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## **China Resources Medical Holdings Company Limited**

### **華潤醫療控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1515)**

#### **DISCLOSEABLE TRANSACTION ENTERING INTO THE RESTRUCTURING AGREEMENT IN RESPECT OF JING MEI HOSPITAL AND ITS BRANCHES**

##### **ENTERING INTO THE RESTRUCTURING AGREEMENT**

The Board is pleased to announce that, on June 28, 2020, CR Hospital Holdings, a wholly-owned subsidiary of the Company, entered into the Restructuring Agreement with Jing Mei Group which officially finalized the shareholding structure and cooperation model of the joint investment and development of the medical institutions affiliated to Jing Mei Group by the Contract Parties. The arrangements are set out as follows:

- (1) **The Sponsorship JV:** CR Hospital Holdings and Jing Mei Group shall establish the Sponsorship JV; and the registered capital of which shall then be subsequently increased by Jing Mei Group by way of injecting its entire interest in the Target Hospital Group, and by CR Hospital Holdings in cash. The Sponsorship JV shall be owned as to 49% by CR Hospital Holdings and 51% by Jing Mei Group.
- (2) **The Management JV:** CR Hospital Holdings and Jing Mei Group shall establish also the Management JV. The registered capital of the Management JV shall subsequently be contributed by CR Hospital Holdings and Jing Mei Group in cash. The Management JV shall be owned as to 49% by CR Hospital Holdings and 51% by Jing Mei Group.

(3) **Management arrangements of the Target Hospital Group:** Jing Mei Group, the Management JV and the Target Hospital, shall enter into the Jing Mei OT Agreement on terms similar to the Original Jing Mei IOT Agreement, pursuant to which the Management JV shall provide hospital management services to the Target Hospital Group and receive management fee income accordingly.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the arrangements to establish the Sponsorship JV and the Management JV, and transactions contemplated under the Restructuring Agreement exceed 5% but are less than 25%, the Restructuring Agreement constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated July 20, 2018 in respect of the entering into of the cooperation framework agreement for the joint investment and development of the medical institutions affiliated to Jing Mei Group. The Board is pleased to announce that, on June 28, 2020, CR Hospital Holdings, a wholly-owned subsidiary of the Company, entered into the Restructuring Agreement with Jing Mei Group, which officially finalized the shareholding structure and cooperation model of the joint investment and development of the medical institutions affiliated to Jing Mei Group (i.e. the Target Hospital Group) by the Contract Parties.

#### **Major terms of the Restructuring Agreement**

**Date:** June 28, 2020

#### **The Contract Parties:**

- (1) CR Hospital Holdings; and
- (2) Jing Mei Group.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Jing Mei Group and its respective ultimate beneficial owners are independent third parties.

## **Cooperation Model:**

In order to implement the relevant policies of the State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”) on further reform of state-owned hospitals, the Contract Parties agreed to strengthen the cooperation through the Restructuring Agreement by joint reforms and restructuring of the Target Hospital Group, with a view to preserve and enhance the value of state-owned assets. Detailed cooperation model is set out below:

- (1) **The Sponsorship JV:** CR Hospital Holdings and Jing Mei Group shall establish the Sponsorship JV; the registered capital of which shall then be subsequently increased by Jing Mei Group by way of injecting its entire interest in the Target Hospital Group, and by CR Hospital Holdings in cash. The Sponsorship JV shall be owned as to 49% by CR Hospital Holdings and 51% by Jing Mei Group. Upon its establishment, the Sponsorship JV shall become an associate of the Company.
- (2) **The Management JV:** CR Hospital Holdings and Jing Mei Group shall establish also the Management JV. The registered capital of the Management JV shall subsequently be contributed by CR Hospital Holdings and Jing Mei Group in cash. The Management JV shall be owned as to 49% by CR Hospital Holdings and 51% by Jing Mei Group. Upon its establishment, the Management JV shall become as an associate of the Company.
- (3) **Management arrangements of the Target Hospital Group:** Jing Mei Group, the Management JV and the Target Hospital shall enter into the Jing Mei OT Agreement on terms similar to the Original Jing Mei IOT Agreement, pursuant to which the Management JV shall provide hospital management services to the Target Hospital Group and receive management fee income accordingly. For the duration of the Target Hospital Group, the mentioned management rights shall not be granted or transferred to any third parties without the consents of both Jing Mei Group and CR Hospital Holdings. The Original Jing Mei IOT Agreement shall be terminated with retrospective effect from December 31, 2019, whilst the Jing Mei OT Agreement shall retrospectively become effective on January 1, 2020.

