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**Town Health International Medical Group Limited**  
**康健國際醫療集團有限公司**

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 3886)**

**CONTINUING CONNECTED TRANSACTIONS:  
FRAMEWORK COOPERATION AGREEMENT**

Reference is made to the Announcement dated 19 February 2021 in relation to the Existing Framework Agreements and the continuing connected transactions contemplated thereunder.

**FRAMEWORK COOPERATION AGREEMENT**

The Board announces that on 2 July 2021, Guangdong Townsfolk, an indirect wholly-owned subsidiary of the Company, entered into the Framework Cooperation Agreement with CLIZ in respect of the provision of the Medical & Healthcare Services by Townsfolk Group to CLIZ or its staff and clients.

**IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, (i) CLIZ is a branch of CLIC and CLIG is a controlling shareholder of CLIC; and (ii) CLIG holds approximately 23.72% of the Shares and is a substantial shareholder of the Company and thus a connected person of the Company. As such, CLIZ (being a branch of CLIC) is also a connected person of the Company and the transactions contemplated under the Framework Cooperation Agreement constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the continuing connected transactions contemplated under the Framework Cooperation Agreement are required to be aggregated with the continuing connected transactions contemplated under the Existing Framework Agreements as the Framework Cooperation Agreement and the Existing Framework Agreements were entered into by the Group with CL Group.

As the applicable percentage ratios relating to the New Medical Related Services Annual Caps exceed 0.1% but are less than 5%, the continuing connected transactions in relation to the provision of the Medical Related Services by the Group under the Existing Framework Agreements and the Framework Cooperation Agreement are subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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Major terms of the Framework Cooperation Agreement are as follows:

### **Date of the Framework Cooperation Agreement**

2 July 2021

### **Parties**

- (1) Guangdong Townsfolk; and
- (2) CLIZ

## **Duration**

The Framework Cooperation Agreement is for a term from 2 July 2021 to 31 December 2023 (both dates inclusive), provided that either party may early terminate the Framework Cooperation Agreement by giving the other party three months' prior written notice.

If either party shall (i) be in breach of any obligation under the Framework Cooperation Agreement and fail to remedy such breach within 30 days after written notice being given by the other party; or (ii) become wound up or dissolved or have ceased its business operation, or become a party to any commenced proceedings of winding-up, dissolution or cessation of business operation, the other party shall be entitled to terminate the Framework Cooperation Agreement at any time and with immediate effect upon giving written notice to the breaching party.

## **Subject matter**

Pursuant to the Framework Cooperation Agreement, Townsfolk Group shall provide the Medical & Healthcare Services to CLIZ or its staff and clients.

Townsfolk Group and CLIZ may, from time to time during the term of the Framework Cooperation Agreement, enter into individual written confirmation(s) or procurement agreement(s) to materialize the actual arrangement and agreement in respect of each particular Medical & Healthcare Service to be provided by Townsfolk Group, provided that such individual written confirmation(s) or procurement agreement(s) shall always be subject to the terms of the Framework Cooperation Agreement.

## **Pricing**

Pursuant to the Framework Cooperation Agreement, Townsfolk Group shall provide the Medical & Healthcare Services on terms and conditions (including the service fees) to be determined in the ordinary course of business and on normal commercial terms after arm's length negotiations between the parties. Such terms and conditions shall be determined on the following principles:

- (i) by reference to the nature, scale, content, complexity and required expertise of the relevant Medical & Healthcare Services, and prevailing market prices of comparable services, and the rates charged by Townsfolk Group for providing the same or substantially similar services to independent third parties; and

- (ii) in any event no less favourable to Townsfolk Group than the terms and conditions (including payment terms) offered by Townsfolk Group to independent third parties for providing the same or substantially similar services in the same period.

