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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)**

## **CONTINUING CONNECTED TRANSACTION HOSPITAL MANAGEMENT AGREEMENT**

### **CONTINUING CONNECTED TRANSACTION — HOSPITAL MANAGEMENT AGREEMENT IN RESPECT OF THE REHABILITATION HOSPITAL**

The Board is pleased to announced that on March 12, 2021, Hubei Runkang (an indirect wholly-owned subsidiary of the Company) and Shenzhen Runtou Consulting (an indirect wholly-owned subsidiary of CR Land) entered into the Hospital Management Agreement and pursuant to which Shenzhen Runtou Consulting (as the principal) shall appoint Hubei Runkang as the manager to provide comprehensive operation and management services for the Rehabilitation Hospital which include the introduction of management and operation systems by Hubei Runkang, building management team of the hospital, and the introduction of various resources such as hospital brand and medical technology. It shall also rely on the medical and technical resources of the Group in enhancing various disciplines of the Rehabilitation Hospital.

### **LISTING RULES IMPLICATIONS**

At the date of this announcement, CR Holdings (a controlling shareholder of the Company) indirectly holds approximately 59.55% equity interests in CR Land (a company listed on the Stock Exchange, stock code: 1109). Shenzhen Runtou Consulting (as an indirect wholly-owned subsidiary of CR Land) therefore is a connected person of the Company, and the Hospital Management Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions under the Hospital Management Agreement are higher than 0.1% but less than 5%, the Hospital Management Agreement and the annual caps of the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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## **HOSPITAL MANAGEMENT AGREEMENT**

The major terms of the Hospital Management Agreement are as follows:

Date: March 12, 2021

Parties: 1. Hubei Runkang (as the manager); and  
2. Shenzhen Runtou Consulting (as the principal)

### **Hospital Management Services:**

Pursuant to the Hospital Management Agreement, Shenzhen Runtou Consulting shall appoint Hubei Runkang as the manager to provide comprehensive operation and management services for the Rehabilitation Hospital which include the introduction of management and operation systems by Hubei Runkang, building management team of the hospital, and the introduction of various resources such as hospital brand and medical technology. It shall also rely on the medical and technical resources of the Group in enhancing various disciplines of the Rehabilitation Hospital. Further details are set out below:

#### ***1. Preparatory work***

During the preparation period of the Rehabilitation Hospital, Hubei Runkang shall formulate the opening plan, establish a management team of the hospital and provide the executive head of the preparation work unit. It shall also assist Shenzhen

Runtou Consulting in obtaining various approvals for the establishment and practice license of the Rehabilitation Hospital. The scope of work of Hubei Runkang during the preparatory period shall also include establishing the hospital management structure, provision of development plans for the Rehabilitation Hospital, assisting Shenzhen Runtou Consulting in completing the decoration and design work of the Rehabilitation Hospital and procurement of medical equipment, and shall be responsible for the recruitment and training of medical staff, and the integration of supply chain system of medicines and consumables for the hospital.

## ***2. Operation management during the operation period***

Since the commencement of the formal operation, Hubei Runkang shall share its brand and related resources, and also the management, operation and supply chain resources with the Rehabilitation Hospital. The latter should also integrate into the information technology platform, the supply chain system and other supporting systems of the Group. Hubei Runkang will provide a professional management team to the Rehabilitation Hospital and bear the related personnel costs. Regarding the designated medical insurance qualification (醫療保險定點資格) application for the Rehabilitation Hospitals, Hubei Runkang should prepare the required application documents accordingly and ensure that the Rehabilitation Hospital will be able to fulfill the criteria (in respect of its business operation and management) for application for the basic designated medical insurance qualification within 3 months after commencement of its formal operation, and shall try to obtain the formal qualification within the next 9 months. In addition, Hubei Runkang shall assist the Rehabilitation Hospital in building up the medical team for its rehabilitation, geriatrics, Chinese medicine and pain disciplines by providing or recruiting department heads, experts, head nurses and technical staff for these four disciplines and other related works. Hubei Runkang shall also assist Shenzhen Runtou Consulting and the Rehabilitation Hospital in compliance work, providing practical clinical systems for the hospital, enhancing the financial management, budgeting and asset management systems of the hospital, formulating its financial budget, and strengthen the supporting function of the hospital.

### *Term of the agreement:*

The term shall commence from March 12, 2021 to December 31, 2023 (both dates inclusive), a period of approximately 2 years and 10 months. At any time during the sixty day period preceding the expiration of the Hospital Management Agreement, the Hospital Management Agreement may be renewed, upon the mutual written agreement of Hubei Runkang and Shenzhen Runtou Consulting. Shenzhen Runtou Consulting agreed that, under the same terms, priority shall be given to the Group to renew the Hospital Management Agreement. In respect of the renewal arrangement, the Company shall make further disclosure and fulfill other requirements in accordance with the Listing Rules as and when appropriate.