The capital contributions to the Sponsorship JV and the Management JV shall be funded by the internal resources of the Group.

## **The Sponsorship JV**

The Contract Parties agreed to jointly establish the Sponsorship JV which shall be owned as to 49% by CR Hospital Holdings and 51% by Jing Mei Group with initial registered capital of RMB10,000,000, subject to the fulfillment or waiver of all conditions precedent as set out below:

- (a) CR Hospital Holdings having completed the necessary due diligence on the Target Hospital Group, the results of the due diligence are not significantly different from the information disclosed by Jing Mei Group and/or the Target Hospital Group and a written objection to the results of the due diligence not having been filed by CR Hospital Holdings; and
- (b) The Contract Parties having signed all the transaction documents in respect of establishing the Sponsorship JV including (but not limited to) articles of association of the Sponsorship JV, and CR Hospital Holdings having obtained executed version of such transaction documents.

After establishment of the Sponsorship JV, Jing Mei Group shall then inject its entire interest in the Target Hospital Group into the Sponsorship JV, whilst CR Hospital Holdings shall contribute in cash in proportion to its respective shareholdings in the Sponsorship JV, with the maximum capital contributions in the amount of not more than RMB900 million from CR Hospital Holdings. The Contract Parties unanimously agreed that the capital contribution from CR Hospital Holdings shall be applied in the construction, enhancement and integration of various branches, expanding the Target Hospital Group's floor areas for medical treatment, and shall be used to further support the discipline improvement of hospitals and introduction of talents.

The amount of capital contributions (including the contributions in kind) was determined after arm's length negotiation among the Contract Parties with reference to (1) the estimated future capital requirements of the Sponsorship JV; and (2) fair value of the net assets of the Target Hospital Group as indicated in the draft asset valuation report (which is under asset-based approach) on the Target Hospital Group issued by an asset valuer recognised by the Contract Parties, and shall be adjusted according to the audited results of profit or loss during the transition period (i.e. the period commencing from the valuation date and up to the date when the Sponsorship JV obtains its business license).

Other than the aforementioned capital commitment, and unless otherwise unanimously approved by all the Contract Parties in writing, none of the Contract Parties shall have any further obligation to contribute to the capital of the Sponsorship JV or otherwise grant loans or provide any additional funds to the Sponsorship JV. In the case that the shareholders of the Sponsorship JV make any further capital commitments, further announcement(s) will be made by the Company in accordance with the Listing Rules as and when appropriate.

The conditions precedent to the increase in capital contributions to the Sponsorship JV by CR Hospital Holdings are as follows:

- (1) completion of business registration procedures in relation to the establishment of the Sponsorship JV and obtaining its business license;
- (2) an asset valuer, which was unanimously recognised by the Contract Parties, having issued an asset valuation report on the Target Hospital Group and the relevant approval or filing procedures of the SASAC in relation to such valuation results having been completed;
- (3) Jing Mei Group having completed all the required approval procedures in relation to the injection of the entire interest in the Target Hospital Group;
- (4) completion of the registration of the Sponsorship JV as the sponsor of the Target Hospital;
- (5) completion of appointment of directors, supervisors and management personnel nominated/recommended by the Contract Parties to the Sponsorship JV and the Target Hospital in accordance with laws, and the relevant resolutions and appointment documents for internal use having been provided to CR Hospital Holdings;
- (6) all consent, approval, authorization, order, registration, filing or qualification issued by a third party or government authorities necessary for completion of the establishment and increase in share capital of the Sponsorship JV having been obtained, and CR Hospital Holdings having been provided with the relevant certificates;
- (7) a written agreement having been agreed on any continuing connected transaction between the Target Hospital Group and Jing Mei Group or CR Hospital Holdings (if any);
- (8) for the period until capital contributions are made by CR Hospital Holdings, the representations and warranties made by Jing Mei Group under the Restructuring Agreement remaining lawful, true, complete, correct and valid, with obligations thereunder having been fulfilled, and there being no event of default having been occurred or occurring;
- (9) for the period until capital contributions in relation to the capital increase are made by CR Hospital Holdings, there being no significant changes in the capital structure, asset condition, business condition and financial condition of the Sponsorship JV and the Target Hospital Group;

