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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)

CONNECTED TRANSACTION AT SUBSIDIARY LEVEL IN RELATION TO EXPANSION AND LEASE ARRANGEMENTS OF INPATIENT COMPLEX OF WUGANG HOSPITAL

THE FRAMEWORK AGREEMENTS

The Board is pleased to announce that on December 1, 2022 (after trading hours), Wugang Group entered into the Framework Agreements with Wugang Hospital pursuant to which, among other things, (i) Wugang Group together with Wugang Hospital will, at the request and cost of Wugang Hospital, enter into the Construction Agreements with third party contractors for the Expansion Project, with the Construction Consideration to be borne by Wugang Hospital; and (ii) after completion of the Expansion Project, Wugang Hospital (as lessee) will rent the Real Estate from Wugang Group (as lessor) with the aforesaid Construction Consideration as the Rental Fee paid in advance for a Lease term of 20 years.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Wugang Group is a substantial shareholder of CR Wugang, a non-wholly owned subsidiary of the Company, which does not fall within the ambit of insignificant subsidiaries under Rule 14A.09 of the Listing Rules. Accordingly, Wugang Group is a connected person of the Company at its subsidiary level. Wugang Hospital is a sponsored hospital wholly owned by CR Wugang.

As (i) the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the entering into of the Framework Agreements, together with the transactions contemplated thereunder (including the Expansion Project and the Lease Arrangements) exceeds 1% but is less than 5%; and (ii) Wugang Group is a connected person of the Company only because of its connection with a subsidiary of the Company, accordingly, the transactions contemplated under the Framework Agreements are only subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

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MAJOR TERMS OF THE FRAMEWORK AGREEMENTS

Date

December 1, 2022

Parties

- (i) Wugang Group; and
- (ii) Wugang Hospital.

Related Land

The Land is located at No. 21, Qingshan District, Wuhan City, adjacent to Yejin Boulevard in the south, Yejinyi Street in the north, Wugang Yungu Kangyuan in the west and Yangang Road in the east, with a site area of approximately 46,579.05 square metres. The land use right of the Land is owned by Wugang Group as at the date of this announcement.

Expansion Project and On-pay Arrangements

Wugang Group together with Wugang Hospital will, at the request and cost of Wugang Hospital, enter into the Construction Agreements with third party contractors (in order to facilitate the progress of the Expansion Project, Wugang Hospital will also be a signing party to the contracts) in accordance with the design, specifications and other requirements of Wugang Hospital for the Expansion Project, i.e. the exploitation and construction of the Land for expansion of the existing inpatient complex, which involves an inpatient complex (being a 7-storey building located in the southern part of the Land, with a construction area of approximately 13,000 square metres).

Wugang Hospital shall pay the construction fees charged by the third party contractors to Wugang Group for Wugang Group to on-pay the same to the third party contractors. The Construction Consideration shall consist of the total construction investment of the Expansion Project and the actual amount of the expenses, taxes and fees payable related to construction and the Lease, which is expected to be approximately RMB100,000,000 (including but not limited to VAT), to be settled by cash from the Company's internal resources. The Construction Consideration was determined after arm's length negotiation primarily with reference to the estimated costs of materials, manpower and overheads required for undertaking and completing the works under the Construction Agreements. For the avoidance of doubt, in case that the Construction Consideration exceeds RMB100,000,000, such excess amount and related taxes shall still be borne by Wugang Hospital. With reference to the project budget, and to the best knowledge of the Board, it is anticipated that the total cost of the Expansion Project (i.e. the construction cost and other related costs) will not exceed RMB106,590,000.

During the construction of the inpatient complex, at the end of each month, Wugang Hospital shall formulate a plan to make payment to Wugang Group for the following month according to the construction project payment schedule. After confirmation by Wugang Group, the amount shall be transferred to Wugang Group's bank account before the 15th day of the following month to ensure that Wugang Group has sufficient funds in the bank account when making payment to the third party contractors, and that Wugang Group does not advance funds for the Expansion Project. Wugang Group will only make relevant payments after receiving the amount. In the event that the actual payment progress of the Expansion Project exceeds the construction project payment schedule, the said schedule can be adjusted after being approved by Wugang Hospital. The final settlement shall be completed by cash within one month after the audit of the final account of the completion of Expansion Project.

Completion of Expansion Project

The Expansion Project shall be completed within 24 months after the issuance of the construction permit by the relevant government authority.