### **Payment and other terms**

Pursuant to the Framework Cooperation Agreement, all other terms and conditions for the Medical & Healthcare Services to be provided (including but not limited to the terms relating to ways to deliver such services, payment, settlement method, credit period, service quality assurance and the parties' respective requirements, rights, obligations and liabilities for breach of the Framework Cooperation Agreement) shall be determined by reference to the terms and conditions offered by Townsfolk Group for providing the same or substantially similar services to independent third parties, or if no such reference can be made, shall be determined on normal commercial terms and in any event no less favourable to Townsfolk Group than those offered by Townsfolk Group to independent third parties for providing the same or substantially similar services in the same period.

### **Internal controls**

The Group will undertake the following internal control measures to monitor the terms and conditions of the transactions contemplated under the Framework Cooperation Agreement and ensure that the prices and terms of the Medical & Healthcare Services offered by Townsfolk Group to CLIZ will be no less favourable than the prices and terms offered by Townsfolk Group to independent third parties, and that the New Medical Related Services Annual Caps will not be exceeded:

- (1) comparing the prices and terms of the provision of the Medical & Healthcare Services to CLIZ with the prices and terms of the same or substantially similar services provided by Townsfolk Group as agreed with independent third parties on a regular basis;
- (2) adhering to the relevant internal control policy of the Group on connected transactions in monitoring the prices and terms of supply of the Medical & Healthcare Services by Townsfolk Group to CLIZ to ensure that they shall be no less favourable to Townsfolk Group than those offered by Townsfolk Group to independent third parties;

- (3) information on all continuing connected transactions carried out by Townsfolk Group under the Framework Cooperation Agreement will be reported to the management of the Company on a quarterly basis;
- (4) the independent non-executive Directors will review and confirm on an annual basis whether the transactions contemplated under the Framework Cooperation Agreement are (i) in the Group's ordinary and usual course of business; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable to the Group and in the interests of the Group and the Shareholders as a whole; and
- (5) the auditors of the Company will review the pricing and terms of the transactions contemplated under the Framework Cooperation Agreement and the annual caps of such continuing connected transactions in compliance with the annual reporting and review requirements under the Listing Rules on an annual basis.

### **Historical figures**

For the years ended 31 December 2018, 2019 and 2020, the Group's provision of the Medical Related Services to CL Group amounted to approximately HK\$577,000, HK\$1,937,000 and HK\$2,918,000 respectively, while the Group's provision of the Medical & Healthcare Services to CLIZ or its staff and clients amounted to Nil, approximately HK\$420,000 and Nil respectively.

### **Revised annual caps**

As disclosed in the Announcement, the Existing Medical Related Services Annual Caps for the Year 2021, the Year 2022 and the Year 2023 were HK\$10,000,000, HK\$13,000,000 and HK\$16,000,000 respectively.

The annual caps in respect of the provision of the Medical & Healthcare Services by Townsfolk Group to CLIZ or its staff and clients under the Framework Cooperation Agreement for the Year 2021, the Year 2022 and the Year 2023 will be HK\$800,000, HK\$1,300,000 and HK\$1,800,000 respectively.

Pursuant to Rule 14A.81 of the Listing Rules, the continuing connected transactions contemplated under the Framework Cooperation Agreement are required to be aggregated with the continuing connected transactions contemplated under the Existing Framework Agreements as the Framework Cooperation Agreement and the Existing Framework Agreements were entered into by the Group with CL Group. As such, the New Medical Related Services Annual Caps for the Year 2021, the Year 2022 and the Year 2023 will be revised to HK\$10,800,000, HK\$14,300,000 and HK\$17,800,000 respectively.

The New Medical Related Services Annual Caps are estimated primarily with reference to:

- (1) the historical value of the Medical Related Services provided by the Group to CL Group in the three years ended 31 December 2018, 2019 and 2020;
- (2) the projected future demand for the Medical Related Services by CL Group in the Year 2021, the Year 2022 and the Year 2023; and
- (3) the projected fees of the Medical Related Services provided by the Group in the Year 2021, the Year 2022 and the Year 2023 will remain stable, and on the principal assumptions that, for the duration of the projected period, there will not be any significant change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group.