*The next step:*

After Shenzhen Runtou Consulting completes the establishment of the legal entity of the Rehabilitation Hospital, the latter will then enter into a letter of accession in order to become a party of the Hospital Management Agreement and assume the obligations of the hospital thereunder.

*Service fee and payment terms:*

Hubei Runkang shall receive service fee from Shenzhen Runtou Consulting (during the preparation period) or the Rehabilitation Hospital (starting from official opening of the hospital) for provision of various management services under the Hospital Management Agreement.

During the preparation period, Hubei Runkang shall charge a fixed monthly fee of RMB450,000 which should be settled by Shenzhen Runtou Consulting by the 11th date of the next month. If it is less than one month, such fee shall be charged on a pro rata basis. The first installment of such fee should be paid on or before 5 working days from the effective date of the Hospital Management Agreement.

Starting from the official opening of the Rehabilitation Hospital, the service fee shall then be settled by the Rehabilitation Hospital itself. The service fee comprises three components:

- (1) the fixed fee of RMB3.5 million per annum;
- (2) the income related fee (“**Income Related Fee**”) which is equivalent to 6% of the target income of Rehabilitation Hospitals, and adjusted by a certain percentage according to the deviation from the target income (there could be upward or downward adjustments); and
- (3) the operating profit related fee (“**Profit Related Fee**”).

Settlement of the abovementioned fixed fee shall be made by the Rehabilitation Hospital within 10 days after the end of each of the following billing period: in the first year of operation of the Rehabilitation Hospital, the first billing period shall cover the first three months after the date of its official opening, and the second billing period shall be the next three months, and so on, and the last billing period in the first year should cover up to the end of the first calendar year; and since the second year, the billing period should be each calendar quarter.

The above-mentioned Income Related Fee shall be paid by the Rehabilitation Hospital to Hubei Runkang within 15 working days after the end of each of the following billing period: in the first year of operation of the rehabilitation hospital, the first billing period shall cover the first three months after the date of its official opening, and the second billing period shall be the next three months, and so on, and the last billing period in the first year should cover up to the end of the first calendar

year. From the second year, the billing period should be each calendar quarter. The adjustments to the Income Related Fee shall be settled within 10 days after the issue of annual audited financial statements of the Rehabilitation Hospital.

The operating profit in respect of the abovementioned Profit Related Fee is equivalent to the annual revenue of the Rehabilitation Hospital minus all costs and expenses, depreciation of the medical equipment and amortization of software, and then add back the rent paid by the Rehabilitation Hospital to Nanning Runyi Wuxiang Real Estate Co., Ltd.\* (南寧潤頤五象房地產有限公司, which is a subsidiary of CR Land) regarding the property for the operation of the hospital (“**Operating Profit**”). The mentioned costs and expenses should have included all the costs in relation to the management team seconded by Hubei Runkang. The Profit Related Fee will be incurred when the annual Operating Profit reaches RMB30 million, and should be calculated on a progressive basis with reference to different levels of Operating Profit reached. The Profit Related Fee should be calculated by Hubei Runkang within 10 days after the issue of its annual audited financial statements and settled by the Rehabilitation Hospital within 10 days after confirmation of such calculation results by Shenzhen Runtou Consulting.

The said service fee is of normal and commercial terms and was determined after arm’s length negotiation with reference to (1) the business plan and financial budget of the Rehabilitation Hospital project; and (2) the fee structure and calculation basis of the similar management services provided by the Group to third-party customers.

*Annual caps:*

The annual caps in respect of transactions contemplated under the Hospital Management Agreement are set out below:

	For the year ending December 31,		
	2021	2022	2023
	(RMB)	(RMB)	(RMB)
Annual caps	5,050,000	9,400,000	17,230,000

The annual caps in respect of management service fees under the Hospital Management Agreement are determined with reference to: (1) the business plan and financial budget of the Rehabilitation Hospital project; (2) the local demand and competition of the rehabilitation business in Nanning City; (3) the relevant national and local policies issued by the government authorities on the healthcare industry and national medical insurance; and (4) the synergy of relevant resources of the Group.

As of the date of this announcement, the Group has not provided any hospital management services to Shenzhen Runtou Consulting which incurred related management service fees.