Wugang Group shall prepare simultaneously for the construction of a multi-storey carpark on the Land that can meet the planning requirement of the Expansion Project. The source of funds, business model and revenue sharing mechanism will be negotiated separately. As at the date of this announcement, the Group has not entered into any agreements in relation to the aforementioned construction of multi-storey carpark. The Company will make further announcement(s) as and when appropriate in accordance with the Listing Rules.

Lease Arrangements

Upon completion of the Expansion Project, Wugang Hospital (as lessee) will rent the Real Estate from Wugang Group (as lessor). The details of the Lease are set out below:

Term: 20 years.

After the completion and acceptance of the Expansion Project, the Lease term shall commence when Wugang Hospital and Wugang Group formally execute the on-site property handover.

Rental Fee: The aggregate amount of the Rental Fee is equivalent to the Construction Consideration, being the total construction investment of the Expansion Project and the actual amount of the expenses, taxes and fees payable related to construction and rental, totaling approximately RMB100,000,000 and in any event not more than RMB106,590,000.

The Rental Fee is considered to be at a reasonable level as compared to the market rental levels of comparable real estate in the same area.

Payment schedule: As described above, the Rental Fee will be prepaid according to the construction progress of the Expansion Project.

During the Lease term, Wugang Group is expected to pay, including but not limited to VAT, property tax, surcharge, and urban basic supporting fees, etc., and such taxes and fees will be paid by Wugang Hospital to Wugang Group in advance. The specific arrangements are agreed in the Lease Agreement. The corresponding amount of relevant taxes for the next year shall be paid by Wugang Hospital in advance before December 30 of each year.

Other terms

As explained above, the Construction Consideration shall be borne by Wugang Hospital. In the event that (i) force majeure (including but not limited to government actions, natural disasters, wars or any other similar events) causes a failure to continue performing the Framework Agreements; (ii) the government expropriates the Land; or (iii) the government requests to demolish the Real Estate, neither Wugang Group nor Wugang Hospital shall bear any legal responsibilities for each other, and the Framework Agreements shall then terminate. The compensation for expropriation shall be distributed reasonably between the parties.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENTS

The Land is located in the area of Wugang Hospital and has unique advantages. The cooperation with Wugang Group on the development of the Land would strengthen the Group's core business and reduce the Group's costs because (i) the Group may realise the synergy with Wugang Group, including optimising the value of the Land and providing customised building(s) with Wugang Hospital to suit its future business needs; and (ii) the construction cost of the Land will be used as the prepaid Rental Fee for the Real Estate, which helps reduce the future administrative costs of Wugang Hospital.

Taking into account the above reasons and the terms of the Framework Agreements, all Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Framework Agreements are fair and reasonable; (ii) the transactions contemplated under the Framework Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the transactions contemplated under the Framework Agreements are in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Framework Agreements and was required to abstain from voting on the relevant Board resolutions.

GENERAL INFORMATION

The Group and Wugang Hospital

Headquartered in Beijing, the Group is mainly engaged in the provision of general healthcare services, hospital management services and group purchasing organization business and other hospital-derived services in the PRC. Wugang Hospital is a sponsored hospital under the Group. It is a grade 3A comprehensive hospital located in Qingshan District, Wuhan City, with over 1,000 beds.

Wugang Group

Wugang Group is a company established in the PRC with limited liability. It is principally engaged in the construction of modern industrial parks in the PRC, assisting to structure a high-quality industrial ecosystem. As at the date of this announcement, Wugang Group holds 49% equity interests in CR Wugang, a non-wholly owned subsidiary of the Company.

As at the date of this announcement, Wugang Group is wholly owned by Baosteel Group Corporation* (中國寶武鋼鐵集團有限公司), which is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council in the PRC.

Pursuant to the applicable Listing Rules, Wugang Group is a connected person of the Company at its subsidiary level.

LISTING RULES IMPLICATIONS

It is expected that, pursuant to IFRS 16, the Lease will be recognised as right-of-use assets with the aggregate consideration equivalent to the Rental Fee to be paid in advance (not exceeding RMB106,590,000) on a one-off basis when the Lease term commences, and the transaction contemplated under the Lease Agreement will be recognised as the acquisition of right-of-use assets and a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. Shareholders should note that the aforesaid figure is unaudited and may be subject to adjustment in the future. The ownership of the Real Estate will remain with Wugang Group pursuant to the Lease Agreement.