In view of the above, the Directors (including the independent non-executive Directors but excluding the Interested Directors) are of the view that the New Medical Related Services Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE COUNTERPARTY**

CLIC is a joint stock company established in the PRC with limited liability whose shares are listed on the Stock Exchange (stock code: 2628), New York Stock Exchange (stock code: LFC) and Shanghai Stock Exchange (stock code: 601628) respectively. CLIC is a provider of individual and group life insurance, annuity products and accident and health insurance in the PRC. CLIZ is a branch of CLIC.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK COOPERATION AGREEMENT**

Guangdong Townsfolk is an indirect wholly-owned subsidiary of the Company. Townsfolk Group is principally engaged in the provision of health management services.

The Group is principally engaged in (i) provision of medical and dental services in Hong Kong; (ii) managing healthcare networks and provision of third party medical network administrator services in Hong Kong; (iii) provision of medical and dental services, as well as hospital management and related services in the PRC; (iv) trading of listed securities and leasing of properties; and (v) provision of miscellaneous healthcare related services.

The provision of the Medical & Healthcare Services by Townsfolk Group to CLIZ or its staff and clients pursuant to the Framework Cooperation Agreement is in the ordinary course of business of the Group. The Framework Cooperation Agreement allows a smooth collaboration between the Group and CLIZ in that CLIZ could channel its staff and customers to the Group for medical and related services.

Accordingly, the Directors (including the independent non-executive Directors but excluding the Interested Directors) are of the view that the terms of the Framework Cooperation Agreement are fair and reasonable and the transactions contemplated under the Framework Cooperation Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and the entering into of the Framework Cooperation Agreement is in the interests of the Company and the Shareholders as a whole. Save that the Interested Directors have abstained from voting on the Board resolutions in relation to the Framework Cooperation Agreement, none of the other Directors has a material interest in the Framework Cooperation Agreement which required any of such Directors to abstain from voting on the Board resolutions in relation to the Framework Cooperation Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, (i) CLIZ is a branch of CLIC and CLIG is a controlling shareholder of CLIC; and (ii) CLIG holds approximately 23.72% of the Shares and is a substantial shareholder of the Company and thus a connected person of the Company. As such, CLIZ (being a branch of CLIC) is also a connected person of the Company and the transactions contemplated under the Framework Cooperation Agreement constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, the continuing connected transactions contemplated under the Framework Cooperation Agreement are required to be aggregated with the continuing connected transactions contemplated under the Existing Framework Agreements as the Framework Cooperation Agreement and the Existing Framework Agreements were entered into by the Group with CL Group.

As the applicable percentage ratios relating to the New Medical Related Services Annual Caps exceed 0.1% but are less than 5%, the continuing connected transactions in relation to the provision of the Medical Related Services by the Group under the Existing Framework Agreements and the Framework Cooperation Agreement are subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 19 February 2021 in relation to the Existing Framework Agreements and the continuing connected transactions contemplated thereunder
“Board”	the board of Directors
“CL Group”	CLIO and its Branches, CLIS and its Branches, CLPS and its Branches and CLIZ
“CLIC”	China Life Insurance Company Limited, a joint stock company established in the PRC with limited liability whose shares are listed on the Stock Exchange (stock code: 2628), New York Stock Exchange (stock code: LFC) and Shanghai Stock Exchange (stock code: 601628) respectively
“CLIG ”	中國人壽保險(集團)公司 (in English, for identification only, China Life Insurance (Group) Company)
“CLIO”	China Life Insurance (Overseas) Company Limited, a company established in the PRC with limited liability and is a wholly-owned subsidiary of CLIG