- (10) for the period until capital contributions are made by CR Hospital Holdings, there having been no event, fact, condition, change or other circumstances that have had or are evidenced to have material adverse effects on the Sponsorship JV and the Target Hospital Group; and
- (11) there being no law, regulation, judgement, decision, injunction or order issued by any court or government authority restricting, prohibiting or terminating the transactions under the Restructuring Agreement and there being no pending or potential litigation, arbitration, judgement, decision, injunction or order that has or will have material adverse effects on Jing Mei Group, the Sponsorship JV, the Target Hospital Group or transactions thereunder.

All or part of the conditions precedent in respect of the establishment of and/or capital contributions to the Sponsorship JV could be waived by CR Hospital Holdings. As at the date of this announcement, no conditions precedent mentioned above have been satisfied or waived.

The Sponsorship JV may issue a demand notice if all of the conditions precedent in respect of the capital contributions to the Sponsorship JV mentioned above are satisfied or waived, and CR Hospital Holdings shall make its capital contributions in accordance with the demand notice.

The general meeting is the highest authority of the Sponsorship JV, the voting rights of which shall be exercisable in proportion to the capital contributions made by the Contract Parties. The board of directors of the Sponsorship JV shall consist of five directors, among which, three directors shall be nominated by Jing Mei Group and two by CR Hospital Holdings. The chairman shall be recommended by Jing Mei Group. All directors (including the chairman) shall be elected in the general meeting. Each director shall be appointed for a term of three years, and may be re-elected upon the expiration of their terms. The general manager shall be nominated by CR Hospital Holdings. The financial controller shall be nominated by CR Hospital Holdings and Jing Mei Group on a rotation basis (which the first financial controller shall be nominated by CR Hospital Holdings).

## **The Management JV**

The Contract Parties also agreed that CR Hospital Holdings and Jing Mei Group shall complete the establishment of the Management JV with a registered capital of RMB5,000,000 contributed in cash, which shall be owned as to 49% by CR Hospital Holdings and 51% by Jing Mei Group, within 60 business days after signing of the Restructuring Agreement. The Management JV shall be responsible to manage operation of the Target Hospital Group pursuant to the Restructuring Agreement and the Jing Mei OT Agreement. The registered capital of the Management JV shall be contributed by the Contract Parties in proportion to their shareholding interest on the Management JV. The amount of capital contributions was determined after arm's length negotiation among the Contract Parties with reference to the estimated future capital requirements of the Management JV. The board composition of the Management JV shall be consistent with the board composition of the Sponsorship JV; and the senior management personnel of the Management JV and the Sponsorship JV shall also be consistent.

## **Termination of the Original Jing Mei IOT Agreement and Signing of the Jing Mei OT Agreement**

Within 3 business days after obtaining the business license of the Management JV, Jing Mei Group, the Management JV and the Target Hospital shall enter into the Jing Mei OT Agreement on terms similar to the Original Jing Mei IOT Agreement. The Original Jing Mei IOT Agreement shall then be terminated with retrospective effect from December 31, 2019, whilst the Jing Mei OT Agreement shall retrospectively become effective on January 1, 2020 and shall be effective for the duration of the Management JV. Services provided by the Management JV to the Target Hospital include management services, sharing of medical resources and information technology support. The Management JV shall be entitled to receive all management fee income under the Jing Mei OT Agreement since its effective date. The revenue of the Target Hospital in 2010 is set as the baseline in calculating the management fee. The base management fee is equal to a fixed percentage of the baseline (as adjusted by certain predetermined factors), and the incentive management fee consists of a fixed percentage of the annual revenue in excess of the baseline (i.e. the floating fee) and a fixed percentage of the net income before tax (after deducting the base management fee and the floating fee). The role of Jing Mei Group under the Jing Mei OT Agreement shall be replaced by the Sponsorship JV since the date when the sponsor of the Target Hospital changed to the Sponsorship JV, to ensure all of the rights and obligations of Jing Mei Group under the Jing Mei OT Agreement are transferred to the Sponsorship JV properly, and all relevant documents should be signed. For details about the Original Jing Mei IOT Agreement, please refer to the section headed "Business — Jing Mei IOT Agreement" in the prospectus of the Company.

