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## **GENERTEC UNIVERSAL MEDICAL GROUP COMPANY LIMITED**

**通用環球醫療集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 2666)**

### **CONNECTED TRANSACTION**

### **ENTERING INTO THE LEASE AGREEMENT**

#### **ENTERING INTO THE LEASE AGREEMENT AFTER FORMATION OF THE JOINT VENTURE**

The Board is pleased to announcement that on 12 May 2023, after trading hours, the Company, Hospital Investment Co., Ltd. (a wholly owned subsidiary of the Company) and Xinxing Construction (a subsidiary of GT-PRC), executed the Cooperation Agreement to establish the Joint Venture. Upon the establishment of the Joint Venture, its registered capital will be held by Hospital Investment Co., Ltd. and Xinxing Construction as to 66% and 34%, respectively, and the Joint Venture will be accounted as a subsidiary of the Company. The Joint Venture will become the new promoter of Zhongxing Hospital.

On 30 May 2023, Zhongxing Hospital (as the lessee) entered into the Lease Agreement with Xinxing Construction (as the lessor) to lease the Properties. The commencement date of the Lease Agreement will be on the first day of the month immediately following the establishment of the Joint Venture and the term of the Lease Agreement will be 20 years.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, GT-PRC is the controlling shareholder holding approximately 38.89% of the entire issued capital of the Company. Xinxing Construction is a subsidiary of GT-PRC, and therefore is a connected person of the Company pursuant to the Listing Rules. As such, the formation of the Joint Venture constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.



<b>Lessor</b>	Xinxing Construction
<b>Lessee</b>	Zhongxing Hospital
<b>Leased Properties</b>	Located at No. 44 Taiping Road, Haidian District, Beijing with a total floor area of 4,130 square meters and a total land area of 3,547 square meters, together with the existing attached facilities and equipment
<b>Usage</b>	Operation of medical service, such as medical treatment, detailed usage will be determined by the lessee
<b>Lease term</b>	<p>The commencement date of the Lease Agreement will be on the first day of the month immediately following the establishment of the Joint Venture and the term of the Lease Agreement will be 20 years.</p> <p>The lessee is entitled to renew the Lease Agreement upon the expiration with the rental determined by both parties through negotiation based on the terms and conditions of the Lease Agreement. If the lessee decides not to renew the Lease Agreement by then, it should notify the lessor in written at least three months prior to the expiration of the Lease Agreement.</p>
<b>Lease payment</b>	<p>Zhongxing Hospital is provided with a rental-free period for two years. After the rental-free period, the preferential rental is RMB442,600 for the third year. The annual rental payable for the fourth year is RMB1.05/day/m<sup>2</sup> (tax inclusive) and RMB1,582,900 in aggregate for the year. Starting from the fourth year, the rental will be increased by 5% every three years based on the previous year's basis.</p> <p>Expenses such as water, electricity, gas and heating expense are not included in the scope of rental and will be paid by the lessee to relevant authorities separately. The parking fee is not included in the rental and will be negotiated separately by the parties. And the property management fee (if any) will be negotiated separately by the lessee and China Resources Landmark (Beijing) Property Management Co., Ltd. (潤嘉物業管理(北京)有限公司), an independent property management service provider.</p> <p>The rental under the Lease Agreement is determined after arm's length negotiations between the parties after taking into consideration the prevailing market rental for comparable premises in the vicinity of the leased Properties.</p>
<b>Payment arrangement</b>	The rental should be paid in RMB on a six-months basis. Each period, the lessee will pay one-half of the annual rental on the sixth and twelfth months of the lease year (referring to a year from the date of the commencement of the Lease Agreement to the same date of the following year, not the calendar year).

## **Value of the Right-of-use Assets**

In accordance with HKFRS 16, the total value of the right-of-use assets to be recognized by the Group in respect of the lease of the Properties under the Lease Agreement is approximately RMB16.8 million, calculated based on the present value of the total lease payments under the Lease Agreement at a discount rate of 4.9%. It should be noted that the above figure is unaudited and may be subject to adjustment in the future.