“CLIO and its Branches”	CLIO and all subsidiaries, branches and sub-branches of CLIO in Hong Kong
“CLIO Framework Agreement”	the framework agreement dated 19 February 2021 and entered into between the Company and CLIO, further details of which are set out in the Announcement
“CLIS”	中國人壽保險股份有限公司山東省分公司 (in English, for identification only, China Life Insurance Company Limited, Shandong Branch)
“CLIS and its Branches”	CLIS and all branches and sub-branches of CLIC in Shandong Province of the PRC under the management of CLIS
“CLIS Framework Agreement”	the framework agreement dated 19 February 2021 and entered into between the Company and CLIS, further details of which are set out in the Announcement
“CLIZ”	中國人壽保險股份有限公司深圳市分公司 (in English, for identification only, China Life Insurance Company Limited, Shenzhen Branch)
“CLPI”	中國人壽財產保險股份有限公司 (in English, for identification only, China Life Property & Casualty Insurance Company Limited)
“CLPS”	中國人壽財產保險股份有限公司山東省分公司 (in English, for identification only, China Life Property & Casualty Insurance Company Limited, Shandong Branch)
“CLPS and its Branches”	CLPS and all branches and sub-branches of CLPI in Shandong Province of the PRC under the management of CLPS
“CLPS Framework Agreement”	the framework agreement dated 19 February 2021 and entered into between the Company and CLPS, further details of which are set out in the Announcement

“Company”	Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issue Shares of which are listed on the Stock Exchange
“connected person”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Framework Agreements”	the CLIO Framework Agreement, the CLIS Framework Agreement and the CLPS Framework Agreement
“Existing Medical Related Services Annual Caps”	the original maximum aggregate annual transaction values in respect of the continuing connected transactions in relation to the Medical Related Services for the Year 2021, the Year 2022 and the Year 2023 as disclosed in the Announcement
“Framework Cooperation Agreement”	the framework cooperation agreement dated 2 July 2021 and entered into between Guangdong Townsfolk and CLIZ in respect of the provision of the Medical & Healthcare Services by Townsfolk Group to CLIZ or its staff and clients
“Group”	the Company and its subsidiaries
“Guangdong Townsfolk”	廣東港康醫院管理有限公司 (in English, for identification only, Guangdong Townsfolk Hospital Management Co., Ltd.), an indirect wholly-owned subsidiary of the Company incorporated in the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	third party independent of the Company and connected persons of the Company

“Interested Directors”	Mr. Kong Dechang, Mr. Jin Zhaogen and Mr. Hou Jun, Directors who considered themselves having potential conflict of interests in voting on the Board resolutions in relation to the Framework Cooperation Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Medical & Healthcare Services”	the health check services (including but not limited to general health checks, underwriting health checks and VIP customer health checks) and medical services (including but not limited to general practice and specialist medical services, dental health care and treatments, medical beauty and anti-ageing services, Hong Kong medical consultation, vaccination and auxiliary medical services)
“Medical Network Administrator Services”	the medical network administrator services, including but not limited to third-party medical network administrator services
“Medical Related Services”	the Medical & Healthcare Services and the Medical Network Administrator Services
“New Medical Related Services Annual Caps”	the new maximum aggregate annual transaction values in respect of the continuing connected transactions in relation to the provision of the Medical Related Services by the Group under the Existing Framework Agreements and the Framework Cooperation Agreement for the Year 2021, the Year 2022 and the Year 2023
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Townsfolk Group”	Guangdong Townsfolk and its branches and health service centers
“Year 2021”	the year ending 31 December 2021
“Year 2022”	the year ended 31 December 2022
“Year 2023”	the year ending 31 December 2023
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board  
**Town Health International Medical Group Limited**  
**Jin Zhaogen**  
*Executive Director and Chief Executive Officer*

2 July 2021

*As at the date of this announcement, the executive Directors are Mr. Jin Zhaogen (Chief Executive Officer) and Ms. Zhao Xiangke (Chief Financial Officer); the non-executive Directors are Mr. Kong Dechang (Chairman) and Mr. Hou Jun; and the independent non-executive Directors are Mr. Ho Kwok Wah, George, MH, Mr. Yu Xuezhong and Dr. Xu Weiguo.*