## **Other terms**

- (1) Pre-emptive right: In the event of new share issue (or increase of share capital in any form) by the Sponsorship JV, the Contract Parties shall have the pre-emptive right in proportion to their respective capital contributions.
- (2) Right of first refusal: No shareholders shall transfer their equity interest, in whole or in part, of the Sponsorship JV to any other third party without the prior written consent of other shareholders. In the event that any shareholder intends to transfer its equity interest, in whole or in part, of the Sponsorship JV to any third parties, other shareholders shall enjoy the right of first refusal towards such equity interest under the same conditions.

## **Long Stop Date**

Shall the establishment of the Sponsorship JV could not be completed by six months since the entering into of the Restructuring Agreements, CR Hospital Holdings shall have right to terminate the Restructuring Agreement or negotiate with Jing Mei Group to postpone the long stop date to a later date as mutually agreed.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE RESTRUCTURING AGREEMENT**

Since 2011, the Group has been cooperating with the Target Hospital Group based on the IOT (Investment-Operation-Transfer) model and taking part in its development and reform. During the period, the Group has injected development funds and resources into the Target Hospital and improved its operation via various measures in the following aspects, including: 1. enhanced the general environment of the Target Hospital Group via renovation and process optimization; 2. improved the technical standards and quality of medical treatment of the Target Hospital Group through introduction of various equipment; and 3. optimised its remuneration structure to establish a mechanism to increase the employees' salaries on a continuous basis. After completion of the reform, the Target Hospital has become a high-quality Grade III general hospital in western districts of Beijing. Since the cooperation started nine years ago, the Target Hospital Group recorded rapid growth in annual revenue from RMB440 million to RMB1.45 billion and the number of outpatient visits per year increased from 467,000 to 1,563,000 whilst the number of inpatient visits per year has increased from 12,300 to 34,600. Certain key indicators regarding its medical standard such as the number of grades 3 and 4 surgeries, interventional operations, and endoscopic treatment have all achieved compound annual growth rates of more than 15%, reflecting the capability of the Group in hospital operation management and also its ability to empower the development of hospitals which guarantees the continued appreciation of such state-owned assets.



Entering into the Restructuring Agreement aims at fully exploring the respective advantages of Jing Mei Group and the Group in jointly participating in the reform and restructuring of the Target Hospital Group, and further introducing development funds, medical and management resources to the Target Hospital Group, so as to improve its management and operational mechanism. The cooperation model under the Restructuring Agreement is a further step compared with the existing IOT model, with reform and cooperation being extended to asset level. First of all, through the transformation of cooperation mechanism, the entrusted management relation shall be developed into the cooperation via equity investment, which shall strengthen the foundation of cooperation and also the hospital-management bonding between the Group and the Target Hospital Group. Secondly, the reform shall continue to introduce new funding for the development of the Target Hospital Group, further extend the reform and restructuring of the institutions, enhance its core competitiveness, and ensure its sustainable development. Thirdly, through the cooperation in expanding the business premises of Jing Mei Hospital. Fourthly, it will be a good example of how the IOT model could be transformed to cooperation in asset level for the reform of non-core business of state-owned enterprises by phases. The Target Hospital Group recorded annual revenue of RMB1.45 billion last year. It is one of the leading hospitals in Mentougou district and one of the core medical institutions in the western region of Beijing with great uniqueness, and therefore the involvement in the reform of the Target Hospital Group is an important strategic move of the Group in Beijing.

The Board (including independent non-executive Directors) is of the view that the terms of the Restructuring Agreement, proposed establishment of the Sponsorship JV and the Management JV and other relevant arrangements thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole. No Directors have material interest in the transaction or shall abstain from voting on the relevant resolutions of the Board.