## **INFORMATION OF THE PARTIES**

### **The Company**

The Company is an integrated healthcare service provider with focuses on the fast-growing healthcare service industry in the PRC. Leveraging its own rich medical resources and strong financial strength, the Company is committed to improving the technical standards, service capabilities, operational performance and management effectiveness of the hospitals, to effectively enhance the overall strength of the hospital.

### **Hospital Investment Co., Ltd.**

Hospital Investment Co., Ltd., a wholly owned subsidiary of the Company, is a limited liability company incorporated in the PRC in 2015. The principal activity of Hospital Investment Co., Ltd. is investment holding.

### **GT-PRC**

GT-PRC was established in March 1998 as a state-owned enterprise supervised by the State-owned Assets Supervision and Administration Commission. The principal business of GT-PRC comprises three major segments, namely, advanced manufacturing and technology service, pharmaceutical and healthcare and trade and engineering contracting.

### **Xinxing Construction**

Xinxing Construction (formerly known as Engineering Division of General Logistics Department of People's Liberation Army (中國人民解放軍總後勤部工程總隊)) is a state-owned enterprise supervised by the State-owned Assets Supervision and Administration Commission and principally engaging in building engineering business. The ultimate beneficial owner of Xinxing Construction is GT-PRC.

### **Zhongxing Hospital**

Zhongxing Hospital is a public institution incorporated in the PRC and became an affiliated institution of GT-PRC in 2009. It is a non-profit hospital that focuses on medical treatment, teaching and scientific research.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The establishment of the Joint Venture by GT-PRC and the Group is in line with the national policies of reform on state-owned enterprises-affiliated hospitals, while enabling the Group to more effectively implement its operating strategies for its own hospital group. In recent years, the Group has actively participated in the integration and acquisition of medical institutions run by state-owned enterprises, and has continuously accumulated resources to build a medical and health conglomerate. Focusing on the development of the hospital group's core capacity, the Group continuously builds up the competition advantages of central state-owned enterprises in running medical care by reinforcing group management and control and upgrading professional operation, so as to facilitate positive and continuous development of the state-owned hospitals and constantly improve operation efficiency and effectiveness.

Zhongxing Hospital is a Grade I hospital with traditional Chinese medicine as the special department, and has a capacity of 95 beds as well as obvious location advantages and large space for development and improvement. The acquisition of Zhongxing Hospital will enable the Group to further explore the medical services market in Beijing. In the future, the Group will empower Zhongxing Hospital with top-quality resources, continuously consolidate its basic medical services and public health services foundation, explore the potential medical needs of surrounding communities, carry out special diagnosis and treatment, expand and strengthen key specialties such as traditional Chinese medicine, ophthalmology, dentistry and physical examination to form an important extension of the hospital group's specialty brand; Zhongxing Hospital can also gather the resources of top medical institutions in surrounding areas, establish expert consultation, expert teaching and technical training platforms to help the technology and training output of the hospital group.

Additionally, the ownership of the Properties used by Zhongxing Hospital belongs to Xinxing Construction. Entering into of the Lease Agreement would enable the Group to enjoy a more favorable rental policy in the area, secure a long-term premises for daily operation of Zhongxing Hospital and ensure the stability of Zhongxing Hospital's development.

As such, the Directors (including the independent non-executive Directors, but excluding Mr. Tong Chaoyin and Mr. Xu Ming) believe that participating in the formation and operation of the Joint Venture, as well as entering into the Lease Agreement, could strengthen the Group's business layout in Beijing, improve the hospital group's core competitiveness, and the Company would benefit from the development of Zhongxing Hospital in the long run and create a greater strategic value in the future GT-PRC's medical resources integration and collaborative development.