## **THE REHABILITATION HOSPITAL**

The Rehabilitation Hospital shall locate in Wuxiang New District of Nanning City, Guangxi Province, which is a new district under the latest urban plan of Nanning City with Beibu Bay as its core area and with the expected population of approximately 1.5 million. The Rehabilitation Hospital should be built and operated by CR Land and its operation will be managed by Hubei Runkang. The hospital should operate as a rehabilitation hospital which is based in Nanning and providing healthcare services in the whole Guangxi Province. The Rehabilitation Hospital covers a land area of 13 mu and gross floor area of approximately 28,750 square meters. According to the plan, it will be a for-profit rehabilitation hospital in nature and aim at opening over 400 beds, and its four disciplines should be rehabilitation, geriatrics, traditional Chinese medicine and pain.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE HOSPITAL MANAGEMENT AGREEMENT**

The Rehabilitation Hospital is located in an ideal location and it has great potential to become a for-profit rehabilitation specialist hospital of good grading. Participating in the cooperation plan will help the Group to further expand its specialty chain strategy, establish its presence in the core hub cities of southern China, and enhance the Group's influence in the local healthcare market. At the same time, the business model of provision of hospital operation management services for the Rehabilitation Hospital has the advantages of low investment risk and scalability. In this flexible cooperation model, the Group should be able to make good use of our medical resources (especially in the rehabilitation specialty) and the great synergy between the Rehabilitation Hospital and our other member hospitals. In addition, the synergy between the Group and the fellow subsidiaries of the China Resources Group shall create strong complementarity and mutual benefits.

Taking into account the above-mentioned factors, the Directors (including independent non-executive Directors) are of the view that the Hospital Management Agreement is entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group. The terms of the Hospital Management Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

No Directors are considered to have material interest in the Hospital Management Agreement. As part of good corporate governance measures, Mr. Song Qing, Mr. Cheng Libing and Ms. Ren Yuan, the executive Directors, and Mr. Wang Yan, the non-executive Director, have abstained from voting on the relevant Board resolutions, given that they serve as senior management in CR Holdings.



## **GENERAL INFORMATION**

### **The Group and Hubei Runkang**

The Group is principally engaged in the provision of general hospital services, hospital management services and GPO business in the PRC. Hubei Runkang is an indirect wholly-owned subsidiary of the Company incorporated in the PRC and is principally engaged in the provision of consulting services in respect of hospital management, investment and corporate management.

### **CR Land and Shenzhen Runtou Consulting**

CR Land is incorporated in the Cayman Islands with limited liabilities and its issued shares are listed on the Main Board of the Stock Exchange. As at the date of this announcement, approximately 59.55% of its issued shares are indirectly owned by CR Holdings, and CR Holdings is ultimately owned by CRCL (which is Chinese state-owned entity supervised by State-owned Assets Supervision and Administration Commission of the State Council). CR Land is principally engaged in the development of properties for sale, property investments and management, hotel operations and the provision of construction, decoration and other property development related services in the PRC. Shenzhen Runtou Consulting is an indirect wholly-owned subsidiary of CR Land incorporated in the PRC, and is principally engaged in property development and provision of investment and corporate management and consultation services.

## **LISTING RULES IMPLICATIONS**

At the date of this announcement, CR Holdings (a controlling shareholder of the Company) indirectly holds approximately 59.55% equity interests in CR Land (a company listed on the Stock Exchange, stock code: 1109). Shenzhen Runtou Consulting (as an indirect wholly-owned subsidiary of CR Land) therefore is a connected person of the Company, and the Hospital Management Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions under the Hospital Management Agreement are higher than 0.1% but less than 5%, the Hospital Management Agreement and the annual caps of the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A 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 of the Company;
“Company”	China Resources Medical Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1515);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“CRCL”	China Resources Company Limited, a company incorporated in the PRC with limited liability;
“CR Holdings”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, which is ultimately owned by CRCL;
“CR Land”	China Resources Land Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1109);
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hospital Management Agreement”	the hospital management agreement in respect of Yuenianhua Nanning Rehabilitation Hospital which has been entered into between Hubei Runkang and Shenzhen Runtou Consulting on March 12, 2021. Please refer to the section headed “Hospital Management Agreement” of this announcement for details;
“Hubei Runkang”	湖北潤康醫療管理有限責任公司 (Hubei Runkang Healthcare Management Co., Ltd*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;



“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Rehabilitation Hospital”	the Yuenianhua Nanning Rehabilitation Hospital, a for-profit hospital project which will be established by Shenzhen Runtou Consulting in Nanning City and focusing on rehabilitation specialty. Please refer to the section headed “Rehabilitation Hospital” of this announcement for details;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	shareholder(s) of the Company;
“Shenzhen Runtou Consulting”	深圳市潤投諮詢有限公司 (Shenzhen Runtou Consulting Co., Ltd*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of CR Land;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

\* For indication purpose only.

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

Beijing, March 12, 2021

*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.*