for two years from 1 December 2019 to 30 November 2021 (both days inclusive)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jaffe Development”	Jaffe Development Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of AGL
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Tenancy Agreement”	the tenancy agreement dated 3 December 2021 made between Jaffe Development and Star Telecom Holding for the renewal of the lease for the Premises, particulars of which are set out in this announcement
“PRC”	the People’s Republic of China, but for the purposes of this announcement shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Premises”	the whole of 47th Floor, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong
“Service Charges”	management fee and air-conditioning charges payable by Star Telecom Holding to Jaffe Development under the New Tenancy Agreement
“Share(s)”	the shares of the Company
“Shareholder(s)”	Holder(s) of the Shares

“Star Telecom Holding”	Star Telecom Holding Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“TACI”	Tian An China Investments Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 28), being an indirect non wholly-owned subsidiary of AGL
“%”	per cent

By Order of the Board
China Medical & HealthCare Group Limited
Chong Sok Un
Deputy Chairman

Hong Kong, 3 December 2021

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

Executive Directors

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

Non-Executive Directors

Mr. Zheng Zhen and Mr. Lai Hin Wing Henry Stephen

Independent Non-Executive Directors

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