As at the date of the board meeting approving these transactions, Mr. Tong Chaoyin and Mr. Xu Ming, non-executive Directors holding positions in GT-PRC or its associates, were considered to have material interests in the transactions under the formation of the Joint Venture and the Lease Agreement. Therefore, Mr. Tong Chaoyin and Mr. Xu Ming had abstained from voting on the resolutions in respect of the formation of the Joint Venture and the Lease Agreement. Save as disclosed above, no other Director has interests in the Cooperation Agreement, the formation of the Joint Venture and the Lease Agreement. The Directors (including the independent non-executive Directors, but excluding Mr. Tong Chaoyin and Mr. Xu Ming) are of the view that the terms of the Cooperation Agreement and the Lease Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, GT-PRC is the controlling shareholder holding approximately 38.89% of the entire issued capital of the Company. Xinxing Construction is a subsidiary of GT-PRC, and therefore is a connected person of the Company pursuant to the Listing Rules. As such, the formation of the Joint Venture constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As none of the applicable percentage ratios in respect of the transaction under the Cooperation Agreement is more than 0.1%, the transaction under the Cooperation Agreement is exempt from the reporting, announcement, circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16, the Company will recognize right-of-use assets in its consolidated statement of financial position in respect of the lease of Properties under the Lease Agreement. Accordingly, the transaction under the Lease Agreement will be regarded as an acquisition of assets by the Company from Xinxing Construction and will constitute a one-off connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the transaction under the Lease Agreement are more than 0.1% but less than 5%, the transaction under the Lease Agreement is subject to the reporting and announcement requirements but is exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of directors of the Company
“Company”	Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 2666)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Cooperation Agreement”	the shareholders' agreement of the Joint Venture dated 12 May 2023 entered into between Hospital Management Co., Ltd. and Xinxing Construction, in relation to, among other things, the establishment of the Joint Venture
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

“GT-PRC”	China General Technology (Group) Holding Company Limited (中國通用技術（集團）控股有限責任公司), a state-owned enterprise and the ultimate controlling shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hospital Investment Co., Ltd.”	Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd. (通用環球醫院投資管理(天津)有限公司), previously known as Wiseman Hospital Investment Management (Tianjin) Co., Ltd. (融慧濟民醫院投資管理(天津)有限公司), a wholly-owned subsidiary of the Company established in the PRC in 2015
“Joint Venture”	Beijing Huankang Zhongxing Hospital Management Co., Ltd. (北京環康中興醫院管理有限公司), a joint venture to be established in the PRC pursuant to the terms of the Cooperation Agreement
“Lease Agreement”	The lease agreement dated 30 May 2023 entered into between Xinxing Construction and Zhongxing Hospital
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“PRC”	the People’s Republic of China excluding Hong Kong, Macau and Taiwan solely for the purpose of this announcement
“Properties”	Located at No. 44 Taiping Road, Haidian District, Beijing with a total floor area of 4,130 square meters and a total land area of 3,547 square meters, together with the existing attached facilities and equipment
“RMB”	renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Xinxing Construction”	China Xinxing Construction & Development Co., Ltd. (中國新興建設開發有限責任公司), a state-owned enterprise which is ultimately beneficially owned by GT-PRC
“Zhongxing Hospital”	Beijing Zhongxing Hospital of China Xinxing Construction & Development Co., Ltd. (中國新興建設開發有限責任公司北京中興醫院)
“%”	per cent

By order of the Board

**Genertec Universal Medical Group Company  
Limited**

通用環球醫療集團有限公司

**Peng Jiahong**

*Chairwoman of the Board*

Beijing, PRC, 30 May 2023

*As at the date of this announcement, the executive Directors are Ms. Peng Jiahong (Chairwoman), Mr. Wang Wenbing and Mr. Yu Gang; the non-executive Directors are Mr. Chan Kai Kong (Vice-chairman), Mr. Tong Chaoyin, Mr. Xu Ming and Mr. Zhu Ziyang; and the independent non-executive Directors are Mr. Li Yinquan, Mr. Chow Siu Lui, Mr. Xu Zhiming and Mr. Chan, Hiu Fung Nicholas.*