## **GENERAL INFORMATION**

### **The Group**

The Group is mainly engaged in the provision of general healthcare services, hospital management services as well as group purchasing organization business in the PRC.

### **Jing Mei Group**

Jing Mei Group is a wholly-owned subsidiary of Beijing Energy Holding Company Limited\* (北京能源集團有限責任公司), which currently holds the entire interest in and the sponsorship of the Target Hospital Group. Beijing Energy Holding Company Limited is a comprehensive energy service group which is principally engaged in electricity supply, heat production and supply, coal production and sales, real estate

development and operation, and property management. It is a wholly state-owned enterprise under the State-owned Assets Supervision and Administration Commission of Beijing.

### **The Target Hospital Group**

The Target Hospital Group includes Jing Mei Hospital and its branches and affiliated medical institutions, where Jing Mei Hospital is the only Grade III general hospital providing medical, teaching, scientific researches, prevention and healthcare, emergency and rehabilitation services in the Mentougou district of Beijing. Its branches and affiliated medical institutions include Muchengjian Branch, Datai Branch, Wangping Branch, Menkuang Branch, Da'anshan Branch, Changgouyu Branch, Wanfotang Branch and other affiliated medical institutions and community clinics.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the arrangements to establish the Sponsorship JV and the Management JV, and transactions contemplated under the Restructuring Agreement exceed 5% but are less than 25%, the Restructuring Agreement constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **DEFINITIONS**

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

“Board”	the board of Directors;
“Company”	China Resources Medical Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Contract Parties”	CR Hospital Holdings and Jing Mei Group;
“CR Hospital Holdings”	China Resources Hospital Holdings Company* (華潤醫院控股有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary and a major investment and operation platform in medical sector of the Company;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“Jing Mei Group”	Beijing Jing Mei Group Company Limited* (北京京煤集團有限公司), a company established in the PRC with limited liability. Please refer to the paragraph headed “ General Information — Jing Mei Group” for information about the company;
“Jing Mei OT Agreement”	a management and operation-transfer agreement proposed to be entered into between Jing Mei Group, the Management JV and the Target Hospital under the Restructuring Agreement, pursuant to which the Management JV shall provide hospital management services to the Target Hospital and receive management fee income. It shall replace the Original Jing Mei IOT Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Management JV”	the joint venture proposed to be established by CR Hospital Holdings and Jing Mei Group pursuant to the Restructuring Agreement, which shall be respectively owned as to 49% by CR Hospital Holdings and 51% by Jing Mei Group. Please refer to the paragraphs headed “Major terms of the Restructuring Agreement — The Management JV” of this announcement for details;
“Original Jing Mei IOT Agreement”	the investment-management and operation-transfer agreement entered into among the Group, Jing Mei Group and the Target Hospital in May 2011, which was amended in September 2012;
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Hong Kong, Macau and Taiwan;
“Restructuring Agreement”	a restructuring agreement entered into between the Contract Parties dated June 28, 2020, in relation to, among others, proposed establishment of the Sponsorship JV and the Management JV;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sponsorship JV”	a joint venture proposed to be established by CR Hospital Holdings and Jing Mei Group pursuant to the Restructuring Agreement, which shall be owned as to 49% and 51% by CR Hospital Holdings and Jing Mei Group respectively. Please refer to the paragraphs headed “Major terms of the Restructuring Agreement — The Sponsorship JV” of this announcement for details;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Target Hospital” or “Jing Mei Hospital”	Beijing Jing Mei Group General Hospital* (北京京煤集團總醫院);
“Target Hospital Group”	Jing Mei Hospital and its branches and affiliated medical institutions. Please refer to the paragraph headed “General Information — The Target Hospital Group” of this announcement for details; and
“%”	per cent

By order of the Board  
**China Resources Medical Holdings Company Limited**  
**CHENG Libing**  
*Executive Director and Chief Executive Officer*

Beijing, June 28, 2020

*As at the date of this announcement, the Board comprises Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong, Ms. CHIU Kam Hing Kathy and Mr. LEE Kar Chung Felix as independent non-executive Directors; Mr. WANG Yan as non-executive Director; Mr. SONG Qing, Mr. CHENG Libing, Ms. REN Yuan and Ms. FU Yanjun as executive Directors.*

\* *For identification purposes only*