As at the date of this announcement, Wugang Group is a substantial shareholder of CR Wugang, a non-wholly owned subsidiary of the Company, which does not fall within the ambit of insignificant subsidiaries under Rule 14A.09 of the Listing Rules. Accordingly, Wugang Group is a connected person of the Company at its subsidiary level. Wugang Hospital is a sponsored hospital wholly owned by CR Wugang.

As (i) the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the entering into of the Framework Agreements, together with the transactions contemplated thereunder (including the Expansion Project and the Lease Arrangements) exceeds 1% but is less than 5%; and (ii) Wugang Group is a connected person of the Company only because of its connection with a subsidiary of the Company, accordingly, the transactions contemplated under the Framework Agreements are only subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements 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;
“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 transaction(s)”	has the meaning ascribed to it under the Listing Rules;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Construction Agreements”	the agreements with regards to design, construction, supervision, audit, etc. to be entered into between Wugang Group, Wugang Hospital and third party contractors for the Expansion Project;
“Construction Consideration”	the consideration for the Expansion Project, as explained in the section headed “Major Terms of the Framework Agreements — Expansion Project and On-pay Arrangements” in this announcement;
“Construction and Cooperation Agreement”	the project construction and cooperation agreement in relation to the expansion of the existing inpatient complex entered into between Wugang Group and Wugang Hospital on December 1, 2022;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“CR Wugang”	China Resources Wugang (Hubei) Hospital Management Co., Ltd.* (華潤武鋼(湖北)醫院管理有限公司), a limited liability company established in the form of a Sino-foreign equity joint venture enterprise in the PRC and a non-wholly owned subsidiary of the Company in which the Company indirectly holds 51% equity interests and Wugang Group directly holds 49% equity interests as at the date of this announcement;
“Directors”	directors of the Company;

“Expansion Project”	the transactions contemplated under the Construction Agreements, namely, the exploitation and construction of the Land for expansion of the existing inpatient complex, which involves an inpatient complex;
“Framework Agreements”	the Construction and Cooperation Agreement and the Lease Agreement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IFRS(s)”	International Financial Reporting Standards, or one or more of the standards thereunder as the context may require;
“Land”	a parcel of land located at No. 21, Qingshan District, Wuhan City, adjacent to Yejin Boulevard in the south, Yejinyi Street in the north, Wugang Yungu Kangyuan in the west and Yangang Road in the east, with a site area of approximately 46,579.5 square metres;
“Lease”	the lease of the Real Estate as contemplated under the Lease Agreement;
“Lease Agreement”	the lease agreement entered into between Wugang Group and Wugang Hospital on December 1, 2022;
“Lease Arrangements”	Wugang Hospital will rent the Real Estate from Wugang Group with the Construction Consideration as the Rental Fee paid in advance; as explained in the section headed “Major Terms of the Framework Agreements — Lease Arrangements” in this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“On-pay Arrangement”	the on-pay arrangement from Wugang Hospital to Wugang Group in respect of the Construction Consideration, as explained in the section headed “Major Terms of the Framework Agreements — Expansion Project and On-pay Arrangements” in this announcement;
“PRC”	the People’s Republic of China, which for the purpose of this announcement does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

“Real Estate”	an inpatient complex to be constructed on the Land pursuant to the Construction Agreements;
“Rental Fee”	the consideration for the Lease, as explained in the section headed “Major Terms of the Framework Agreements — Lease Arrangements” in this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.00025 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;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“VAT”	value-added tax;
“Wugang Group”	Wugang Group Co., Ltd.* (武鋼集團有限公司), a company established in the PRC with limited liability. As at the date of this announcement, it holds 49% equity interests in CR Wugang. Please refer to the section headed “General Information — Wugang Group” of this announcement for details;
“Wugang Hospital”	China Resources Wugang General Hospital* (華潤武鋼總醫院), a sponsored hospital under the Group. Please refer to the section headed “General Information — The Group and Wugang Hospital” of this announcement for details; and
“%”	percent.

* Denotes English translation of the name of a Chinese entity and is provided for identification purposes only.

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

Beijing, December 1, 2022

As at the date of this announcement, the Board comprises Mr. SONG Qing, Mr. CHENG Libing, Ms. REN Yuan and Mr. SHAN Baojie as executive Directors; Mr. HU Hui as non-executive Director; Mr. WU Ting Yuk, Anthony, Mr. KWONG Kwok Kong and Mr. LEE Kar Chung Felix as independent non-executive Directors.